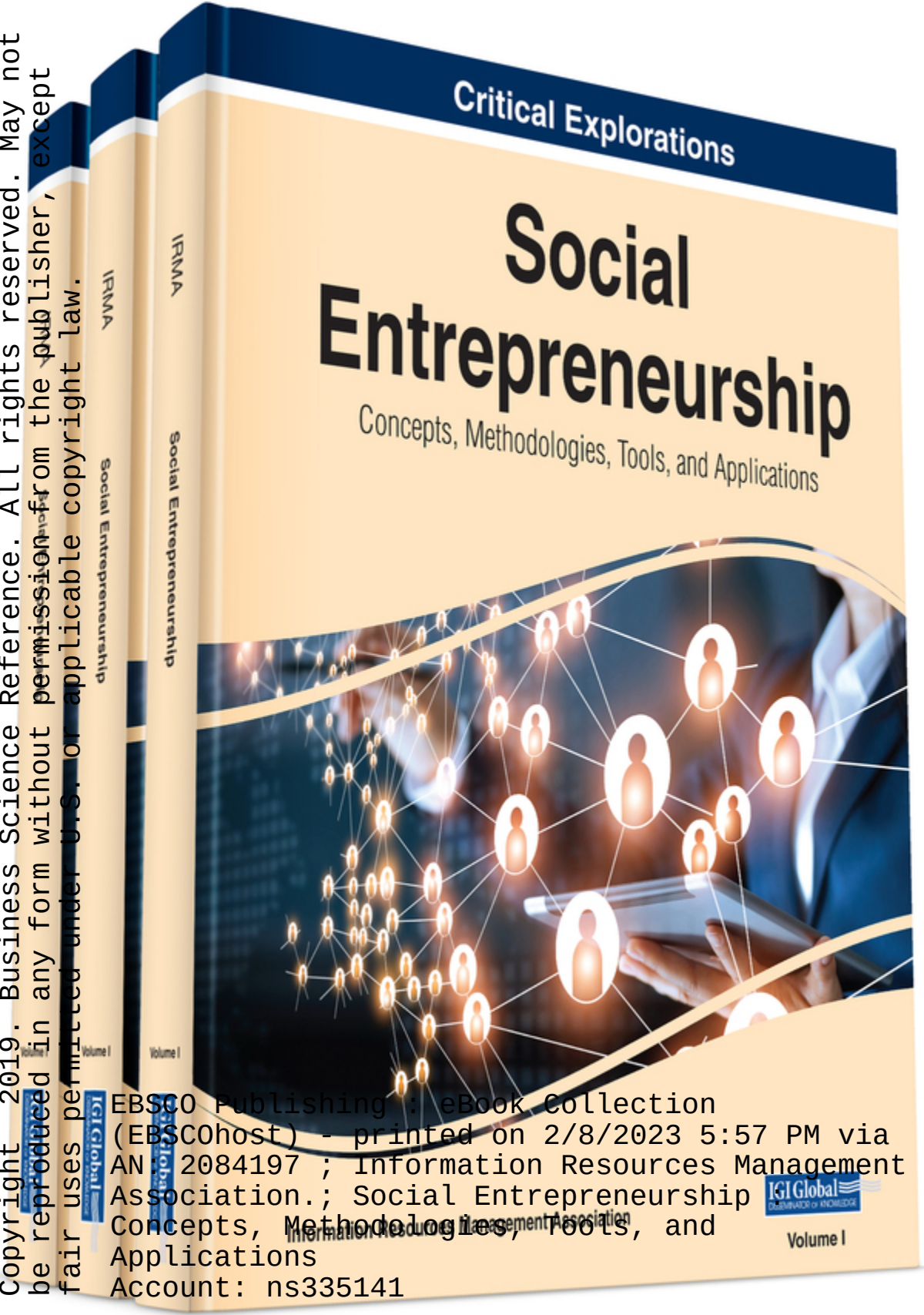

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Preface

The constantly changing landscape of Social Entrepreneurship makes it challenging for experts and practitioners to stay informed of the field's most up-to-date research. That is why Business Science Reference is pleased to offer this three-volume reference collection that will empower students, researchers, and academicians with a strong understanding of critical issues within Social Entrepreneurship by providing both broad and detailed perspectives on cutting-edge theories and developments. This reference is designed to act as a single reference source on conceptual, methodological, technical, and managerial issues, as well as to provide insight into emerging trends and future opportunities within the discipline.

Social Entrepreneurship: Concepts, Methodologies, Tools, and Applications is organized into eight distinct sections that provide comprehensive coverage of important topics. The sections are:

1. Fundamental Concepts and Theories;
2. Development and Design Methodologies;
3. Tools and Technologies;
4. Utilization and Applications;
5. Organizational and Social Implications;
6. Managerial Impact;
7. Critical Issues and Challenges; and
8. Emerging Trends.

The following paragraphs provide a summary of what to expect from this invaluable reference tool.

Section 1, "Fundamental Concepts and Theories," serves as a foundation for this extensive reference tool by addressing crucial theories essential to the understanding of Social Entrepreneurship. Introducing the book is "Social Innovation, Entrepreneurship, and Sustainability" by João M. S. Carvalho: a great foundation laying the groundwork for the basic concepts and theories that will be discussed throughout the rest of the book. Section 1 concludes and leads into the following portion of the book with a nice segue chapter, "Introduction of Social Media Platforms and Social Media Analytics for Social CRM" by In Lee.

Section 2, "Development and Design Methodologies," presents in-depth coverage of the conceptual design and architecture of Social Entrepreneurship. Opening the section is "Ethical Behavior and the Development Paradigm" by Punam Gupta and Dinesh Kumar. Through case studies, this section lays excellent groundwork for later sections that will get into present and future applications for Social Entrepreneurship. The section concludes with an excellent work by Aldona Frączkiewicz-Wronka, Monika Tkacz, and Saioa Arando, "The Business Model of a Public Social Partnership: Contextual Determinants."

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Section 3, "Tools and Technologies," presents extensive coverage of the various tools and technologies used in the implementation of Social Entrepreneurship. The first chapter, "A Framework for Using Crowdsourcing in Government" by Benjamin Y. Clark, Nicholas Zingale, Joseph Logan, and Jeffrey Brudney, lays a basis for the types of works that can be found in this section. The section concludes with "Software Process Paradigms and Crowdsourced Software Development" by Nitasha Hasteer, Abhay Bansal, and B. K. Murthy. Where Section 3 described specific tools and technologies at the disposal of practitioners, Section 4 describes the use and applications of the tools and frameworks discussed in previous sections.

Section 4, "Utilization and Applications," describes how the broad range of Social Entrepreneurship efforts has been utilized and offers insight on and important lessons for their applications and impact. The first chapter in the section is "Disruption and Deception in Crowdsourcing" written by Agnieszka Onuchowska and Gert-Jan de Vreede. This section includes the widest range of topics because it describes case studies, research, methodologies, frameworks, architectures, theory, analysis, and guides for implementation. The breadth of topics covered in the section is also reflected in the diversity of its authors, from countries all over the globe. The section concludes with "Managing Small Business Social Responsibility (SBSR) in Formalized Network Using a Euclidean Perspective" by Laura Corazza and Maurizio Cisi, a great transition chapter into the next section.

Section 5, "Organizational and Social Implications," includes chapters discussing the organizational and social impact of Social Entrepreneurship. The section opens with "Technology and Innovation: The Connection of Social and Technological Networks in China" by Ron Berger. This section focuses exclusively on how these technologies affect human lives, either through the way they interact with each other or through how they affect behavioral/workplace situations. The section concludes with "How Social Commerce Emerged: The Role of Social Word of Mouth – Social Commerce" by Nick Hajli.

Section 6, "Managerial Impact," presents focused coverage of Social Entrepreneurship in a managerial perspective. The section begins with "Defining the Role of Social Media as a Contemporary Local Area Marketing Technique in Franchising" by Geoffrey Webster and Margee Hume. This section serves as a vital resource for developers who want to utilize the latest research to bolster the capabilities and functionalities of their processes. The chapters in this section offer unmistakable value to managers looking to implement new strategies that work at larger bureaucratic levels. The section concludes with "Business and Technology Trends in Social CRM" by Anteneh Ayanso.

Section 7, "Critical Issues and Challenges," presents coverage of academic and research perspectives on Social Entrepreneurship tools and applications. The section begins with "Beyond Micro-Tasks: Research Opportunities in Observational Crowdsourcing" by Roman Lukyanenko and Jeffrey Parsons. Chapters in this section will look into theoretical approaches and offer alternatives to crucial questions on the subject of Social Entrepreneurship. The section concludes with "Sustainability and Competitive Advantage: A Case of Patagonia's Sustainability-Driven Innovation and Shared Value" by Francesco Rattalino.

Section 8, "Emerging Trends," highlights areas for future research within the field of Social Entrepreneurship, opening with "Social Business: A Way to Promote Organizational Transformation" by Maria João Ferreira, Fernando Moreira, and Isabel Seruca. This section contains chapters that look at what might happen in the coming years that can extend the already staggering amount of applications for Social Entrepreneurship. The final chapter of the book looks at an emerging field within Social Entrepreneurship in the excellent contribution "Translation Learning Environments for the Future: Online Collaborative Practices" by Maria del Mar Sanchez Ramos.

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Although the primary organization of the contents in this multi-volume work is based on its eight sections, offering a progression of coverage of the important concepts, methodologies, technologies, applications, social issues, and emerging trends, the reader can also identify specific contents by utilizing the extensive indexing system listed at the end of each volume. As a comprehensive collection of research on the latest findings related to using technology to providing various services, *Social Entrepreneurship: Concepts, Methodologies, Tools, and Applications* provides researchers, administrators, and all audiences with a complete understanding of the development of applications and concepts in Social Entrepreneurship. Given the vast number of issues concerning usage, failure, success, policies, strategies, and applications of Social Entrepreneurship in countries around the world, *Social Entrepreneurship: Concepts, Methodologies, Tools, and Applications* addresses the demand for a resource that encompasses the most pertinent research in technologies being employed to globally bolster the knowledge and applications of Social Entrepreneurship.

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Section 1

Fundamental Concepts and Theories

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Chapter 1
Social Innovation, Entrepreneurship, and Sustainability

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ABSTRACT

This chapter provides a summarized and objective review over the relationships among innovation, social innovation, entrepreneurship, social entrepreneurship, new business models (NBM), value proposition and sustainability (economic, social, ecological, and psychological). A study has been done in Porto region through interviews with 13 social innovators and entrepreneurs to evaluate those relationships. The conceptual base for the analysis presented in this chapter is tetrad-value theory. It has been concluded that market-oriented social innovation has a crucial role in the social entrepreneurship development. Moreover, these NBM should be adjusted to population needs towards societal well-being, by combining creation of shared value, co-creation of value, and multiple value creation. Thus, a transformational value proposition contributes to economic, social, ecological, and psychological sustainability, and consequently to human, social and territorial development.

INTRODUCTION

This chapter begins with the theoretical framework that underlies the concepts of entrepreneurship, social entrepreneurship, entrepreneurial partnerships, innovation, social innovation, sustainability, new business models (NBM), and the relations among them and their impact on regional development.

For the purpose of this chapter, the theory developed since the international presentation of Carvalho, Sousa, Ferreira, Silva, & Novo (2013), first published by Carvalho and Jonker (2015) and coined as tetrad-value theory (Carvalho & Sousa, 2015) was applied to the analysis of 13 cases of social innovation and entrepreneurship. The main characteristics of these NBM were assessed, as well as their link to a balanced value proposition (Carvalho & Jonker, 2015) that considers economic, ecological, social, and psychological factors, which contribute to a broader concept of sustainability (Carvalho, 2016).

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These case studies illustrate what is happening in Porto region in terms of social innovation and social entrepreneurship. The methodology followed is qualitative, based on interviews with the leaders of the projects and institutions. The analysis allows to draw conclusions about the new trends of social innovation in the region and in Portugal, as well as the adjustment of the social sector to population needs and towards a societal well-being, helping to reduce social exclusion.

The impact on regional and national development is perceived indirectly by the positive impact of these organizations on economic, ecological, social, and psychological sustainability. The latter is a new broad concept developed in connection to the concepts of psychological value (Carvalho & Jonker, 2015) and mental well-being (European Union, 2011).

The NBM analyzed here show the importance of the concepts of creation of social and shared value (Austin & Seitanidi, 2012b; Porter & Kramer, 2011); co-creative networks (Chatterjee, 2013; Zott, Amit, & Massa, 2011); and multiple value creation (Carvalho, 2016; Elkington, 1997).

In the end of the chapter, a new model is presented, which considers psychological sustainability as the fourth pillar of human, social, and territorial development – societal sustainability.

BACKGROUND

Entrepreneurship

The identification of business opportunities and the use of enterprise skills to create a new organization or develop an existing one is at the core of the concept of entrepreneurship, which contributes to personal and professional self-realization, active citizenship and social inclusion of the individuals (Vázquez, Lanero, Gutiérrez, & García, 2011).

The entrepreneurial activity is influenced by a set of cognitive (self-efficacy, scripts, cognitive styles, analyzing problems, etc.) and non-cognitive (creativity, autonomy, self-confidence, etc.) competences, and is conditioned by factors like education, family experience in business, access to finance (e.g., Fairlie & Holleran, 2012), and other environmental variables from the entrepreneurial ecosystem: entrepreneurial finance; government policies (support and relevance; taxes and bureaucracy); government entrepreneurship programs; entrepreneurship education (at school age; at post school stage); R & D transfer; commercial and legal infrastructure; internal market (dynamics; burdens or entry regulation); physical infrastructure; and cultural and social norms. These variables were pointed out in the Global Entrepreneurship Monitor (Kelley, Singer, & Herrington, 2016) as the nine structural conditions that facilitate or constrain entrepreneurial activity.

The analysis of the conceptual definitions of entrepreneurship in the literature leads to the conclusion that all approaches are complementary. Entrepreneurship is seen as a process of identifying and valuing an opportunity, and creating value through a package of resources in order to exploit it (Engelen, Heinemann, & Brettel, 2009; Morris, Kuratko, & Covin, 2008; Sahlman, Stevenson, Roberts, & Bhide, 1999; Shane & Venkataraman, 2000; Stevenson & Jarillo-Mossi, 1986). Other authors defend that this process should be innovative and increase wealth, and that it is based on entrepreneurial skills like risk-taking, autonomy, and pro-activeness (Nasution, Mavondo, Matanda, & Ndubisi, 2011). In the same line of thought, there are sociological points of view like those of Shapero and Sokol (1982) who state that all organizations and individuals have the potential to be entrepreneurial, and that creating new organiza-

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tions is a social and economic context-dependent process (Reynolds, 1991; Thornton, 1999). Thus, the entrepreneurial process is viewed as an outcome of a complex social process, shaped by the profile of the entrepreneur, as well as the context surrounding the new venture (Chell, 2008; Gartner, 1985; Steyaert & Katz, 2004). For Chell (2007) entrepreneurship includes both business and social enterprises, and it is seen as a process of recognizing and pursuing opportunities in relation to the available resources for the creation of value.

Linked to the concept of entrepreneurship is the notion of entrepreneur. He/she has been seen as an innovator (creative destruction) who disrupts the economic equilibrium (Schumpeter, 1934), and can manage the innovation transfer process from an idea into a market (Raab, Stedham, & Neuner, 2005); as an individual who undertakes risks and develops innovations, even within an existing organization (intrapreneur), showing creativity and being responsible for identifying new opportunities in the market (Rathna & Vijaya, 2009); as a person committed in terms of equity, time, and career to creating economic value (Hornaday, 1992), who designs, develops and conducts visions as the ability to set and achieve goals (Filion, 1999); as someone who has the capacity to build an entrepreneurial or venture team to complement his own skills and talents, and possesses the know-how to find, manage, and control resources (Timmons, 1994).

Venkataraman (1997) suggested that entrepreneurship can have economic, psychological, and social consequences, and Cohen and Winn (2007) added environmental consequences in their definition of sustainable entrepreneurship. Carvalho and Jonker (2015) develop these four perspectives in terms of a balanced value creation theory, which was developed as tetrad-value theory (Carvalho, 2016; Carvalho & Sousa, 2015). Dean and McMullen (2010) also talked about sustainable entrepreneurship as a process linked to economic opportunities that are present in market failures.

By integrating all these ideas, we define an entrepreneur as a person that can identify opportunities inside and outside an organization, and who has the skills to gather tangible (material, financial, and people) and intangible resources (teamwork, partnerships, knowledge, etc.) to plan and start a new project or activity while controlling risks, and increasing economic, social, ecological and psychological values. Consequently, entrepreneurship is the process conducted by entrepreneurs, and can be summarized by the creation of something, most of the times through an organization, to serve and satisfy human wants and needs (Carvalho & Jonker, 2015).

The study of Praag and Versloot (2008), based in the analysis of 57 other studies, shows that entrepreneurs have a great impact on employment, economic growth, and innovation. Thus, their contribution to regional development is a natural consequence, positively affecting all companies in the long run. More, there is a strong evidence suggesting that high-growth entrepreneurship has a significant impact on economic development across nations (Wong, Ho, & Autio, 2009), and that economic development depends on high rates of productive entrepreneurship (Bianchi, 2010). In underdeveloped regions (Base of the Pyramid – Prahalad & Hart, 2002), entrepreneurship can contribute for inclusive growth, but it may also lead to negative outcomes such as crime and social exclusion (Hall, Matos, Sheehan, & Silvestre, 2012). Entrepreneurship policies should be based on economic and social indicators to avoid this possible negative societal effect. There are studies (e.g., Fiorentini, 2006; Mutis & Ricart, 2008) that focus on social-oriented companies, which by developing NBM to address low-income markets effectively and profitably, increase their value based on co-creation and strategic networking. Therefore, it might be possible to teach and train entrepreneurial skills, and create or sponsor a better contextual environment to enhance entrepreneurial success contributing to the regional and national societal development.

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Social Entrepreneurship

There is a significant demand for entrepreneurs with a new vision to cope with global, national and local problems that the market and the state have failed to solve (OECD, 2010). These opportunities emerge as new social enterprises, which can be defined as organizations driven by social or cultural values as opposed to financial gain or profit. Therefore, social entrepreneurs create value but they are not motivated by the appropriation of this value (European Commission, 2013; Santos, 2012). On the one hand, a social enterprise seeks to respond to the social needs of its target publics, and for that it needs to be financially sustainable. On the other hand, an enterprise aiming to be profitable needs to serve its stakeholders, namely the shareholders, in order to achieve that goal. Thus, while social entrepreneurship views stakeholders as the "ends" and the social enterprise as the "means" of entrepreneurship, economic entrepreneurship has the opposite perspective and treats the stakeholders as a mean to accumulate financial capital (Ridley-Duff & Bull, 2013). Hence, with different leading purposes, all the organizations must satisfy the economic, social, ecological and psychological demands of their stakeholders through a process of value creation as already mentioned in the last section. However, social value creation is considered the distinctive feature of social entrepreneurship (Sullivan-Mort, Weerawardena, & Carnegie, 2003).

Several authors have contributed to a definition of social enterprises adding complementary approaches: the concept of social innovation (e.g., Mulgan, Tucker, Ali, & Sanders (2007); the quest for business solutions to social problems (e.g., Chell, Nicolopoulou, & Karataş-Özkan, 2010); the community and voluntary work from private and public organizations that seek to solve social problems (e.g., Austin, Stevenson, & Wei-Skillern, 2006; Dees, 1998; Dees & Anderson, 2003) through hybrid structures with a mix of non-profit and for-profit activities (Dart, 2004); the enhancement of social wealth by creating new ventures and managing in an innovative manner (e.g., Chell, 2007; Zahra, Gedajlovic, Neubaum, & Shulman, 2009); and the creation of value congruent with the social cause and the social community aiming a transformative social change through innovative activities (Tapsell & Woods, 2010) in a historical and cultural context (Austin et al., 2006; Chell, 2007; Roberts & Woods, 2005).

In brief, social entrepreneurship seeks the common good, namely the sustainability for both people and planet (Carvalho & Costa, 2015; Muscat & Whitty, 2009), looking for "sustainable solutions to neglected problems" (Santos, 2012, p.335), through a new combination of resources that creates social value (Mair & Marti, 2006; Short, Moss, & Lumpkin, 2009; Smith & Woodworth, 2012), in particular combining business and innovative perspectives for social purposes (Chell, 2007; Mair & Marti, 2006; Peredo & Mclean, 2006).

There is also a large institutional and political interest in the local and regional developmental role of social enterprises (Chell, Karatas-Ozkan, & Nicolopoulou, 2007; Haugh, 2007). Escobar and Gutiérrez (2011, p.45) state that "social entrepreneurs are agents that respond to market failures with innovations that are transformational and financially sustainable". Kostetska and Berezyak (2014) defend that social entrepreneurship could be "a generator of socially oriented economic development" (p.569), depending on the support of the state. The spread of this kind of innovative approach is considered a major criterion for the success of social entrepreneurs (Kramer, 2005), and they have been recognized for their contribution to social, economic, cultural and environmental wealth (Shaw & Carter, 2007). All these approaches underline the close bonds between social entrepreneurship and economic and social development, as well as with innovation, entrepreneurial orientation, and social change (Kramer, 2005; OECD, 2010; Perrini, Vurro, & Costanzo, 2010). For Balta, Darlington, Smith, and Cornelius (2012), the adoption of entrepreneurial orientation with a market-oriented strategy and social innovation practices provides the

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potential for sustainability and growth of social enterprises. Entrepreneurial orientation is associated with risk-taking, innovation and pro-activeness (Covin & Slevin, 1988), whereas market orientation is associated with gathering, disseminating and analyzing market intelligence, responsiveness to the market, and inter-functional coordination (Carvalho, 2005, 2009), i.e., to offer the best product (good, service or idea) to serve and satisfy customers' needs. Thus, entrepreneurial and market orientations are also innovative processes that will allow social organizations to intensify and fulfill their missions.

Social entrepreneurship can also be seen as a NBM that combines innovative ideas for a social change with a business mentality (Germak & Singh, 2009; Kramer, 2005), and thereby it will be a potentially radical innovation (Austin et al., 2006; Dees, 2009; Witkamp, Raven, & Royakkers, 2011) in programmatic and fiscal terms (Harding, 2004; Roberts & Woods, 2005) to solve broader social issues. However, it seems that improving the quality of life through social value creation that leads to social change can be achieved not always by radical innovation, but also by incremental paths (OECD, 2010).

The integration of values related to an old culture based on charity with a modern view of an entrepreneurial culture based on problem solving is a requisite to success of social entrepreneurship (Dees, 2012). Societal forces may shape the role of social entrepreneurs, but their motivation, cognitions and capital are essential for them to be the entrepreneurial agents in the process (Grimes, McMullen, Vogus, & Miller, 2013).

Social enterprises are part of the social economy, which also includes foundations, charities, mutual societies and cooperatives. Social enterprises are businesses trading for social purposes, within the (social) economy (European Commission, 2013). According to the EU Social Business Initiative, the social economy employs over 11 million people in the EU, accounting for 6% of total employment. It is recognized by European Commission (2013) that social economy and social entrepreneurship can clearly play a role in regional development and social inclusion. There are also examples of countries that assume by law this kind of goals. For instance, in Spain the Law 5/2011 regulates the concept of Social Economy and among its guiding principles is stated the "promotion of internal solidarity with society that favors commitment to local development, equality of opportunities between men and women, social cohesion, insertion of people in risk of social exclusion, the generation of stable quality employment, the reconciliation of private, family and work life and sustainability". In the same way, in Portugal, the Law 30/2013 states that the organizations of social economy should reconcile the interests of members, users or beneficiaries with the public interest, in respect for the values of solidarity, equality and non-discrimination, social cohesion, justice and fairness, transparency, shared individual and social responsibility, and principle of subsidiarity.

Innovation and Social Innovation

Schumpeter (1934) was one of the first authors to acknowledge the role of innovation in cultural, social, and political aspects of society besides the economic one. As such, innovation can be seen as the generation, acceptance, and capacity to change or adapt new ideas, processes, products or services by organizations (Thompson, 1965) in order to advance, compete and differentiate themselves successfully in the market (Baregheh, Rowley, & Sambrook, 2009), and to prepare the future of the business (Carvalho, 2013) through an interactive process involving both formal and informal relationships among various actors interacting through social networks (Doh & Acs (2010).

Lundström and Zhou (2011) differentiate technological, business and social innovation. The former focuses on knowledge production and ends with R&D results (new ideas) that can or cannot be used to

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make products. The second focuses on economic benefits from business innovations like market share or profit rate. And the last focuses on social value like the solution for social problems with limited resources, seeking for political recognition, financial support, voluntary labor, and philanthropic commitment.

Hurley and Hult (1998) introduced the concept of innovativeness, as the capacity of an organization to be open to new ideas, and consider it as a measure of its orientation towards innovation. These authors also introduce the concept of ability to innovate, as the organization's capacity to adopt and implement new ideas, processes, or products successfully. Thus, innovativeness reflects a firm's propensity to engage in new idea generation, experimentation, and R&D activities resulting in new products and processes (Lumpkin & Dess, 1996). It is important to notice that there are new characteristics in the way companies are innovating: co-creation of value with customers; global knowledge sourcing and collaborative networks; and global challenges and public-sector problems as drivers of innovation (Prahalad, McCracken, & McCracken, 2009).

Taylor (1970) pointed out that social innovation involves activists and social entrepreneurs to meet social needs by doing things in a new way. Holt (1971) emphasized that technological innovation is concerned with application of new technology, whereas social innovation deals with the application of new social patterns of human interaction. Drucker (1987) considered social innovation as a complement of technological innovation, including educational methods, hospital administration, and marketing practices that impact on productivity. Mulgan (2006, p.146) defines social innovation as "innovative activities and services that are motivated by the goal of meeting a social need and that are predominantly developed and diffused through organizations whose primary purposes are social", which can be complemented by the definition of Phills et al. (2008, p.36) as "a novel solution to a social problem that is more effective, efficient, sustainable, or just than existing solutions, and for which the value created accrues primarily to society as a whole rather than to private individuals".

Social innovations are related with the use of social means (inventiveness of citizens, civil society organizations, local communities, businesses, and public agents) to achieve social ends (Caulier-Grice, Kahn, Mulgan, Pulford, & Vasconcelos, 2010), creating shared value, both economic and social (Porter & Kramer, 2011). Although business innovation is considered market- and consumer-driven (Mulgan et al., 2007), to be successful it should satisfy unmet human and societal needs and desires (Carvalho, 2013) as well as happens with social innovation. Both business and social innovation are needed to improve quality of life in Europe, and to promote sustainability of welfare state social systems (European Commission, 2013). In particular, social innovation seeks new answers to social problems, implying conceptual, process, product, and organizational changes, based on new relationships with stakeholders and territories (OECD, 2010).

As we have seen in regards to social entrepreneurship, there are two types of innovation: incremental and radical (Abernathy, 1978) or disruptive (Christensen, 1997). Also, some social innovations can be incremental (as they build on what already exists), while others are radical, disruptive and generative, transforming approaches and situations, like those targeting new customers and those addressing the low-income market with low-cost products (Christensen & Raynor, 2003). The ultimate goal of social innovation should be systemic change linked to disruptive innovation. Systemic change involves the interaction of social movements, business models, laws and regulations, data and infrastructures, and entirely new ways of thinking and doing things (Murray, Caulier-Grice, & Mulgan, 2010).

In what regional development is concerned, it is important to consider science and technology parks based on natural sciences and technologies, and social innovation parks based on social sciences and technologies, which support diversified innovative activities, such as organization development, knowl-

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edge transfer, social technology progress, educational and training programs and entrepreneurship services (Lundström & Zhou, 2011). There is also the concept of territorial innovation models (industrial districts, milieux innovateurs, new industrial spaces, local production systems, etc.), which are models of regional innovation and local development (Moulaert & Sekia, 2003; Moulaert & Mehmood, 2010). These models represent what happens in several countries, like France, Italy and the USA, regarding the role of the endogenous potential of institutions in launching innovative dynamic firms (Aydalot, 1986), with a great focus on cooperation and partnership (Becattini, 1987), a regional learning economy (Edquist, 1997; Storper & Scott, 1988; Saxenian, 1994), and systems of innovation (Bartholomew, 1997; Cooke, Uranga, & Etxebarria, 1997; Freeman, 1995). All these types of innovation and R & D networks are seen as important mechanisms for regional economic development (Yokura, Matsubara, & Sternberg, 2013).

Other concept around social innovation is "Socio-Ecological Innovation" that concerns innovation resulting from the strategic integration of sustainable innovation that is part of the organizational culture, and innovation for sustainability that addresses ecological or societal issues (Edgeman & Eskildsen, 2013). Olsson and Galaz (2011) suggest that socio-ecological innovation should work more directly toward social justice, poverty alleviation, environmental sustainability, and democracy rather than toward profits. Thus, innovation can also be a key enabler of sustainability (Nidumolu, Prahalad, & Rangaswami, 2009).

Other important issue concerns the form of a social enterprise. It depends on which format will be most effective on mobilizing resources to address a social or environmental problem, and "can occur within or across the non-profit, business or government sector" (Austin et al., 2006, p. 2). Van Looy et al. (2011) show that the scientific productivity is positively associated with entrepreneurial effectiveness, through patent activity and contract research. Thus, the link between the universities, the industries and the state is very important to achieve a more effective innovative and entrepreneurial activity (e.g., Etzkowitz & Ranga, 2011).

Light (2006) describes a social entrepreneur as "an individual, group, network, organization, or alliance of organizations that seeks sustainable, large-scale change through pattern breaking ideas in what or how governments, nonprofits, and businesses do to address significant social problems" (p. 50). Therefore, nowadays, a preferable approach seems to be the idea of a partnership between sectors for the innovation in the development of solutions for social issues in a broad perspective. Presently, a 4th sector seems to be emerging, which is constituted by "integrated enterprises" or "hybrid enterprises" that are in the intersection of the public, private and social sectors (Escobar & Gutiérrez, 2011; Michelini, 2012), and that is related to new processes of social innovation. Recent studies (e.g., Manning & Roessler, 2014) point out the concept of "cross-sector development partnerships", which aggregate business, government, and civil society organizations as a basis for development at many dimensions such as sustainability, health education, and economic development. Other studies (e.g., Arnkil, Järvensivu, Koski, & Piirainen, 2010; Eriksson, Niitamo, & Kulkki, 2005) talk about a quadruple helix approach to innovation that includes civil society, defending a user-driven innovation. However, one can see this idea already developed in the context of market orientation literature (e.g., Carvalho, 2009).

Thus, it seems that cross-sector collaboration and the process of hybridization has advantages. They allow for more efficiency, by reducing costs through a more efficient sharing of resources and capabilities, and by improving product distribution and services. Also, they contribute to projects that are more innovative, creating new products and services, and more social sustainable in terms of business models, human capital, information, reputation, and credibility (Escobar & Gutiérrez, 2011). They also lead to social innovation and new ways of governance and management with more benefits for society (Austin et al., 2006; Crane & Matten, 2007; Grudinschi et al., 2013; Jupp, 2000; Le Ber & Branzei, 2010; Phills,

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Deiglmeier, & Miller, 2008). These kinds of collaborative partnerships between the private, public, and third sectors can also lead to participative processes and people's empowerment, which are considered essential aspects of social innovation with an impact on regional and local policies ((Edwards-Schachter et al., 2012; Klein, Fontan, Harrisson, & Lévesque, 2012; Prahalad & Krishnan, 2008; Thomke & von Hippel, 2002; von Hippel, 1985, 2005). However, the state has a crucial role in establishing legal and tax conditions and a favorable institutional environment for the creation of all kind of social enterprises (Kostetska & Berezyak, 2014).

In fact, social innovation can happen within any sector, but seems to appear more often in the space between the three sectors (Lundström & Zhou, 2011), supported by open innovation, as a sharing attitude and by the use of external ideas and technologies, collaboration, self-organization, decentralization, transparency of process, empowerment, and plurality of participants (Chesbrough, 2006). Moreover, social innovation can be the grounds for designing and implementing programs to improve local and regional economic development and people's quality of life (Edwards-Schachter, Matti, & Alcántara, 2012). In January 2009, EC President Barroso met social innovation experts and stakeholders in Brussels (BEPA, 2010) to discuss and explore ways to boost social innovation, leading to new European Commission policies in this domain like those published in 2010 (European Commission, 2010a, 2010b, 2010c) where social innovation and open innovation, next to technological innovation, are considered as key features of Europe's innovation policy.

Thus, stimulating innovation, entrepreneurship and the knowledge-based society is the core of the Europe 2020 Strategy (European Commission, 2013).

New Business Models

A business model can be defined as the organizational method to use resources and offer a better value to customers and make money with that (Afuah & Tucci, 2001), or "as the blueprint of how a company does business" (Osterwalder, Pigneur, & Tucci, 2005, p.4). Thus, creating and offering value is the common foundation of every business model.

The NBM appear with novel characteristics like the crucial role of stakeholders (Freeman, 1984); the creation of social and shared value (Austin & Seitanidi, 2012b; Porter & Kramer, 2011); co-creative networks (Chatterjee, 2013; Zott et al., 2011); and multiple value creation (Elkington, 1997). Multiple value creation refers to the idea that sustainability implies the organization of several types of value such as ecological, social, economic (or financial), and psychological value (Carvalho & Jonker, 2015). The concept of shared value means that values can benefit other entities beyond their creator. And collective value creation refers to the collaboration between partners in order to create value.

Thus, a business model is a conceptual and operational tool that describes the values (economic, social, ecological and psychological) offered to the main organizational stakeholders, through the creation of a product (good, service or idea), the organization and coordination of key activities of the team and the partners, and the design of a marketing plan, to deliver those values and achieve economic, social, ecological, and psychological sustainability (Carvalho & Jonker, 2015).

It is important to notice that among the proposed determinants of value creation (e.g. Austin & Seitanidi, 2012a; Pitelis, 2009; Zott et al., 2011), the most relevant appears to be innovation, leading to a value proposition that may include individual, organizational, and societal benefits as a foundation to economic, social, ecological and psychological values to customers and other stakeholders (Carvalho & Jonker, 2015).

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Value Proposition and Sustainability

The concept of "sustainable development" appeared at the United Nations Conference on the Human Environment in 1972 and later gained prominence by way of a report to the United Nations by the World Commission on Environment and Development (WCED, 1987), chaired by Dr. Gro Harlem Bruntland, former Director General of the World Health Organization and former Prime Minister of Norway. The Bruntland report defines sustainability in terms of the enterprise perspective as a composition of four characteristics: lean (conservation of non-environmental resources), green (conservation of non-renewable natural resources), ethical (commitment to and practice of social equity and justice, community involvement and contribution, and positive regard for treatment of the enterprise's human capital), and real (implies lean, green, and ethical practice and their financial, societal, and environmental results) (Edgeman & Eskildsen, 2013).

Now, it is common that large firms have explicit public sustainability policy statements and claim to apply financial, environmental, and social assessment (Hall, Daneke, & Lenox, 2010), the so called "triple bottom line" (Elkington, 1997). These three divisions are also called the three P's: people, planet and profit, or the "three pillars of sustainability", and are obviously linked to sustainable entrepreneurship (Kuckertz & Wagner, 2010). This means that a sustainable entrepreneur should seek for environmental sustainability – preservation of natural capital –, social sustainability – preservation of social cohesion in terms of well-being, nutrition, shelter, health, education, quality of life, etc. –, and economic sustainability – satisfying human needs with available resources as a condition to financial sustainability of the organizations. Therefore, sustainable innovations should account for the needs of local customers, people's wealth status, natural environment, and business ecosystems (Khavul & Bruton, 2013). All the concepts are linked: economic and environmental sustainability contribute to societal development, which leads to social sustainability (Assefa & Frostell, 2007). Thus, sustainable development should integrate social, environmental, and economic sustainability (Goodland, 1995), promoting a better access to education, income, health, and culture, and contributing to the creation of equal conditions for all Carvalho & Costa, 2015).

However, and according to the European Union (EU) Sustainable Development Strategy adopted in 2006, "health policies should aim at creating and implementing plans to help women and men achieve and maintain positive emotional states and thus improve their well-being, their subjective perception of the quality of their life and their physical and mental health" (European Commission, 2011, p.7). This EU strategy defends that it is necessary to protect and promote human capital and the mental well-being of citizens, in order to achieve economic, social and environmental objectives. Problems like those related with childhood and adulthood inequalities and mental health (e.g. school drop-outs, poverty and social exclusion) request a new vision, mainly in what concerns social responses. Hence, the concept of psychological sustainability extends the concept of mental well-being to all aspects that contribute to individual human being satisfaction (e.g. new knowledge and skills to cope with health or working life).

The bonds among (social) entrepreneurship, (social) innovation, and (social) sustainability can be seen in NBM, in particular on the third and fourth sectors.

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CASES OF SOCIAL INNOVATION IN PORTO REGION

Porto region is a Portuguese multi-municipal metropolis in the north of the country with eleven counties. The region occupies a total area of 1,024 km^2 and has 1,287,276 inhabitants (2011 census).

The author has collaborated in this research studying 13 Portuguese cases in nonprofit sector, through in-depth interviews with their managers. This chapter presents these cases to illustrate how social entrepreneurship emerges with social innovation through a NBM, contributing to economic, ecological, psychological, and social sustainability at regional level.

It was used a qualitative strategy with a cross-section design. The method to collect data is based on the international interview protocol (Jonker, 2012). For the purpose of this chapter, we consider the following questions of that protocol:

1. What is the nature of the firm's activity generated for its business model? Why/what is new about it?
2. What is the role of sustainability (economic, social, and ecological) in the new model? If exists, what is its nature in the model?
3. Why did you start to develop this model? What led to this?
4. Does the business model generate value(s) other than profit (or beyond the value for users in the case of nonprofit)? If so, what kind of value(s)?
5. Did you start new collaborations or strengthen previous collaborations for the new model? (If so, with which actors and what does that collaboration look like?)
6. Up till now, what are the results of the new sustainable business model?

The sample of 13 organizations selected have a significant social media impact and present some sort of innovation in the processes, or in the activity, or in the way they approach the market. This research took place between January and May 2013. All the chosen cases in nonprofit sector are in Porto region, north of Portugal that is the second more important region in the country. The interviews were made with the owners or the top managers, and took one to two hours long.

Case 1: Socialis

Socialis - http://socialis.no.sapo.pt/index.html

Socialis is developing an innovative activity since 2006 with a fringe of the population that has been socially "forgotten" – teenage mothers. They were supported by a State program to start this new venture. The president is a social worker of the municipality that faced this kind of social needs, and realize that there was no social response adjusted to these cases.

As she said: we are developing an activity that is already innovative, because we work with adolescents (…), which is strategically different from what other institutions are doing. The innovation is working with teenagers and young pregnant teenage mothers (not necessarily single) and supporting also the integration of immigrants in our society.

Socialis has a social response called ATL (Free Time Activities) that is directed toward children and youngsters, encompassing ages up to 30 years. This is in fact an innovation because, prior to the estab-

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lishment of Socialis, the extant institutions were solely working with children up to 4 years of schooling. This activity helps fighting against school failure and absenteeism.

Socialis created a Life Support Center where female teenagers have a personalized intervention in order to in the one hand improve their household and maternal skills to cope with life, and in the other hand receive professional orientation aiming their social inclusion in labor market. At the same time, Socialis work with teenagers' families as an important piece in their life's project, monitoring and assessing the results obtained with all players in the process.

The president stated that the innovation in this social response is at the level of competencies... and the support to life is made by a personalized intervention with each one of the young people, training and developing their competencies. […] Therefore, it is they who carry out their tasks, who take care of themselves and the babies, always under the technical guidance of the trainers, becoming aware that one thing is pregnancy, another is motherhood.

Socialis is supported by State Social Security (SSS), fundraising, product donations, and organization of charity events with the participation of all users of social services. They have partnerships with the City Hall and other local authorities. Its services produce economic, social and psychological value, contributing to regional development. These values are related to the activity with users – "*we have changed their lives…*" –, to the creation of new jobs (21 permanent workers) and several job shadowing promoting employability. However, because of the economic crisis, Socialis has to deal with financial problems since it serves 136 teenagers and only has financial support for 86 from SSS, which makes it more dependent on fundraising and volunteers.

Case 2: CrescerSer [BeGrowing]

CrescerSer – http://www.crescerser.org/

The CrescerSer Association is nationwide and headquartered in Lisbon. The association is comprised of 7 temporary shelters. There are two in Porto: since 1996 the "Casa do Vale" that welcomes boys from 12 to 18 years; and since 2004 the "Casa de Cedofeita" that welcomes children of both sexes from birth to 10 years old.

The innovation of these shelters is stressed by their technical director: "*what I consider innovative in this project is that care intervention is done within small units, as if they were homes*".

CrescerSer houses have between 10 and 14 children simultaneously. This is a different approach from the traditional method that comprehends hosting children in larger institutions for many years. These shelters give time to families to reorganize themselves to allow the return of the child. Moreover, innovative work with families, the direct relationship with the community, and the very emotional and personal hosting are also appreciable distinctions.

Recently, there is a new class of users, institutionalized youngsters that want to leave the institution at 18 years old, and live on their own. Thus, 'Casa de Cedofeita' promoted a support network, allowing them, in an informal basis, volunteering in homes in return for meals, clothing, medical and psychological support, and counseling. In many cases, these young people haven´t had a normal childhood phase, and thus the 'Casa de Cedofeita', having on their staff only women, fulfills the need of "maternal support" even though those youngsters are not aware of it. This female proximity has given good results in young people's development.

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There is a great concern about the economic sustainability based on SSS and community support, because there is a strong risk of being reduced or terminated. All the food gathered by the shelters is provided freely by a chain of suppliers through an innovative method. For instance, the bread is provided by the baker but he only contributes with his part of the costs, the cereal producer supports his own part, and other part comes from the grinding.

CrescerSer contributes to ecological sustainability by separating garbage for recycling, involving children in this activity for educational purposes, and carrying out energy saving programs. In terms of social and psychological sustainability, the organization tries to prevent institutionalization of children, avoiding an emotional cost to them and their families. It also contributes to the education of the community, aiming that children are not maltreated and removed from their families:

We seek to make children and young people aware of the expenses and the financial management that we have. The social dimension is a goal, trying to act at the level of prevention and preventing children from reaching an institutional host situation that represents a great emotional cost for them and their families. We also try to contribute to the training of the people of the community to prevent children being abused and removed from their families of origin.

Thus, its psychological value proposition is linked to the influence on new life projects for children and youth. However, it is noted that the greater the age the greater the difficulty of social inclusion, since they suffered more traumatic damages, and have high levels of consumption (alcohol and drugs) and delinquency paths. Hence, CrescerSer must also play a role as therapeutic host. All these activities have a positive impact in society, as social value, by promoting social inclusion, as well as influencing both families and community behaviors by giving parental training, organizing technical meetings with families, workshops, seminars, conferences, where the rights of children, young people, and good practices are addressed.

The NBM has been achieving good results in children's care and support, because most of the 180 children, who were helped in these years, are again with their families or with an adoptive family.

Case 3: Nomeiodonada [Inthemiddleofnothing]

Nomeiodonada – http://www.nomeiodonada.pt/

Beginning in 2012, this association was established to address deficiencies in supporting children, who are in intensive care, and their parents. The support can be comprised of money, clothing, food, and technical aids, which currently are not subsidized by the State. This is a pioneering activity in terms of client targets and personal support. Most founders had worked in intensive care and had noticed daily the problems of parents who require psychological support to cope with the situation, as well as those who do not have the economic means to remain near their children during their stay in intensive care: "*some even slept inside their own cars because they had no place and no financial support to do it elsewhere, because only one person could stay with the patient*".

Therefore, to be able to provide them with some assistance, partnerships were established with the Porto City Hall, Hospital Centre of Porto, Abbot, and Pingo Doce, which help these parents with food, facilities, housing, financial and counselling support.

This organization wants to start another innovative project, which consists in opening a Continuing and Palliative Care Unit for children aged 0 to 18 years, who need special care, allowing the permanence

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of the family 24 hours a day, and contributing to avoid the breakdown of the nuclear family. This kind of social response only exists in National Health System for adults.

The organization's economic sustainability depends on partnerships with private companies for fund-raising, organization of events (fairs, workshops, walks, etc.), and other activities, like editing, publishing and selling books with stories related to parents and children's experiences in Intensive Care Units.

The president of Nomeiodonada considers that its activities "…meet the needs that somehow the state cannot fulfill…" The solidarity with the families who have psychological and financial needs so that they can rehabilitate the family unit, the implementation of several financial supporting activities, and sharing information with other entities to list the cases that wouldn't otherwise came to their attention, are the main characteristics of their business model.

She thinks that the association generates psychological, social, and economic value, since it provides children and their parents with a more humane health care environment and psychological care, promoting their reintegration into society; it offers equipment, like wheel chairs; and it helps with medication payment and transportation costs, allowing families to visit their children. Consequently, its activities contribute for a better living of vulnerable people and to social sustainability in a time of great economic crisis.

Case 4: SAOM [Mary Organizations Assistance Service]

SAOM - http://www.saom.pt/

SAOM was initially founded in 1976 and focused on two major aspects: support for seniors (a Day Center and Home Care Service) and support to children and young people. Since 2005, the latter social response ceased to exist when it was discovered that it no longer made sense given the reduction in the population in these age groups in the historical center of the town and the existence of many other institutions with those types of services. A new and innovative social response was then created in 2006: the social reintegration of adults in situations of extreme vulnerability, including the homeless – the "Give Way to Life" project.

The leader of the project was aware that: in social reintegration, especially in a project such as training in the hotel sector, it is asked me for some things for which I had no answer. For example, the image and social presentation of each trainee for the activity is very important and then we are debating with questions such as the need to treat their teeth and National Health Service does not give an adequate answer, or the need for a hairdresser and a manicure to for the ladies. And a certain degree of financial autonomy was required to take care of those matters. So if we are always instilling in our trainees that it was not possible and permissible to live eternally with the state minimum income, and so there is a need to be proactive, we should pass immediately this example of pro-activity. As we have always been apologists for a higher level and more sophisticated insertion in the hotel industry, by complying with the highest standards of food hygiene and safety at work and always using top quality products, we think that we could have available certain services that could be profitable.

Thus, this project consists in providing training in hospitality domains, and was initially supported by a state program during 4 years. In the last 2 years, the users of this service started working in paid catering services, which allows paying their personal care treatments. Then, to be financial sustainable, SAOM decided to open a social enterprise: a restaurant near the old wall of Porto. This social economy

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project is in a developmental stage, and aims to invest all the profit in enabling people to be part of "normal" society.

The coordinator of the training courses defends that the autonomous financial sustainability is the most important characteristic in this type of business model:

We have a great client that is the EDP (power company) Foundation. We do not want the money, we want the Foundation to hire us because it gives us profit, visibility, a sense of work to the trainees, training time to the team, publicizing the service and promoting the raising of new clients. For the Foundation this payment is a donation, enjoyable from the fiscal point of view; socially it is well seen because they know that this money is well used and contribute to the achievement of the social response; in return we provide the catering service. We trade also with local council, providing our hall to their activities in return of our food services.

SAOM generates ecological value through recycling all the materials, and sensitizing the trainees for this subject; psychological value through the great change they promote in the image and lifestyle of the trainees, helping social inclusion of homeless, prostitutes, addicts, and people living with minimum income from the state; social value because they may contribute to solving in the long run the social problems already mentioned; and economic value by producing and selling services, satisfying clients' needs. All these values are strategically thought by a team that shares all the situations in weekly meetings, to be aware of what happens with each one of the trainees, with the help of psychologists and social workers. There is a need for a strong leadership and an empowered and skilled team, to work and gather trust among all, including the trainees, whose commitment and responsibility must be formal, accepting all rules of the institution by signing a contract. Obviously, providing these values to society has a positive impact in all types of sustainability.

Case 5: C.V.P. Matosinhos

C.V.P. Matosinhos – http://matosinhos.cruzvermelha.pt/

It was created in December, 31st 2012, a new and innovative response to the need of an emergency foster home for victims of domestic violence. This service consists of providing temporary shelter and support to the victims (10 days maximum). During this period, the victim receives psychological, legal, and social support. After this period and upon determining a diagnosis, the victim is then directed to his/her home or is placed in a different home or shelter. The absence of a social response of this kind in Portugal was considered a serious gap that was urgent to fill, and it is in the beginning of its development.

The service is supported by a European Fund framed on POPH (Human Potential Operational Program), which assures it financial sustainability. C.V.P. Matosinhos collaborates with other internal social responses and with SSS.

There are psychological and social values inherent to the type of service and support given to the victims, contributing for psychological and social sustainability.

The coordinator defends that: "*this NBM takes advantage of existing synergies to a better sharing of resources, which are the main characteristics of this new service*."

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Case 6: Santa Casa da Misericórdia do Porto [Holy House of Mercy of Porto]

Santa Casa da Misericórdia do Porto – http://www.scmp.pt/

Just as with any organization of social economy, the "Santa Casa" (SCMP), now, is concerned about and strives to provide a different solution to the situations of the economic and social crises, and the need to establish a new paradigm in the relationship between institutions of Social Economy and the state. This entails that, in the name of sustainability, there is better and more efficient management. This organization is accomplishing this by introducing management rules that allow the centralization of services, called Back-Office, which were spread over several areas within the organization. These areas of social intervention are linked to the SSS, through the work with at-risk children, female victims of domestic violence, elderly in the most varied situations, and social entrepreneurship projects. Thus, it is implementing a new governance process since 2011 that allows it to be more financial sustainable and, at the same time, to contribute more to social sustainability through the improvement of the services. In terms of ecological sustainability, it must take care of the medical waste of its three private hospitals.

The president argues: what concerns us the most is economic and social sustainability. Economic because this is a nonprofit organization, being profit a means and not the end, can only survive by obtaining resources. So we have to add value to the value chain of our products, which are the work with people and their involvement. The more effective we are the better the answers we will get in the area of sustainability.

The new governance and management model is near the stabilization phase, and allows us to spare many resources and use them in a more efficient and effective way. Of course, in its base is the goodwill of all collaborators that understand the new management ideas.

This NBM must pay attention to financial sustainability and to self-regulation of the collaborators to achieve a quality certification. The effectiveness and efficiency in management leads SCMP to increasingly become a state partner in administrating new spaces, new equipment and new social responses.

SCMP creates mainly economic and social value, as it helps people to go out of the difficult situation they are in, and it has a great impact in regional economy, as SCMP employs thousands of workers in their social services and provides, daily, support to more than 1,000 people.

The president of the board also talks about a generation of affective value among the people that works in SCMP, and people that benefit from its activity. Hence, it is possible to see here the psychological kind of value provided by this institution.

Case 7: Mundos de Vida [Living Worlds]

Mundos de Vida – http://www.mundosdevida.pt/

Mundos de Vida is organized around three major services: childhood, older persons, and family. All services are performed through a type of intervention based on quality models (the institution is certified by ISO 9001-2008). Within family service, foster care for children was created in 2006, and is based on a model of intervention with new processes: building awareness and raising families (a new generation of quality foster families) that requires a very high level of strong partnerships with the civil

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society (through the tools of social marketing) and changes in the mentality both of protection system and ordinary citizens (employing innovative and extensive awareness campaigns).

In Portugal, only 5% of children that need an alternative way to grow up in a healthy environment has an opportunity with a foster family. Thus, there is a great gap between demand and supply, mainly due to, on the one hand, the financial limitations of SSS and, on the other hand, the preference of the authorities in this matter, anachronistically, for institutionalization in state homes. The NBM allows users (children at risk and their families) to fulfill their care and education needs through an activity almost nonexistent but with superior results in comparison with institutional care. It also allows finding quality foster families in the community, with higher humanitarian motivation.

As its technical director explains: this NBM requires sustainability in three dimensions: at the micro level, through the adjustment of care relations and education of a child who moves into a new family, called foster family, maintaining relations with the biological family, hoping for their transformation in terms of social stability and positive parenting, that allows the return of the child through support and mediation of the technical team; economic, once the biological family doesn't pay for care service or education, SSS support is required, which is limited and, therefore, has to be supplemented by resources that the institution has to identify and capture within civil society; and social, as Mundos de Vida needs to create a pool of foster families with different profiles, in order to identify the right family for each child that needs to be protected, after a decision by the Protection Commission or the Court. These families must have a clear humanitarian motivation with a family and social network that accept to collaborate in this project, since caring for and educating a child goes beyond the border of a nuclear family.

Mundos de Vida generates social value using potential foster families, developing a sharing and responsible mentality; promotes a better economic sustainability because the cost of foster care is half of the cost in a residential care system; and provides psychological value because contributes to the transformation of children' lives and families' behaviors.

They claim excellent results with this business model in terms of recruiting new families, reducing institutional care rates, extending their offer to other municipalities, and promoting social and psychological sustainability.

Case 8: Percurso das Memórias [Route of Memories]

Percurso das Memórias – http://www.facebook.com/percursodasmemorias

This is a community tourism project which aims to promote the economic and social development of local communities through the promotion of tourist activities that are streamlined by the communities themselves in order to defend and respect their identities by disclosing their customs. The project promotes not only interaction with the community but also its socio-economic development. As the entrepreneur said: "*this is a product that is not offered in the programs of other travel agencies*".

This NBM allows a positive impact on psychological, economic and social sustainability. For example:

When we take tourists to a craftsman or to a traditional shop, we are contributing to an increase in the owners' self-esteem, enhancing their personal development, and helping them to get more business. We are creating an active and sustained community around these routes of memories.

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His major motivation was the lack of this kind of tourist projects involving the communities in the city of Porto, with special relevance to the historical center, and the will to help combating its desertification, promoting the stories, culture, customs and traditions of the old city. Now, the project is being developed by consolidating the routes. Thus, they generate economic, socio-cultural, and psychological value to all local communities and to all stakeholders (directly or indirectly), helping preserving their identity and fighting urban desertification. The nature of the project involves a whole set of associations, institutions, craftsmen, municipality, schools, and the general population.

Case 9: Santa Casa da Misericórdia da Maia [Holy House of Mercy of Maia]

Bué de Escolhas – http://www.misericordiadamaia.com/Default.aspx?tabid=955

The project called "Bué de Escolhas" is designed to work with children and youth at risk from 6 to 24 years. It is the first time that this municipality, near Porto, has this kind of social intervention in the scope of a larger public program. The promotor established a consortium for this program, comprising 14 companies and institutions, to ensure the continuity of the project. These organizations also have an interest in maintaining this cooperation by the visibility that is provided by the project, representing one profitable marketing operation that fits perfectly in the concept of social economy.

The coordinator of the project considers that it generates essentially a very large social value:

We work daily for young people's emancipation, their employability, their training. We want to prevent dropout from school, promote entrepreneurship, self-employment, and other support for artistic creativity and so on. I can also mention that the project could finance any innovative business up to 5,000 euros.

They create new services, including pedagogical monitoring work, to prevent school failure, and social activities like sports practice, dancing, and theatrical acting.

The coordinator considers that is important to use the consortium resources because he does not have funds to cover most of the costs. Some of these costs, not being financial, are particularly important in terms of management, like lending of spaces, vehicles, technical know-how, transport, etc. The greater the involvement of partners, the better and more rational will be the management of all resources (including human) and so the better the odds to continue with the project.

Thus, they produce economic value to all stakeholders, as well as psychological value to children and youngsters, and social value to society in general. They have already notice changes in behavior and improved ability and responsibility.

Case 10: Coração da Cidade [Heart of the City]

Coração da Cidade – http://ccidade.no.sapo.pt/

This is a rare institution wherein all work is done on a volunteer basis. Its activities extend to several areas of the Great Porto. There is a new project since 2012 called "TAKE", which is intended to supply food to pensioners, unemployed, and people who still have economic difficulties even while working (ashamed poor). The coordinator pointed out the NBM:

The organizational process begins with a diagnostic evaluation, inscription proceedings and data confirmation after which the user is provided with an access card to the take-away store. The user is

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required to inform the take-away store, the day before, of the desired number of meals to avoid waste and it is mandated to bring properly cleaned containers for transporting the food. He/she pays only 50 cents, and the meal consists of a main course (meat or fish), soup and dessert (sweet, fruit or yogurt). One of the concerns of the institution is the personalized service, we only serve one person at a time to assure privacy to the user.

This institution has financial problems because it doesn't have support from the state and has to manage an annual budget of 700,000 euros, which is fully supported by civil society through private and enterprise donations, and sales from the social shops they own. It only used to help homeless, but with the economic crisis and increasing unemployment and taxes, it has noticed that many people had started to have difficulties to survive.

Their partners offer them the food, and volunteers do all the work in this project. It has good results generating economic value, providing meals and promoting the partners (Continente, Pingo Doce, Intermarché, Lidl, etc.), and social value by lessening family crisis and increasing corporate social responsibility. In terms of psychological value, it changes the way that ashamed poor act, because it provides food discreetly.

Case 11: Projeto Rios [Project Rivers]

Projeto Rios – https://www.facebook.com/pages/Projecto-Rios/133403460063312

Projeto Rios has a business model that acts at the level of environmental intervention, and intend to implement business and social entrepreneurship. The coordinator of this project said: "*the great novelty is to use the rivers as factors of mentality and behavior change and as a backdrop for the transformation of society through the acquisition of added value and improvement of the quality of life*".

At business level, it promotes activities that create economic value through efficiency (efficient water use, monitoring of rivers), safety (reduction of losses in the floods), and added value (rehabilitation of rivers, new uses, soil valorization); social value through changes in behaviors (relationships, interpersonal communication, collective activities); psychological value through education (attitudes and actions, the river as a multidisciplinary natural laboratory, respect and appreciation for environmental heritage), and health (with walks and advice on food, the river as a school and a source of healthy behaviors); and environmental value through ecology (ecological integrity), freedom (clear margins) and conservation (biodiversity).

The existence of many heavily degraded water lines and the lack, at national level, of a public participation tool for the rehabilitation of rivers where the local community could be actively involved, was the motivation to create this project. There was a need for technical and professional solutions with a multidisciplinary approach that led to engagement and involvement of users in the selected solutions. As the coordinator pointed out:

The project encourages personal communication and has the slogan: "The Rios Project unites people and unites the rivers". People are a key link in resolving conflicts and local problems. At an ecological level, it creates more value in the riverside eco-system, allowing more freedom for rivers in their multi-functions, where I highlight hydrological, ecological and use potential. Thus, the habitats of the riverine species gain space and time for their biotic functions. For example, it allows the "Guarda-rios" bird to make its nest and promote local biodiversity.

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The coordinator defends that the institutionalization of a solution is needed to seek for economic, social, and ecological sustainability, and the accomplishment of the proposed objectives. They share resources, services and knowledge with partners, like municipalities, schools, other ONG's, companies, associations, groups of fishermen and hunters, owners of the land in the river banks, researchers, etc. The project is already recognized by the Portuguese Environment Agency and has the Honorable Mention awarded by the Green Project Award. The Entrepreneurship Institute ranked Projeto Rios as a project of high potential for Social Entrepreneurship, thus contributing to ecological, economic and social sustainability.

Case 12: ColorAdd

ColorAdd – http://www.coloradd.net

ColorAdd created a new product to help colorblind people to "see" colors. This social innovation (inclusive design) meant to enhance quality of life of 350M people, contributing to economic and social sustainability. It consists of five simple symbols, representing the primary colors (blue-cyan; yellow, and red-magenta, plus black and white). The combination of these symbols allows new composed symbols that represent the secondary colors (green, orange, and purple). Adding a primary and a secondary symbol enables once more new composed symbols performing tertiary colors, and so on.

The creator and president of ColorAdd stated:

A social project like this has to be self-sustaining. It is the only way we can survive without running the risk of being subsidy-dependent. So, if there are a lot of people making money doing evil, it is also possible for people to earn money by doing good. To this end, we have created a company that works with two types of usage licensing (for a certain renewable or definite time frame) that guarantee revenue from property rights. This transfer involves some nuances to reinforce the social component: the value of the use licenses is indexed to the size and reality of the company, organization, municipality, etc.; we did not use any bank financing or venture capital companies; we are not held hostage by any government subsidies or similar; to be cheap; there is no exclusivity; it can be used without any financial contribution; to provide assistance in the implementation of the project to the partners; with an objective: universality that will ensure sustainability at all levels.

Thus, this social business model aims at this main objective: to be sustainable, independent, and available to all, allowing its utilization without conditions, avoiding the stigma of segregation and, at the same time, without any payment. They are also thinking to adapt this project to the blind and autistic people.

So, beyond economic value, this business generates psychological and social value to millions of colorblind that have problems of social inclusion.

He established collaboration with the Portuguese Education Ministry, so that students' exams can use the ColorAdd when the color is relevant to the correct interpretation of statements. Other collaborations are with EIDD (Design for All), Ageuk (England), Conade (Brazil) and, in Portugal, with AICEP (Foreigner Commerce), various State Departments, Portuguese Olympic Committee, Porto City Council, Equal Rights Commission, Institute for Social Entrepreneurship, St. John's Hospital (Manchester Triage), Hospital dos Capuchinhos, etc. and more than 200 companies and organizations.

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Case 13: Ajudaris

Ajudaris – http://www.ajudaris.org

Ajudaris is a project of educational and citizenship nature. It wants to promote reading, writing, creativity, social sensitivity, and solidarity among children. The president said:

The innovative aspect is to provide every child with the possibility to be a co-author of a collective work, namely a perennial document that can mark the development of the child.

Each year Ajudaris indicates a theme of social context for schools (primary and pre-school) with which they establish cooperative protocols. This topic will be the subject of work in the classroom for all students, and the best texts will be selected by Ajudaris. Teachers from The Faculty of Arts and Humanities of Porto University do the revision of texts. Artists and illustrators (volunteers) also contribute to the making of the book. The company Bichinho da Conta, partner in the program, makes the graphical arrangements. The presentation of the book is done during a ceremony involving hundreds of people (teachers, students, families), where children are recognized as Authors.

The books are sold in the school community, having the students as their ambassadors. The result of this sale allows the economic sustainability of Ajudaris. They offer an economic value with the production and sale of the book, which has a positive psychological impact on children, in terms of learning and behavior, with positive social consequences in the community of families and in school.

DISCUSSION AND CONCLUSIONS

All the organizations present a strategic market orientation as a necessary condition to be successful serving the customers/users (Carvalho, 2005, 2009). After identifying a social need, each entrepreneur creates a solution to each problem through the launch of a startup or a new project. Therefore, they become social entrepreneurs because they aim, first, to respond to a social need or problem without distribution of profit. Their products or solutions (good, service, process or idea) become social innovations because they had success in the market or in the organization (Table 1).

In this context and aligned with the literature (e.g., Carvalho, 2016; Carvalho & Jonker, 2015; Carvalho & Sousa, 2015; Elkington, 1997), a new product value proposition must have four intentions: economic, to enable the offer and the transaction; social, related to the impact on the community; environmental, related to ecological issues; and psychological, related to a new state of mind and new behaviors that contributes to an individual transformation in relation to life and society.

Therefore, the success of these social entrepreneurs is related with the promotion of NBM based on new solutions, sharing resources among partners, and producing multiple value.

In terms of the types of value created by these organizations, all of them produce economic value (new products, services, ideas or processes with economic impact), psychological value (transformation in individual's mindset and behaviors, new knowledge, skills, experiences, empowerment), and social value (impact on society, relationships, quality of life, social inclusion). Ecological value only concerns four institutions (CrescerSer, SAOM, SCMP, and Projeto Rios), because they have activities of recycling and education for ecology and, in case of SCMP, because they have health care activities, managing hospitals.

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Table 1. Social needs and social innovations

Organizations	Social Needs	Social Innovations
Socialis	Support to teenage mothers.	Life Support Center: improving household and maternal skills, professional orientation, and working with teenagers' families.
CrescerSer	Shelter to children and youngsters with family problems.	Temporary shelters with small population, avoiding traditional institutionalization.
Nomeiodonada	Support to children, who are in intensive care, and their parents.	Providing facilities, housing, food, and financial and counselling support.
SAOM	Social reintegration of adults in situations of extreme vulnerability, in particular homeless.	Promoting social reintegration through providing training in hospitality domains.
CVP Matosinhos	Emergency foster home for victims of domestic violence.	Providing temporary support to the victim in terms of shelter, psychological, legal, and social support.
SCMPorto	Better and more efficient management of social responses.	New management rules that allow the centralization of services, called Back-Office, which are spread over several areas within the organization.
Mundos de Vida	Better and more foster families to increase foster care in social intervention with vulnerable children and youngsters.	New private family recruitment model.
Percurso das Memórias	Lack of tourist projects involving the communities in the city of Porto, and the need to combat desertification of city center.	Promoting tourist activities with communities' collaboration.
SCMMaia	Children and youth at risk from 6 to 24 years in Maia.	Improving employability through training; preventing dropout and school failure; promoting entrepreneurship and self-employment; supporting artistic creativity and social activities like sports practice, dancing, and theatrical acting.
Coração da Cidade	Food support to pensioners, unemployed, and people who still have economic difficulties even while working (poor ashamed).	Supplying food with personalized attendance to take away.
Projeto Rios	Degradation of water lines and the lack of a public participation tool for the rehabilitation of rivers where the local community could be actively involved.	Promoting activities that allows efficient water use, monitoring of rivers, reduction of losses in the floods, rehabilitation of rivers, new uses, soil valorization, relationships, interpersonal communication, collective activities, education, respect and appreciation for environmental heritage, walks and advice on food, ecological integrity, clear margins, and biodiversity.
ColorAdd	How to make colorblind people "sees" colors?	Creation of 5 simple symbols that in themselves and by their combinations represent all the colors.
Ajudaris	Promotion of reading, writing, creativity, social sensitivity, and solidarity among children.	Providing a process that allows children to be coauthors of a book.

It is possible to verify a difference between for-profit sector and nonprofit sector, because NBM in the former appears to have less incidence of psychological value and more of ecological value (Carvalho et al., 2013). The products in the for-profit sector serve human needs and, to be successful, must satisfy the customers, however not always present a mindset or psychological value. In the other hand, current societies are more eager about environment, thus it is more frequent to see for-profit organizations proposing products with ecological value.

This new approach to a complex value proposition is conceptually related to a wider concept of sustainability. All the leaders of the organizations and projects interviewed mentioned, in one way or another, the importance to be economic (financial) sustainable, and to have a positive impact on what

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Figure 1. Societal sustainability model

we call psychological sustainability. Some of them have ecological sustainability in mind, but all believe in their contribution to social sustainability.

Thus, it is possible to construct a model that represents the links among complementary aspects of sustainability (Graphic 1). In all situations, we defend that is preferable to have a value proposition with the all package of values – economic viability, ecological stewardship, social equity, and psychological balance – in order to achieve societal sustainability. This means that new products and NBM may contribute to a new and better state of mind, considering social and ecological aspects, in order to obtain economic gains in the for-profit sector; and, otherwise, in nonprofit sectors, to obtain social gains through a new mindset and new behaviors, considering ecological and economic issues. An innovative product or a social innovation happens when through an entrepreneurial action, the novelty has success in the market. If this occurs, then the new product or social innovation contributes to economic and/or social sustainability and, in many cases, also to ecological and/or psychological sustainability. And, all together, these are complementary pillars of societal sustainability.

There is also a significant and positive impact on regional and national development caused by entrepreneurship (e.g., Bianchi, 2010; Praag & Versloot, 2008; Wong, Ho, & Autio, 2009), social innovation and social entrepreneurship (e.g. Chell, Karatas-Ozkan, & Nicolopoulou 2007; Edwards-Schachter, Matti, & Alcántara, 2012; European Commission, 2013; Haugh 2007). The thirteen cases in Porto region presented in this chapter, demonstrate and reinforce the idea that social innovation and entrepreneurship are crucial to human and social development, as well as to societal sustainability, and so, their promotion can be a key factor to regional and national development policies.

FUTURE RESEARCH DIRECTIONS

It is needed a deeper research in the organizational domain, improving methodological approaches and experimental designs, in order to conceptualize and theorize what is happening in society, and what could be the better policies to enhance societal sustainability and development.

We need more research about what are the trigger factors to the success of social innovation (educational system, cultural values, political economy, economic development, support from the state and civil society, partnerships between sectors), besides the obvious ones like the presence of unmet needs, social

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problems, and entrepreneurial people. Also, more longitudinal and experimental research is needed to validate causal-effect processes, and their relations with the increase of quality of life.

Social innovation is needed to fight all kind of discriminations in the domains of gender, age, religion, disability, sexual orientation, and ethnics. Social and individual problems related with ageing, urban life, education accessibility, multi-ethnical societies, chronic diseases, addictive behaviors, non-healthy alimentation, adulthood transition, criminal behaviors, rehabilitation of prisoners, compatibility between work and personal lives, quality of life, happiness, climate influence, etc. are still on today's agenda.

In Europe 2020 agenda there is a strategy that aims at a smart, sustainable and inclusive economy. Thus, there will be a long strand of research to access all the means used to achieve those goals, and to evaluate the outcomes of Europe's policies and programs, in particular those related with social innovation against poverty. European Commission (2013) propose some areas where it is important to support social innovation at regional level: preparation of a plan linked to the region's smart specialization strategy; supporting new organizations and adapting existing organizations; strengthening the market for social innovations and encouraging cross sectorial collaborations; supporting the innovators to get started and to grow and encouraging workplace innovation; investing in new financing models based in results; setting up better structures for measuring the results of social innovation; and promoting exchange and learning on approaches to social innovation across Europe.

In the United States, social problems remain the same, despite the programs designed to address each one, which are never enough and have a high rate of failure, reducing economic growth (Liebman, 2013). This shows that we can solve many individual problems with social products because they have psychological value, but in many cases, we fail solving them at social level. Liebman (2013) proposes a direct funding to increase social innovation made by government or philanthropic grant competitions and innovation funds. Governments should offer prizes for the development of social innovations, measure their effectiveness, and guarantee their acquisition. It is also important to measure the efficiency of the innovation process at regional and national level (Matei & Spircu, 2012). Thus, it is needed more research on effectiveness and efficiency of all social innovations to invest public and private funds wisely.

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KEY TERMS AND DEFINITIONS

Business Model: Conceptual and operational tool that describes the value proposition (economic, social, ecological and psychological value) offered to the stakeholders through a product (good, service or idea), the organization and coordination of key activities (team and partners), and the design of a marketing plan, to deliver those values and achieve economic, social, ecological, and psychological sustainability.

Ecological Sustainability: Conservation of natural resources, environment and biodiversity.

Economic Sustainability: Financial equilibrium through an efficient use of resources, producing the products (goods, services, ideas) that satisfy the customers/clients/users and other stakeholders.

Entrepreneurial Partnerships: Collaboration between sectors (non-profit, business, government, academia, civil society) in order to promote innovation and new ventures.

Entrepreneurship: Creation of something (company, product, project), most of the times through an organization, in order to serve and satisfy human wants and needs.

Innovation: Generation of new ideas, processes, products or services that are successful in the market.

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Psychological Sustainability: Mental well-being manifested by healthy behaviors and feelings of fulfilment and happiness.

Social Entrepreneurship: Creation of something (company, product, project), most of the times through an organization, to serve and satisfy human needs (social and psychological), where the promoter has the main purpose to contribute to the resolution of a social problem.

Social Innovation: Generation of new ideas, processes, products or services that are successful in the resolution of social issues.

Social Sustainability: Preservation of social cohesion in terms of social well-being, nutrition, shelter, health, education, justice, social equity, quality of life, etc.

Societal Sustainability: The outcome of the contributions of all complementary aspects of sustainability: economic viability, ecological stewardship, social equity, and psychological balance.

Value Proposition: The set of economic (economic value to the firm, to the customer and other stakeholders, and to society), social (economic externalities, health, security, quality of life, etc.), ecological (environmental concerns), and psychological (mental transformation, increased awareness of the subject, attitudinal change, knowledge creation, learning new skills) values that are provided by the product (good, service, idea) to the customer/client/user and other stakeholders.

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Chapter 2
Social Innovation in the For-Profit Organization: The Case of Banca Prossima

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ABSTRACT

Social entrepreneurship and social innovation are attracting increasing attention from policy makers, practitioners, as well as academics. They represent different ways of thinking and addressing social issues often overlooked by public/private organizations and also provide a viable means of responding to multiple social, economic and environmental crises. With this in mind, this chapter leads to a better understanding of social entrepreneurship and social innovation in the non-profit sector, using one specific case followed by a more generalized discussion. The case of "Banca Prossima" illustrates engagement in social problems and trying to find and apply new solutions that simultaneously meet a social need while also leading to new or improved capabilities and relationships and a better use of assets and resources.

INTRODUCTION

Social entrepreneurship has fast become a global phenomenon (Zietlow, 2002; Robinson et al., 2009), receiving increased attention from researchers (Doherty et al., 2014; Dees, 2012; Defourny and Nyssens, 2008; Haugh, 2007; Hockerts, 2006; Mair and Martí, 2006; Short et al., 2009), including identifying its relevant societal effects (Austin, 2006; Martin and Osberg, 2007) and moving towards the definition of innovative approaches and activities to solve certain social problems (Robinson et al., 2009).

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Globalization of the social entrepreneurship phenomenon is strictly associated with the following key factors: wealth disparity at the global level; market, institutional and state failures; spread of the corporate social responsibility movement; technological developments and recognition of shared responsibilities (Zahra et al., 2008). Two additional reasons may further explain why social entrepreneurship has emerged so strongly in society. First, social entrepreneurship can help non-profit organizations define and work in innovative ways, improving efficiency in products/services and serving their communities better (Reis and Clohesy, 1999). Second, certain conditions are best served by alliances between corporate and non-profit organizations where cooperation can clearly produce a better quality of life (Jiao, 2011).

Intrinsically linked with social entrepreneurship is the concept of social innovation which refers to exploring and finding new products/services, new ways to meet social needs which are not satisfactorily met by the market or the public sector, or tackling societal challenges, empowering people and creating new social relationships and models of collaboration (European Union and The Young Foundation, 2010). These are contemplated as a major issue for the European Commission, and also considered an important opportunity to connect with citizens and to stimulate a better quality of life (Altuna et al., 2015). Consequently, the European Commission has committed to keep, define and develop the European Union social model (under a sustainable and inclusive growth agenda) to address major societal challenges through social innovation with the involvement and the collaboration of all social actors, including the public sector, large enterprises, small-medium enterprises, social economies, etc. (European Commission, 2010), utilizing the open innovation approach highlighted recently by Chesbrough (2003).

Beyond the role played by the European Union in social innovation and the emblematic cases of non-profit organizations and foundations created on an ad hoc basis, there is limited contribution from other actors, such as private sector firms. Additionally, in recent years the concept of social innovation is increasingly of interest to academics seeking to structure and to develop the field of social innovation in an appropriate way (i.e., Rüede and Lurtz, 2012; Howaldt and Schwarz, 2010; Zahra et al., 2009; Phills et al., 2008; Pol and Ville, 2009; Alvord, et al., 2004). But, the resultant empirical studies have mainly referred to cases dealing with not-for-profit organizations (Altuna et al., 2015). Relatively unexplored are other sectors and other actors involved in social innovation activities, which, better understood through empirical investigation, might lead to a better understanding of how they create, develop and launch social innovations.

To address this gap, the chapter presents and discusses a case study of Banca Prossima, a firm that is mainly involved in social innovation projects and initiatives. Banca Prossima is a for-profit independent bank within the Intesa Sanpaolo group which provides products and services to non-profit customer segments (such as social businesses, associations, foundations and religious organizations). The continuous commitment to, and focus on, social innovation activities makes this for-profit organization an ideal case for the exploratory purpose of this research. Additionally, this case represents an interesting example of a bank that has evolved its activities to ever more advanced financial services (Formisano et al., 2016), in response to the profound changes that have taken place in the last few years, such as globalization, technological innovation and increasingly demanding customers. In particular, banks are putting strategies in place to respond to increased competition and more sophisticated customer's needs (Formisano and Russo, 2011) and in doing so have begun to transition from a product orientation to a customer orientation, with the aim of better understanding and satisfying heterogeneous client needs.

In light of these trends, the chapter is structured into three sections. First, a brief review of the literature on social entrepreneurship and social innovation. Second, an analysis of the "Banca Prossima" case study, emphasizing the application of new solutions to social problems that simultaneously meet

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a social need while also leading to new or improved organizational capabilities and relationships and better use of assets and resources. Finally, conclusions with managerial implications and suggestions for future research.

BACKGROUND

The Concept of Social Entrepreneurship

Although social entrepreneurship appears an inevitable response to complex societal needs and problems, a decade ago Roberts and Woods (2005, p. 45) observed that social entrepreneurship was at an "exciting stage of infancy, short on theory and definition but high on motivation and passion. The challenge for academia is to turn an inherently practitioner-led pursuit into a more rigorous and objective discipline". In this regard, various definitions of social entrepreneurship have been developed (Christie and Honig, 2006; Nicholls, 2006; Certo and Miller, 2008; Thompson, 2008), with some focusing mainly on its mission (Dees, 2001), its multiple dimensions (Mort et al., 2003) and its processes or mechanisms (Chell, 2007; Robert and Woods, 2005). However, a number of "conflicting tensions" regarding the definitional boundaries still remain (see table 1), such as the content and the dimensions of social enterprises (Dacin et al., 2011; Santos, 2012; Zahra et al., 2009), which fuel a relevant debate involving both academics and policy makers (Leadbeater, 2007).

Accordingly to Zahra et al. (2009, p. 522), social entrepreneurship "encompasses the activities and processes undertaken to discover, define, and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner". Another useful conceptualization is offered by Peredo and McLean (2006, p. 64) who, after an examination of social entrepreneurship in its common use, suggest the following comprehensive definition: social entrepreneurship is exercised where some person (or group) (1) aims at creating social value, either exclusively or at least in some prominent way; (2) shows a capacity to recognize and take advantage of opportunities to create that value ('envision'); (3) employs innovation, ranging from outright invention to adapting someone else's novelty, in creating and/or distributing social value; (4) is willing to accept an above-

Table 1. The main tensions regarding the notion of Social Entrepreneurship

Is social entrepreneurship an individual or a collective phenomenon?	It appears that social entrepreneurship can be both an individual and a collective phenomenon.
Is social entrepreneurship shaped by social value rather than economic value?	The creation of social value is the essential feature of the initiatives, for the social entrepreneur's principal aim is to produce social change.
Is social entrepreneurship located only in the non-profit sector, or can it also be found in the for-profit and public sectors?	While many social entrepreneurship initiatives can be found in the non-profit sector, some social entrepreneurship "attitudes" also concern other sectors.
Does social entrepreneurship aim to achieve incremental social impacts, or is it meant to produce radical social transformations only?	It seems that if social entrepreneurship is a way to improve the quality of life of individuals and communities through social value creation and innovative paths, it is not essential to establish whether its impact has to be incremental or radical.
Is social entrepreneurship a local phenomenon or a global one?	While many initiatives happen at the local level, the impact and the repercussions that flow from that impact cannot be isolated, as there are ultimately global links.

Source: *(European Commission, 2010)*

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average degree of risk in creating and disseminating social value; and, (5) is unusually resourceful in being relatively undaunted by scarce assets in pursuing their social venture. From this perspective, social entrepreneurship seems to be one of the most deliberate, and potentially most effective, ways for social innovation to offer solutions to pressing social problems. This means that social enterprises seek to serve the community's interest (social, societal, and environmental objectives) rather than profit maximization.

This point is reinforced by Phills et al. (2008) who suggest that social entrepreneurs see new patterns and possibilities for innovation and are willing to bring these new ways of doing things to fruition even when established organizations are unwilling to try them. And enterprises are important because they deliver innovation. But ultimately, innovation is what creates social value. Innovation can emerge in places and from people outside of the scope of social entrepreneurship and social enterprise. In particular, large, established nonprofits, businesses, and even governments are producing social innovations.

As Phills et al. (2008) noted, the underlying objective of social entrepreneurs and social enterprises is mainly to create social value which entails the creation of benefits or reductions of costs for society – through efforts that address social needs and problems – in ways that go beyond the widely-held convictions of private gains and general benefits from market activity. In this respect, the European Commission perceives social enterprises as often having an innovative nature, through the goods or services they provide, and also through the operational or organizational methods they utilize, often employing society's most fragile (socially excluded) individuals (Pisano et al., 2015). In addition, Dees (2006) emphasizes that social entrepreneurs discover or create novel opportunities through processes of exploration, innovation, experimentation and resource mobilization, revealing an active, confused and highly decentralized learning process that is necessary if social innovations are to be practically discovered and implemented to solve social problems.

Social Innovation

The novelty of the concept and the heterogeneity of disciplines involved have led to the proliferation of various definitions of social innovation (Zapf, 1991; Alvord et al., 2004; Moulaert et al., 2005; Pol and Ville; 2009; Rüede and Lurtz, 2012), in an attempt to explain its different forms and practices (Howaldt and Schwarz, 2010). Phills et al. (2008) state that social innovation can be considered as follows: "a novel solution to a social problem that is more effective, efficient, sustainable or just than existing solutions, and for which the value created accrues primarily to society as a whole rather than private individuals. Alvord et al. (2004, p. 262) underline that social innovation can be defined as "innovative solutions to immediate social problems that mobilize ideas, capacities, resources, and social arrangements required for sustainable social transformations". Additionally, the Innovation Union Flagship describes social innovation as finding new ways of meeting social needs which are not adequately met by the market or the public sector or to tackle societal challenges, empowering people and creating new social relationships and models of collaboration (European Commission, 2010). Although, the project and initiatives of social innovation are generally encouraged by non-profit organizations and foundations, the European Commission (2012) states that social innovation can and must take place in all four sectors or as combination of them: (1) the non-profit sector; (2) the public sector (both in terms of policies and service models); (3) the private sector; and, (4) the informal sector.

As outlined by the European Commission, all actors and all regions should be involved in social innovation and there is actually an interesting sign that social innovations can increasingly be defined and developed by firms (European Commission, 2012, p. 29). In fact, the for-profit sector is increasingly

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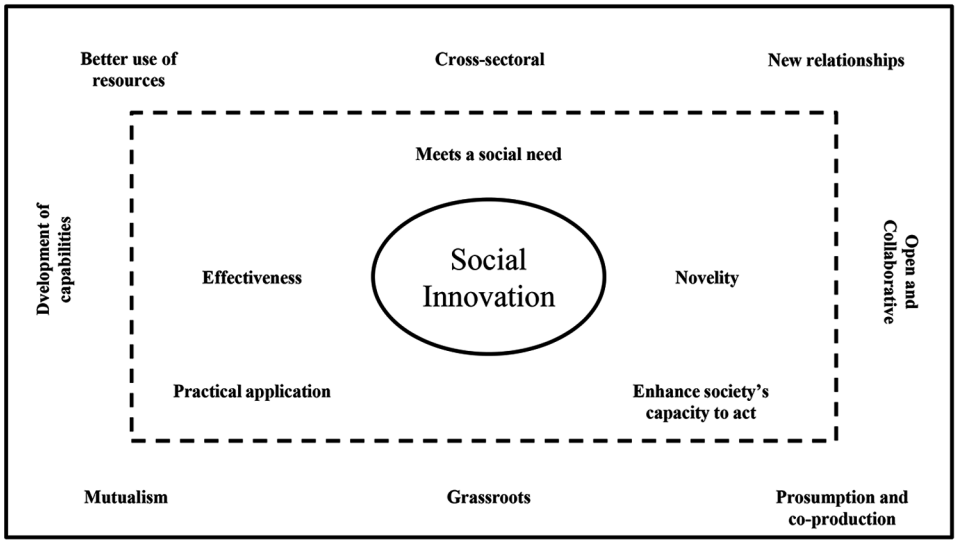
showing concrete levels of social responsibility, a high level of social value creation and certain social entrepreneurship "attitudes" (OECD, 2010, p. 190) to develop and manage social innovation projects. Emblematic cases in this direction are the big companies like Apple, Siemens, Dell and others that may have created an environment of entrepreneurship or ancillary industries or processes to satisfy some social needs/problems of China (Salim Saji and Ellingstad, 2015).

Following a review of the literature, Caurlier-Grice et al. (2012) propose several common features and core elements of social innovation (see Figure 1). The core elements appear mainly necessary to define a social innovation, speaking to: novelty, where social innovation needs to be new in some way or applied in a new way; practical application, where social innovation has to address the practical application or implementation of a new idea financially sustainable in the medium- to long-term; meets a social need, explicitly considered as something that can cause serious harm or socially suffering when not met; effectiveness, implying that social innovation should be more effective by creating a measurable improvement in terms of outcomes from existing solutions; enhancement of society's capacity to act, determining new roles and relationships, developing assets and capabilities and/or better use of assets and resources. The main common features of social innovation are: cross-sectoral; grassroots and bottom-up; pro-sumption and co-production; mutualism; creation of new roles and relationships; better use of resources and assets; and development of assets and capabilities; and open and collaborative.

Regarding this last feature, it is interesting to note that social innovation seems to naturally reflect the open innovation principles (Chesbrough, 2003) because the development of successful social innovation projects/activities inevitably requires the involvement of different external actors, strongly committed to the social mission and social goals. In addition, social innovation activities need generally to create new social relationships or social collaborations (Murray et al., 2010). Similarly, open innovation is strongly focused on collaboration (Chesbrough et al., 2008), stressing opportunities to attract innovative ideas, exchange knowledge among different actors, and work together through open and collaborative networks in order to develop products/services (Chesbrough, 2003) or to solve problems. In fact, according to the principles of open innovation, an organization does not innovate in isolation, but rather by engag-

Figure 1. Common features and core elements of social innovation



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ing with different types of partners and acquiring ideas and resources from the external environment (Chesbrough, 2003).

With these definitional elements in mind, the chapter presents a case study that provides exploratory insights into the main characteristics and activities through which a for-profit organization can successfully define and develop social innovation involving particular segments of society (usually disadvantaged, marginalized or poor) and allowing all or part of the benefits derived by the innovation activity to accrue to that same segments of the society (Tan et al., 2005).

CASE STUDY

Banca Prossima: Overview

In 2007 Intesa SanPaolo emerged from the merger of Banca Intesa and Sanpaolo IMI. It has Italian leadership with context and a significant international presence focused on Central-Eastern European, Middle Eastern and North African Countries with approximately 1,200 branches and 8.1 million customers belonging to the Group's subsidiaries working in commercial banking in 12 countries (Intesa Sanpaolo, 2017). The bank is characterized by the Head Office Departments that consist of both the Corporate Social Responsibility (CSR) Department and the Bank and Society Laboratory (defined easily as "Laboratory"), which reflects the organizational structure oriented mainly to the definition and the development of social innovation projects and activities. Additionally, Banca dei Territori (the domestic commercial banking unit) is dedicated to retail customers, private customers and small-medium enterprises (SMEs). Within this division, there are different branches: Mediocredito (the bank oriented to SMEs activities), Banca Prossima (the independent bank dedicated completely to non-profit organizations) and other banks committed to specific client segments.

This chapter intends to focus on the case of Banca Prossima, which represents an emblematic experience of social entrepreneurship, operating in the not-for-profit sector, and of strong commitment and effort to generate new ideas and initiatives capable of transforming the economic, social and political context of marginalized groups and affect social change.

The mission of Banca Prossima is to meet and satisfy the needs and requirements of non-profit organizations (i.e., foundations, social businesses, associations and the religious world), by offering excellent products targeted to improving the quality of banking services and participating in the creation of social value. In this regard, it intends effectively "to support the best not-for-profit initiatives to spread culture diffusion and education, enjoyment and protection of the environment and art and to facilitate access to credit and to work" (Banca Prossima, 2017). In fact, as underlined by the CEO of Banca Prossima: "the decision to create a specialized bank to better serve the third sector is the result of the experience gained by the Laboratory in four years of collaboration with the non-profit. This is a project that affects the way we do business with a clientele usually neglected by banks, but that could soon take charge of many services no more supplied directly by the system of public welfare" (Altuna et al., 2015, p. 266).

Therefore, since its foundation, Banca Prossima has sought to ensure the highest level of service and ability to support the growth of the best initiatives, which are often limited and penalized by the conventional criteria of banking evaluation. To further this goal, it has revised the process of risk analysis by defining and adopting an innovative social enterprise rating model that integrates the traditional

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methods of banking with specific metrics to evaluate the sustainability of clients that present peculiarities different from those of "privates" or "companies". In fact, this new ad hoc rating is not in contrast with the bank's traditional analytical methods, but it also contemplates some qualitative elements, such as fund raising abilities, critical success factors related to projects funded by the Public Administration and Foundations, and the percentage of orders derived from individual benefactors. Specifically, this model enables Banca Prossima to take the peculiarities of the non-profit organizations into account when evaluating its clients on matters of debt sustainability and social projects. Additionally, Banca Prossima has developed a special risk fund (Fund for the Development of the Social Enterprise) from the company's profits. As specified in the statute, 50 per cent of these profits (100 per cent for the first ten years since its foundation in 2007) have to be devoted to this fund, which intends to intervene in particularly risky areas, considered highly relevant in terms of the social value generated. This fund is not considered as part of the bank equity and it would be given to charity in the event of dissolution of the company.

For these reasons, Banca Prossima has been placed among the organizations and institutions which primarily serve the specific needs of social enterprises and businesses with social and environmental objectives within "The Open Book of Social Innovation".

Banca Prossima: Initiatives and Projects

As noted above, Banca Prossima works partially on its own and partially in collaboration with Intesa Sanpaolo on numerous projects (Table 2), fostering socially innovative activities through the involvement and participation of external partners making innovative use of their capabilities and competences. It stimulates the creation of inter-organizational relationships and strategic alliances, explores new opportunities to better use existing resources (i.e., knowledge and capital), and also aims to improve or to solve social problems (i.e., health-related problems).

In fact, the definition and the development of these innovative initiatives demonstrate the profound belief and the relevant work of Banca Prossima in support of social projects that are pursued for their social impact, independent of the profits they can generate, and in support of disadvantaged social groups in terms of resolutions of their problems Such projects and the groups they serve are usually excluded from receiving credit. In contrast to commercial entrepreneurs, these groups have several difficulties in accessing or finding financial resources for innovation, as well as in attracting potential investors, such

Table 2. Examples of social innovation projects

A scheme for advancing payments from the Campania Region to a consortium of non-profits that won a regional auction for provision of healthcare services to old and disadvantaged people. This can be considered one of the first such schemes in the South of Italy.
A nursery centre project run jointly with a consortium of "social co-operatives" that would train the childcare workers, guaranteeing quality standards. Banca Prossima grants loans with no personal guarantee required. The resulting network is currently one of the country's largest, servicing over 8 000 3-year-olds and employing over 2000 women
A project for setting up residences to host mentally disabled people who have outlived their parents.
A project to finance volunteer organizations, whereby Banca Prossima provides loans guaranteed up to 20% by means of a fund set up by local centres servicing volunteer organizations in Lombardy and a Foundation.

Source: *(OECD, 2010)*

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as venture capitalists, to support social innovation because they are legally restricted from distributing profits and, consequently, are unable to offer financial returns (Austin et al., 2006).

In this regard, a significant initiative developed by Banca Prossima is "Terzo Valore", a free web-based platform which provides new resources to the Third Sector and, at the same time, permits any private citizen to select and fund a non-profit project, amongst those pre-screened by Banca Prossima, either through specific donations or loans without intermediation. This crowdfunding initiative is particularly innovative in Italy because citizens' loans between peers (as is the case for non-profit institutions) were previously problematic to implement from a legal viewpoint. In fact, P2P platforms emerged, but most shut down, so "Terzo Valore" created a viable way to serve the market. The "Terzo Valore" loans are capital-guaranteed by Banca Prossima (this was not standard in previous cases) and Banca Prossima supplies at least a third, and up to 100%, of the financing. Through "Terzo Valore", 23 projects have been financed in education, religion, social welfare and cultural areas, for a total of 4.21 million euros, at an average interest rate of less than 3% (Banca Prossima, 2017).

Another important initiative of Banca Prossima is the "Foundation for Innovation in the Third Sector" (Fondazione Fits2014, 2017). It is proposed as "an enterprise venture established by Banca Prossima in 2011 with the aim of creating social value, starting with the voluntary sector and with our sights set on the entire community" (Fondazione Fits2014, 2017). This foundation does not intend to offer subsidies but exists to "monitor new social needs, develop flexible service models to meet rapidly evolving social demands, disseminate best practice across the region to generate efficiency and economies of scale, and attract interest from new social investors for public and private entities" (Fondazione Fits2014, 2017). This is because the social system intensely supports defining and developing different innovative models able to support the sustainability of organisations by improving efficiency and using diverse financial tools to facilitate and strengthen links with private, public and social enterprise supporters. Therefore, the roles of researching, monitoring and "its accompanying social planning, promotion and development of network systems among third-sector players, synergy with commercial entities and government agencies, and innovative welfare models are the modus operandi for FITS!" (Fondazione Fits2014, 2017). From this perspective, it is clear that the foundation assumes a critical role of an "aggregator" in terms of suitable experience and a "catalyst" for skills and competencies. The main achievements of the Foundation are principally developed around the following important areas: energy, Europe, social project financing, skills workshops and corporate social responsibility (see Table 3). These activities are the result of intense and qualified research that identifies social needs by digging into different information sources. This preliminary and relevant phase is followed by the so-called design activities (Altuna et al., 2015, p. 266), during which the intervention model is concretely defined because, once the main objective is defined, it is necessary to determine where and how to change and innovate the process of credit provision. Finally, the process concludes with the identification of the project partners that should be engaged. In effect, all the activities are developed in collaboration with on average two or three partners with specific competences important to the social project; with the majority (around 80 per cent of them) coming from the third sector.

Similar to these innovative social initiatives, it is useful to consider other two different areas of activities. Firstly, Banca Prossima has developed a stakeholder communication strategy for the Third Sector, identifying and defining appropriate mechanisms, such as collaboration with a national non-profit association named Vobis (Volunteer Bank for Social Initiatives), to put its expertise service through mentoring at the disposal of citizen and non-profit applicants. Secondly, within its organization Banca Prossima has introduced the so-called "Head of Relationship" program in recognition of managers who

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Table 3. The principal activities of FITS!

Areas	Needs Analysis	Model of Intervention	Partners
Energy	Revising energy installations to reduce the waste associated with these activities and the cost savings; to support the development of renewable energy and to reduce the effects of pollution from fossil fuels. The need for access to qualified professionals to examine production systems and energy usage with low investment.	Analysis of energy efficiency needs for estates (i.e., offices, schools, sports facilities, etc.); Planning for installations required; Creation of Social Energy Service Companies; Use of financial mechanisms of the FITS! and Banca Prossima energy-efficiency programme.	FITS! Banca Prossima E.ON Connecting Energies (ECT)
Europe	There are 14.5 million people employed in the social economy in Europe (6.5% of the European Union population), but in relation to the major European economies, Italy has the highest number of employees as a percentage of the total economy (9.7%). The "Made in Italy" motto and the quality of life are rooted in the infrastructure of relationships and ties with the community. It is the share capital of the Italian territory that supplies production chains today, and without this it would be impossible to generate value. The presence and the widespread dissemination of non-profit organisations and social enterprises, even outside the national borders, therefore, becomes a major indicator of competition.	Participation in European tenders; Establishment of social enterprise networks, exploring market opportunities for social enterprises and/or members of these networks; Fostering synergies between companies and enterprises to generate economies of scale.	FITS! Banca Prossima
Social Project Financing	The current state of public finance in Italy, the demands from Europe and, in the case of municipalities, the obligations imposed by the Stability Pact, have induced legislators to introduce tools and mechanisms to engage private capital more effectively in the development of public works and public utilities.	Public-initiative financing and private-initiative financing. The public-initiative model of project financing requires a private institution (the promoter) to propose construction of a public utility work to the authorising government agency, where it is already included in its three-year schedule of work. Where it is not already included, but the authorising agency acknowledges the public utility of the scheme proposed by the private institution (the applicant), project financing is by private initiative.	FITS! provides access to its planning facilities and performs an advisory function. Banca Prossima: financial partner Companies and public institutions Private companies Joint stock companies with majority public holding Joint stock companies with majority private holding
Skills Workshop	Non-profit organisations have invested in training to strengthen the skills of their workforce and management. Priority training objectives: development of vocational skills for workers and managerial skills of corporate heads	Focus groups to identify training needs to inform training programmes that will be made available to organisations and institutions in the voluntary sector.	FITS! Intesa Sanpaolo Formazione
Corporate Social Responsibility	Company focus on corporate social responsibility has increased significantly in Italy. Social responsibility plays an important role in internal and external business communications and in positioning the company image, especially in the context of the territory and the sector in which it operates. The need arises to devise models of intervention that are oriented towards a new way of promoting company policies and increasing their social impact on the territory and on the community.	Implementation of initiatives in support of community welfare to selected corporate clients, to enhance their CSR policies.	FITS! Companies: Vodafone Foundation, Peppino Vismara Foundation, L'Oreal, E.ON Connecting Energies Srl Intesa SanPaolo Banca Prossima

Source: (Fondazione Fits2014, 2017).

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distinguish themselves through their professional skills in managing relationships, not only with Third Sector clients but in their private life through their engagement in volunteer-related activities. These managers receive refresher courses and training to help them identify core decision making needed to understand both the process and areas of inter-organizational conflicts, and ultimately to pinpoint the most suitable solution for even the most complex problems.

SOLUTIONS AND RECOMMENDATIONS

As highlighted by the literature review and the case study 'Banca Prossima', the term "social entrepreneurship" is used to refer to the rapidly growing number of organizations that have created models for efficiently catering to basic human needs that existing markets and institutions have failed to satisfy. Social entrepreneurs solve several societal issues because they combine the resourcefulness of traditional entrepreneurship with a mission to change society. A few recommendations are key to support the growing number of social innovation initiatives across the globe. The most important concerns improving the capacity of social entrepreneurs to effectively apply open innovation principles (Chesbrough, 2003). Additionally, social innovation projects or activities inevitably require the involvement of different external actors, strongly committed to the social mission and social goals being pursued. This means that social entrepreneurs must be also comfortable and adept with concepts such as informal organization, trust, culture, social support, social exchange, social resources, embeddedness, relational contracts, social networks, and interfirm networks. All of these fall under the "umbrella concept" of social capital (Hirsch and Levin, 1999). This means that social entrepreneurs should take care to develop interpersonal trust and meet social expectations. The ultimate goal is to create value in their social innovation network by bonding similar people and bridging diverse perspectives.

FUTURE RESEARCH DIRECTIONS

Future research could include gathering additional empirical evidence, beyond this case study, on social innovation in for-profit organizations. Other sectors, beyond banking and financial services, with their own set of specific dynamics might also be investigated. It would be useful to understand the main motivations that stimulate these organizations to develop social innovation projects and the existence of any contextual factors that can affect the success of this kind of innovation.

CONCLUSION

This chapter contributes a focus on how for-profit organizations can develop, organize and deliver successful social innovation projects and initiatives. At the broadest level, it adds new insights to scholarly research focused on a relevant, although underdeveloped topic, namely the definition and implementation of social innovation in for-profit organizations. More specifically, the case study emphasizes that these organizations need to develop a set of resources and specific competencies to facilitate social innovation projects, such as the knowledge of societal needs of particular disadvantaged groups as well as the competences needed to define an appropriate model of intervention. For-profit organizations can help

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to solve social problems using their business competencies and resources, and through partnerships with government, create and maintain suitable relationships and collaborations with them in order to effectively solve community problems and social issues. Intrinsically linked with this, is the opportunity and necessity for these organizations to develop and implement an open business model (Chesbrough, 2003) that clearly fosters the involvement and participation of external stakeholders in their internal activities and processes.

The case study presented here provides some interesting suggestions to managers working in firms that are willing to develop products or services motivated by the goal of meeting a social need. They are shown to be able to solve social problems with innovative solutions that contribute to the creation of social value while also creating firm level profits. With the notion of a social mission, they have to select and adopt an appropriate approach to explore social value-opportunities and to administer their social innovation projects, in a way that overcomes organizational rigidities while acquiring the critical competencies for social innovation that for-profit organizations typically lack. These implications are highly relevant to achieving positive societal effects. Although social innovation is usually considered the principal domain of non-profit organizations, encouraging a superior engagement of for-profit organizations in this type of innovation activity represents a key opportunity for the generation of several benefits for society.

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KEY TERMS AND DEFINITIONS

Banca Prossima: It represents a relevant example of social entrepreneurship, whereby a for-profit organization (in this case a bank) also operates in the not-for-profit sector. It has a strong commitment to generating ideas and initiatives capable of improving the economic, social and political situation of marginalized groups and affect social change.

Open Innovation: Is a paradigm that assumes that firms can access and absorb external ideas as well as internal ideas, and internal and external paths to market, as they seek to advance their technology. More recently it has been described as distributed innovation process based on purposively managed knowledge flows across organizational boundaries.

Social Capital: Broadly refers to the resources accumulated through the relationships among people.

Social Entrepreneurship: Encompasses the activities and processes undertaken to discover, define, develop, and exploit opportunities in order to improve social wealth by creating new ventures or managing existing organizations in an innovative manner.

Social Innovation: New ways of meeting social needs which are not adequately met by the market or the public sector or to tackle societal challenges, empowering people and creating new social relationships and models of collaboration.

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Chapter 3
The Role of Social Entrepreneurship and Social Economy in Romanian Sustainable Business Development:
Social Entrepreneurship and Social Economy

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ABSTRACT

In their scientific endeavour, the authors aim at analysing the concepts of social entrepreneurship and social economy, as well as emphasising the role these concepts play in sustainable business development and in the economic development of society as a whole. At the same time, several aspects of social enterprises are presented and their importance in the Romanian economic environment is emphasised. As these are two relatively new concepts in the social economy in Romania, the authors refer to the specialised literature throughout their research. The authors present several of the opportunities and challenges raised by social economy. The importance of financing is emphasised by means of presenting the organisations' financing sources which are specific to social economy. The conclusions to this research include some of the authors' own viewpoints, with reference to the aspects of social entrepreneurship – social enterprises – social economy and their role in overall economic development.

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INTRODUCTION

In the modern society, where the market cannot solve economic problems entirely, and the available measures and means are not always efficient, especially in terms of solving the social problems that all world countries are facing, it is necessary to involve the main "actors" in setting up some forms of organisation so as to attract resources and also to establish an interaction among people in order to build sustainable business with the aim of developing the communities they belong to and the overall economy. In this context, setting up and developing a business of the social enterprise type may become a challenge to any entrepreneur, in response to a social or economic need of those setting it up, needs which the public sector and the market economy sector do not succeed in meeting.

All the more so as, in any economy, the central role is played by entrepreneurs and the authors state that social economy cannot exist without social entrepreneurs, but at the same time, neither can there be social entrepreneurs that do not participate in the process of creating the social economy. Thus, a change in paradigm is underway at macroeconomic level through the emergence of a new type of economy, called social economy, which is based on people, and simultaneously of a new type of entrepreneurship, namely social entrepreneurship.

In this context, social entrepreneurship may contribute to increasing social inclusion, creating employment, involving persons that belong to underserved groups into economic activities and facilitating their access to social resources and services.

Throughout the research, the authors emphasise the major role played by social entrepreneurship and social economy in sustainable business development at emerging economies level.

For this reason, the structure of the research paper includes a synthesis of the specialised literature related to defining the concepts and, at the same time, to the importance of approaching these concepts in the economic development process. Along the research paper, the authors present a series of differences between the social enterprise and the private enterprise, the types of indicators measuring the impact of the activity performed by social enterprises and, at the same time, their effects on the local development process triggered by the characteristics of such entities. Then, the authors present the concept of social economy in Romania, which is relatively new in the Romanian economy, being enacted by Law 219/2015. Then, some of the social economy opportunities and challenges in the Romanian socio-economic environment are presented. Also, the types of social economy entities acknowledged at regulatory documents level are presented. The financing sources are also presented in the scientific endeavour, as they are of major importance in the activity performed by the organisations that constitute the social economy.

It is mentioned that, in the future, new means of financing must be identified to replace the traditional ones, and performance-based employment policies must be pursued. Also, the authors must consider stimulating performance by means of material rewards, benefits that change the attitude to the organisation entirely and the operative commitment to achieving social objectives.

The authors' scientific endeavour conclusions are presented at the end of the research paper.

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DEFINITION OF THE SOCIAL ENTREPRENEURSHIP CONCEPT AND ITS IMPORTANCE

In time, economy specialists defined various concepts of social entrepreneurship and the tools it works with, of social enterprises type.

The aim of social entrepreneurship is to solve certain social problems and to increase the employment level of persons belonging to underserved groups.

Among the objectives of social entrepreneurship, there are: producing goods and/or providing services that contribute to the welfare of the community or of its members; mainly promoting certain activities that can jobs so as to employ persons belonging to underserved groups; developing efficient training programmes dedicated to persons in underserved groups; developing social services in order to increase the capacity to enter the labour market in the case of persons belonging to underserved groups; involving individual persons in the sustainable development of local communities; developing an inclusive society as well as social responsibility; taking the focus away from social security and promoting social inclusion practices, thus turning underserved persons from consumers of resource into generators of value.

Next, the authors will detail the three concepts which begin to settle in and develop more and more in the Romanian society as well, triggering benefits and contributing on the long term to a decrease in poverty, an alarming phenomenon taking an upward trend recently in Romania.

In order to make a logical presentation of the three concepts, the authors start by emphasising the concept of social entrepreneurship analysed in time by a series of specialists in the field of economics.

The concept of social entrepreneurship is quite famous in the USA and Western European countries, but lately it has become more and more widespread in Eastern Europe, as it is the case in Romania.

The approach to social entrepreneurship, which is widespread in the Romanian environment as well lately, is that social entrepreneurship uses business principles, entrepreneurial and managerial skills in order to solve social problems. In this context, social entrepreneurship targets a social goal by using commercial, entrepreneurial and managerial means. Besides, social entrepreneurship is the means by which it is attempted to bridge the gaps between the business and the social sector.

Mainly in the past few years, social entrepreneurship has become important both to NGOs and to the entrepreneurial environment, due to causes generated by the economic recessions which led to an increase in the population's level of poverty and to a rise in unemployment.

As compared to traditional entrepreneurship, the social entrepreneurs' approach is different, they take into account generating "social value", rather than profits, so that their efforts aim at decreasing poverty on the long term.

Besides, most social enterprise definitions in popular discourse, as well as in the specialized literature, focus mainly on social entrepreneurship within the non-profit and business sectors.

In the authors' approach (Kostetska & Berezyak, 2014), "social entrepreneurship generates the prerequisites for obtaining resources by providing a better future not only to socially vulnerable groups, but also to society as a whole."

Other authors emphasise the fact that social entrepreneurship "provides the means that facilitate social inclusion and the creation of human, economic and political capital among the beneficiaries" (K'nIfe & Haughton, 2013).

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The argument that "social entrepreneurship creates economic and social capital," is supported by Jain (2012) in one of his papers.

In the authors' opinion (Dees & Anderson, 2003), "social entrepreneurship is an innovation also because the term profit had a negative connotation in the NGO environment." It is otherwise well-known that "non-profit organisations are taking over more and more strategies, concepts and practices from the business world."

Noruzi, Westover and Rahimi (2010) focus on the social problem, which, in their opinion, "is the main reason for social entrepreneurship." In another approach (Kickul & Lyons, 2012), the main difference between commercial and social entrepreneurship is that "social entrepreneurship focuses on achieving the social mission, while commercial entrepreneurship focuses on profits for the enterprise owners. Thus, the former type benefits the stakeholders, while the latter benefits the shareholders."

In a different interpretation, social entrepreneurship is the basis for a social entrepreneur's activity, which generates profit and whose purpose is to support social issues. But, in addition to non-profit organisations, social entrepreneurship includes "activities whose purpose is to yield profit, such as banks acting for the development of the community and organisations that combine items specific to the business and non-profit sectors" (Orhei, 2007).

Other authors (Hibbert, Hogg & Quinn, 2002), point out that "social entrepreneurship is to employ social entrepreneurial behaviour in order to use the profits that are generated to the benefit of an underserved group."

The authors place great value on the opinions and approaches of the cited authors, but among the most thorough and explanatory definitions of social entrepreneurship is provided by Dees (1998b), who refers to "a combination emphasising discipline and responsibility, with the concepts of generating value taken from Say, those of innovation and vectors of change taken from Schumpeter, those of taking the opportunity from Drucker, and those of inventiveness from Stevenson."

Based on these statements, it may be emphasised that social entrepreneurs play the role of change agents in the social sector by means of: taking on the mission to create and support a social value, acknowledging and pursuing new opportunities to support that mission, committing to a process of continuous innovation, adjustment and learning, taking action bravely and with increased responsibility for the outcome.

In a different approach, (Kostetska & Berezyak, 2014), "social entrepreneurship may be considered a response to social issues: unemployment, poverty, community fragmentation," etc. Its aim is to solve or alleviate the problems of the underserved populations by increasing their financial autonomy, innovation and independence. In this approach, social entrepreneurship may be seen as a combination between the social and commercial mission, so that, in order to solve a specific social problem, social entrepreneurs draw in resources so as to achieve their mission, to obtain revenues from these activities. Moreover, "social entrepreneurship may be a mix of charity and business aimed at solving social problems, therefore it takes it social purpose from charity and the entrepreneurial approach from business." The ones called social entrepreneurs take innovative, unusual approaches to the standard solutions to complex social problems, such as: decrease in poverty, energy conservations, environment protection, education, healthcare, etc.

In the specialised literature, a comprehensive definition is given by Peredo and McLean (2006). In their opinion, social entrepreneurship is in place if

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one or more persons aim at creating social values of a certain type, and pursue this objective by means of acknowledging and taking the opportunities to create this value, using innovation in order to achieve this social value, tolerating above-average risk in creating and disseminating social value and, at the same time, refusing to accept boundaries to available resources.

Certo and Miller (2008), argue that

social entrepreneurship is nothing more than a sub-type within the field of entrepreneurship, and social value is of key importance, followed by the shareholders' personal wealth.

In the authors' opinion (Kostetska & Berezyak, 2014) introducing social entrepreneurship

becomes one of the ways to solve critical social problems, and developing it aims at harmonising social and commercial concerns, the mechanism to include representatives of the economically active population in productive work.

In another approach, social entrepreneurship includes a wide range of personal initiatives, organisational social trends and structures (Roper & Cheney, 2005).

Fowler (2000), emphasised social entrepreneurship as being

a complex product with three categories of entrepreneurial social activities: integrated social entrepreneurship, reinterpretation and complementary social entrepreneurial spirit.

Sud, VanSandt and Baugous (2009), reckon that

social entrepreneurship cannot be reasonably expected to solve wide-ranging social problems for a variety of reasons. They labelled the reasons as follows: legitimacy-related organisational pressures, isomorph pressures, political pressures, structural pressures and moral pressures.

Other authors (Durieux & Stebbins, 2001) define social entrepreneurship as

the activity whereby it is meant to solve a social problem.

Certain specialists (Urbano, Toledano & Soriano, 2010) investigated social entrepreneurship from an institutional perspective. They examined the institutional factors and "emphasised that these influence the emergence and implementation of social entrepreneurship."

Yet, other approaches indicate that social entrepreneurship is a type of entrepreneurship in which the established "social enterprise" aims at solving certain social problems and considers profit reinvestment as being foremost. The core of social entrepreneurship is attempting to improve living conditions and providing opportunities to underserved persons or to those who are among vulnerable categories.

Social entrepreneurship may also be defined as the art of setting up businesses in order to obtain benefits for the underserved population, in order to solve social, cultural or environment protection issues.

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Starting from the experience of developed countries in this field, the authors define the concept as the entrepreneurs' capacity to build, to develop social businesses in order to integrate underserved persons and decrease unemployment, with positive effects on developing the community they are part of.

Yet, more and more authors approach social entrepreneurship in terms of social entrepreneurs.

In the authors' opinion (Thompson, Alvy & Lees 2000), social entrepreneurs are people who know how to adjust their opportunities so as to meet a need and who gather the necessary resources and use them in order to be differentiated from the public system.

Other authors (Tan, Williams & Tan, 2005) list a few characteristics of a social entrepreneur, "a social entrepreneur is a person who takes innovative risks and earns profit for the society."

Social entrepreneurs want to draw in resources for the sake of the social good rather than for financial return (Dal Forno & Merlone, 2009).

Brinckerhoff (2000), specifies that

social entrepreneurs are persons who take risks in the name of their people and serve the organisations.

A social entrepreneur is "a pioneer, with a new and strong idea, who combines in a visionary manner the real world with resolving creativity problems, who has a strong ethical structure and a vision for change" (Bornstein, 1998).

Drucker (1985), reckons that social entrepreneurs "change the society's capacity for performance," while Schuyler (1998) calls them "persons who have a vision for change." Both definitions communicate the following: social entrepreneurs are a society's vectors of change, but their change is mainly in compliance with social needs, not necessarily with market requirements.

Leadbeater (1997), argues that "social entrepreneurs are considered small amounts of resources which meet social needs. He indicates the types of social entrepreneurship sources in the economic activity (public, private and voluntary)."

The social entrepreneur is a member of the civil society who uses the business he develops so that it will have a social impact. Sometimes, the concept of social entrepreneur is also used with the meaning of social innovator–the person who solves an important social problem in a highly efficient or innovative manner.

DEFINING THE CONCEPT OF SOCIAL ENTERPRISE AND ITS IMPORTANCE AT COMMUNITY LEVEL

The importance of social enterprises at community level is higher and higher due to the fact that they participate in creating sustainable businesses and also in economic development. As a matter of fact, social enterprises may be considered the result of implementing social entrepreneurship.

At the same time, social enterprises support the accumulation of social and human capital at local level and create the favourable context which allows the use of these capitals as resources in the economic development process.

In the authors' opinion (Borzaga & Defourny, 2001), the social enterprise is defined as being and "organisation in which the main objective is to ensure/provide community welfare, created upon the initiative of a group of persons and where the material interests of those who invested capital are limited." The social enterprise operates as an independent organisation which takes "economic risks derived from

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the economic activity it performs," and it involves various persons that are interested in the community and in managing it.

In a different approach, social enterprises are "new types of businesses which are based on an entrepreneurial approach to the activities, associated with a clear social mission" (European Union & Organisation for Economic Co-operation and Development [OECD], 2015).

Social enterprises are relevant actors in the social innovation process by means of the goods and services they produce and especially through the effects these trigger on the entire local development process (Borzaga & Tortia, 2009).

Social enterprises are part of the "economic structure both of the nation and of the local communities" (Anheier, 2005).

The social enterprise is also represented by a new entrepreneurial type in which the social objective is combined with economic efficiency, based on the current socio-economic status quo in which the transition from "the classic economic value to a new concept called distributed value" is performed (Barna, 2014).

The social enterprise in Romania is defined "as any privately-owned legal entity which performs activities in the field of social economy, which holds a social enterprise certificate and observes the principles stipulated" in the law (Law 219/2015).

For the Romania economy, this is a new type and, at the same time, an old type of business which, mostly recently, has been encouraged to develop through the use of local (human and material) resources in order to develop the overall community.

Yet, the authors must consider the fact that the social purpose of such businesses is to decrease the negative effects of the development process at community level and, also, to provide support to persons in marginalised groups by means of providing services or integrating them in the labour market and in various activities being performed. In this context, social entrepreneurship may be an important step in local development, as it reduces the marginal costs of the process and allows the social integration of such persons by using the resources they have.

As a matter of fact, social entrepreneurship is the type in which the established social enterprise is oriented towards solving a social problem and not towards gaining profit. In this context, the obtained revenues are a way to ensure the social enterprise's financial autonomy.

Social enterprises participate in developing community businesses and yield benefits acknowledged by the community members. The development of sustainable businesses at community level aims at stimulating the local economy development by means of having local employers use the resources available in the area, by decreasing poverty through the creation of jobs and diminishing unemployment at local level, by achieving social inclusion as far as the vulnerable groups are concerned, by participating in the development of socio-cultural capital at community level, and last but not least by protecting the environment.

But, at the same time, social enterprises have effects on the local development process due to the characteristics of these entities, with advantages as compared to other actors: the social purpose, the limited allocation of profits, democratic governance, autonomy.

Among these advantages, two may be presented as key ones: achieving the social, cultural, environment protection objectives and gaining revenues in order to achieve the objectives.

If we take into account that a social enterprise plays the role of an economic agent, then it produces goods and services which it puts on the market, and, at the same time, it redirects its surplus to the achievement of social, cultural or environment protection goals.

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Table 1. Differences between the social enterprise and the private entity

	Social Enterprise	Private Entity
Main objective	• Participating in the process of producing goods and services in order to meet the community's collective needs and to achieve its members' welfare.	• Gaining profit for shareholders.
Management	• Consulting all those involved in making decisions takes time.	• Reducing the time for decision-making, as decisions are made by the manager.
Right to vote	• Control is exerted equally regardless of the number of shareholders, based on the *one person and one vote* principle.	• It depends on the number of shareholders and on the number of shares, so that the shareholder with the largest number of shares is the one that controls the decisions.
Investment pay-back	• Those who invest, the shareholders, do not focus on investment pay-back because they are the ones benefiting from the goods or services being produced. • By leaving the social enterprise, they are provided only with the amount they invested.	• The shareholder will be paid the initial investment according to its commercial value at the time the shareholder withdraws from the economic entity. • Initial investment pay-back by means of incorporating dividends is foremost.
Profit allocation	• Profit allocation is done according to the activity being performed in the social enterprise, not according to the equity owned by shareholders	• Profit allocation is done by distributing dividends to shareholders according to the equity each of them has.
Beneficiaries	• The community's or the citizens' needs are envisaged.	• Clients are envisaged.
Enforcing the legislation specific to the field	• The legislation in the field is enforced and observed by the social enterprise.	• The legislation in the field is enforced and observed by the private entity.

Source: the authors' processing based on *Ghid de bune practici in dezvoltarea intreprinderilor sociale pentru comunitatile de romi.* Proiect cofinantat din Fondul Social European prin programul Operational Sectorial Dezvoltarea Resurselor Umane 2007-2013, Investete in oameni, Bucuresti 2012, and Chloupková, Jarka, European Cooperative Movement. Background and Common Denominators, *Unit of Economics Working Papers 2002*/4, http://uwcc.wisc.edu/info/intl/chloupkova.pdf

In Table 1, the authors present the main differences between the social enterprise and an economic agent, so as to support the previously-listed arguments.

On the other hand, social enterprises contribute to the consistent and sustainable development in consumption, provide access to quality social services to underserved groups, and, at the same time, contribute to the reorganisation of the most important sectors in the social field.

The result of social enterprises is a social one. Social enterprises promote aspects such as healthcare, welfare, etc. The main resources are "social capital forms based on relationships, networks, confidence and cooperation, providing at the same time access to financial and physical capital" (Leadbeater, 1997).

As the economic activity of a private entity is measured by means of economic indicators, similarly, in social enterprises a series of indicators are identified, which can measure the impact of their activity (Table 2).

The welfare of the employees in social enterprises and at the same time of the communities they are part of is one of the concerns each social entrepreneur should have in mind. Based on what has been presented so far, the authors can state that the success of social enterprises depends firstly on the companies' desire to contribute to developing this direction and, at the same time, social enterprises should prove social responsibility and, what is more important, invest in this segment. Also, the state, in its turn, should pay special attention to developing social entrepreneurship, create the legal and fiscal premises for its development, implement the most favourable forms of interaction with the civil soci-

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Table 2. Types of indicators measuring the impact of the social enterprise's activity

Types of Indicators	Impact at Social Enterprise Level
• The number of those earning this type of salary (minimum salary inflation / standard of living cost).	• The amount of revenue earned by the staff with low income at a decent standard of living.
• X,Y,Y skills developed by the employee on the job and which apply to P, Q, R jobs.	• Technical skills which can be transferable and operational ones which can be learnt.
• Increase in efficiency at work.	• Acquired computer skills.
• Amount of accumulated goods (bank deposits, shares, real estate etc.).	• Accumulating wealth.
• Total number of tax payers and amount of collected taxes.	• Increase in taxes as a result of employment
• The individuals' purchasing power.	• Increase in prosperity at community level as a result of economic development.
• Number of buildings purchased or built.	• Increase in economic security by means of owning the real estate.
• Net income per capita.	• Increase in income per capita.
• The total number of products manufactured by means of streamlining the activity.	• Increase in product quality and increase in competitiveness by comparison with the products of other social enterprises of the same type.
• The number of products delivered according to the increase in demand.	• Increase in the social enterprise's performance as a result of the increase in demand.

Source: processing from Orhei, E., L. (2007).

ety's organisations and create an institutional environment that facilitates setting up social enterprises (Kostetska & Berezyak, 2014).

In this context, a change in paradigm is anticipated at macroeconomic level and may speak now of a "new type of economy – social economy, an economy based on people" (Stanescu, 2013).

SOCIAL ECONOMY: OPPORTUNITIES AND CHALLENGES FOR THE ROMANIAN SOCIO-ECONOMIC ENVIRONMENT

Lately, social economy has been one of the solutions for economic development in many countries, due to the fact that it has created an increasing number of jobs. It has consolidated its position as alternative form in economic development which is based on values and principles that are different from those of the market economy. Social economy approaches "a new way to develop sustainable businesses which are based on social equity principles, social responsibility and transparency, thus encouraging a democratic participation when decisions are made" (Barna, Institute for Social Economy & Foundation for the Development of Civil Society, 2014). As a matter of fact, the changes caused by the economic crisis have also led to identifying other forms of organisation and to increasing interest in social economy. The way to perceive the opportunities that appeared in the field of social economy was capitalised on by ever more entrepreneurs. In this context, interest in social economy increased due "both to acknowledging the limits of the traditional public and private sectors in terms of meeting the current challenges on the labour market, and to the quality and amount of services of collective interest" (European Parliament, 2009). At the same time, social economy demonstrated adjustment to the new economic changes, by means of

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creating new types of intervention aimed at meeting economy requirements and thus at increasing the process of active inclusion of the beneficiaries. Among these new types of intervention, the authors mention the public-private partnership, which targets the implementation of new social economy initiatives by NGOs, based on support from the state, but to a larger extent via local authorities.

In time, social economy was defined as "including non-profit organisations, cooperatives and other private types of associated enterprises, or it was used as synonymous with social enterprises" (Defourny & Nyssens, 2001). Social Economy includes "cooperatives, mutual societies and associations (more and more non-profit organisations) emphasising the characteristics of these organisations' mission, especially in order to be rather beneficial to their members, or the community, than to generate profit for investors" (United Nations Development Programme & European Research Network, 2008).

In Romania, the concept of social economy is relatively new, that is why opportunities and challenges for the Romanian social economy are the focus for the authors of this research.

In this context, the debates in the past few years on the national social policy have aimed at finding innovative solutions, yet adapted to the needs of vulnerable groups, in order to decrease multiple social exclusion. Thus, to Romania, it has become a strategic priority to develop the social economy which will ensure the employment level of underserved persons. In 2010, promotional actions such as "European year for the fight against poverty" aimed at taking several actions in order to raise public awareness and promote active social inclusion. (European Commission, 2008).

Subsequently, in the Romanian legislation, the concept of Social Economy is first mentioned in the GD 829/2002 regarding the approval of the National anti-poverty and social inclusion promotion plan. Thus, in the law, as subsequently amended and supplemented, strategic objectives on the medium and long term (2002-2012) and on the short term (2002-2004) are defined. Social economy is mentioned among the medium and long-term objectives as "one of the principles targeting the creation of an inclusive society" (GD 829/2002). In the following interval, up to the year 2008, there is no further reference in the documents with an important role in promoting social economy.

Then, in September 2008, once the Romanian state made clear commitments to developing this sector in Romania, social economy was brought back to the fore. At this time, Romania's Government approved and sent to the European Commission the Strategic National Report on Social Protection and Social Inclusions (RNS PSIS), whereby it is stated that "the development of the sector regarding Social Economy may be the first step for an efficient and dynamic economy to interact with one based on social justice" (Ministry of Labour, Family and Social Protection [MMFPS],2008).

After 2008, the concept of social economy receives a new definition due to its being included as eligible domain for projects with European funding.

Thus, it was mandatory to supplement the legal provisions in force, so that the definition of social economy should be extended to other types as well, in addition to those that contribute directly to social inclusion.

In this context, in 2015, Romania's Parliament passed Law no. 219 regarding Social Economy, whose purpose was to stimulate the development of an alternative model for the social inclusion of vulnerable groups.

According to the Law – Social Economy represents

all the activities organised independently from the public sector, whose aim is to serve the general interest, the interests of a group and/or non-patrimonial personal interests, by means of increasing the level

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of employment for persons belonging to the vulnerable group and/or producing and supplying goods, providing services and/or performing work.

At the same time, social economy is based on "private, voluntary and solidary initiative, with a high degree of autonomy and responsibility, as well as limited profit distribution to shareholders" (Law 219/2015).

Moreover, social economy plays a key role in the European economy, making a sustainable connection between profitability and solidarity, it creates jobs, contributes to social, economic and regional cohesion, generates social capital, promotes active citizenship, gives priority to individuals and takes into account the development of sustainable businesses which lead to economic development and it also creates the premises for social, technological and environment innovation.

Social economy provides an alternative model for the social inclusion of vulnerable groups, it represents a different way of performing social inclusion and reintegration through economic development (Barna, Institute for Social Economy & Foundation for the Development of Civil Society, 2014). At the same time, social economy is an alternative business model, based on the principles of equity, responsibility and transparency, whereby the participation of all relevant actors in the decision-making process is encouraged (vulnerable groups, employable persons who benefit from social security services, unemployed persons, local authorities, non-governmental organisations, etc.).

In Romania, beginning with 2015, as soon as the Social Economy law entered into force, the following entities are acknowledged by law (Law 219/2015):

- Cooperative companies of degree I, which perform their activity in compliance with Law no. 1/2005 regarding the organisation and operation of cooperatives, as it was republished;
- Credit cooperatives, which perform their activity in compliance with the Government Emergency Ordinance no. 99/2006 regarding credit institutions and capital adequacy, approved with amendments and supplements by Law no. 227/2007, with subsequent amendments and supplements;
- Associations and funds, which perform their activity in compliance with the Government Ordinance no. 26/2000 regarding associations and funds, approved with amendments and supplements by Law no. 246/2005, with subsequent amendments and supplements;
- Employees' mutual aid funds, which perform their activity in compliance with Law no. 122/1996 regarding the legal status of employees' mutual aid funds and of the employees' unions, as it was republished;
- Pensioners' mutual aid funds, which are established and operated in compliance with La no. 540/2002 regarding pensioners' mutual aid funds, with subsequent amendments and supplements;
- Agricultural companies, which perform their activity in compliance with Law no. 36/1991 regarding agricultural companies and other types of association in agriculture, with subsequent amendments;
- Other categories of legal entities which observe, according to their articles of incorporation and organisation, cumulatively, the definition and principles of social economy provided for in the aforementioned law.

The authors present in Table 3 a few of the differences between the organisations belonging to social economy and those making up traditional economy.

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Table 3. Differences between the organisations belonging to social economy and those making up traditional economy

	Social Economy	Traditional Economy
Purpose	• Solving social problems	• Maximising the enterprise's value, namely the profit
Role of social benefits	• Core	• Secondary
How financial resources are obtained	• Economic activities, donations, sponsorship	• Capitalising on the provided goods/services
Financial role	• Financial instrument	• Financial means are an end in themselves
Organisation type	• According to the pursued goal (cooperative, limited liability company)	• Economic entity (limited liability company, joint stock company)

Source: processing from *Ghid pentru constituirea unei întreprinderi sociale în regiuni rurale având ca obiect produsele agricole şi de artizanat* (2012). Proiect cofinanţat din Fondul Social European prin Programul Operaţional Sectorial Dezvoltarea Resurselor Umane 2007 – 2013, Axa prioritară 6 „Promovarea incluziunii sociale", Domeniul major de intervenţie 6.1 „Dezvoltarea economiei sociale".

In Romania, in terms of the organisations' legal forms, social economy includes:

- Associations and foundations;
- Cooperatives;
- Mutual aid funds;
- Trading companies owned by social economy organisations.

Yet, all these social economy "actors" must be supported by means of efficiently attracting and using financial resources, through own revenues or through social activities support mechanisms.

The authors emphasise the fact that certain initiatives were identified which contributed to the development of funding of social economy activities and whose purpose was: to identify solutions in order to fund the implementation of projects that support the development of poor local communities, as a way of promoting social inclusion, and, at the same time, to involve underserved groups in local activities with economic or non-economic structure, which will allow medium and long-term increase in employment.

Funding sources come mainly from:

Market economy (from profit), non-commercial activities (production of goods and services for own consumption), voluntary activities; direct public funding, through the state budget and the social security budget; funding from special funds and sources (of the types: European Social Fund, structural funds, Structural Operational Programme Human Resources Development, Regional Operational Programme, etc., other national / EU/ international funds: National Research, Development and Innovation Plan, PHARE, World Bank funding, United Nations Development Programme, private donations (natural and legal entities) and taxes related to individual revenues (2% of the taxes on work-related revenues may be redirected to the direct funding of non-profit organisations). (MMFPS, 2010)

In Table 4, the authors present the sources of funding and the types of funding for the organisations that make up social economy.

The authors of this research consider that, in future, in terms of social economy in Romania, new funding types must be identified to replace traditional ones, by promoting employment policies based on performance and also stimulating performance by means of material incentives, benefits that change

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Table 4. Sources and types of funding for Social Economy organisations

Sources of Funding, Instruments, Policies	Key Actors Involved in the Social Economy Activity
• from own revenues of the entity whereby it performs its activity; • from external funds attracted via funding programmes; • from donations or other types of funds.	• organisations which, based on voluntary actions, provide services to vulnerable social groups or to those at risk.
• from performing voluntary activities; • by using local resources efficiently; • certain donations from local community members.	• certain groups made up of community citizens providing support to citizens.
• the profit of trading companies that can be used for social purposes; • attracting external sources by means of doing projects; • donations made by cooperative members or by external donors. • own funds obtained from all members according to their level of participation to the creation of such funds, by democratic vote.	• companies of cooperative type. • mutual aid funds and mutual organisations.
• funds of the types: sponsorship, donations, partnership agreements.	• foundations and associations.
• from the achieved profit.	• associations and foundations that perform economic activities through trading entities and use the resulting revenues or profit to the benefit of the community.
• the members' participation quotas to the establishment of dedicated assets; • revenues from economic activities aimed at supporting social actions; • from activities that are completed by promoting social inclusion; • by selling products and services obtained through economic activities as a result of the participation of disabled persons.	• individual enterprises and certain family enterprises.
• identifying viable and available sources in case of economic crisis situations.	• individuals or individual companies, international organisations for funding via grants with or without co-participation of the beneficiary or of the states.
• sustainable funding flows which are less dependent on fluctuations in the economy.	• developing business models that are based on strategic procurement and partnership for funding.

Source: processing from the Ministry of Labour, Family and Social Protection, 2010, *Raport de cercetare privind economia socială în România din perspectivă europeană comparată*, Bucureşti, 2010, in cadrul Proiectului „Economia socială - model inovator pentru promovarea incluziunii active a persoanelor defavorizate" finantat prin Fondul Social European prin Programul Operaţional Sectorial Dezvoltarea Resurselor Umane 2007-2013

entirely one's behaviour towards the organisation by means of an operative commitment to achieving social objectives. Yet, the use of innovative funding sources and mechanisms must be supported by a series of market-specific regulations and by legislation with clear enforcement norms that do not leave any room for interpretation.

CONCLUSION

In their scientific endeavour, the authors consider that they emphasised a series of approaches to the concepts of social entrepreneurship, social enterprise, social economy and that they presented the major role these play in establishing and developing sustainable businesses which contribute to developing a country's economy. During this research, they emphasise the importance of social entrepreneurship which leads to increasing social inclusion by means of creating jobs, finding the best ways to involve persons belonging to underserved groups in economic activities and, at the same time, by facilitating these persons' access to financial and other resources and to social services.

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We may state that social enterprises are the result of implementing social entrepreneurship. It was emphasised that social enterprises are those which participate in developing community businesses and which bring along benefits at the level of community members and of the community as well. The development of sustainable businesses at community level aims at stimulating local economy development by means of having local employers use the resources available in the area, by decreasing poverty through the creation of jobs and diminishing unemployment at local level, by achieving social inclusion as far as the vulnerable groups are concerned. At the same time, it leads to developing the socio-cultural capital at community level, and last but not least to solving issues related to environment protection. Yet, it is worth mentioning the risk taken by those who set up social businesses and the existence and proper performance of the activity depends on the necessary resources provided by their initiators. Moreover, the diversification of funding types and the identification of new options, such as the public-private partnership, must be taken into account. Also, financial and fiscal measures must be promoted to support social economy directly or indirectly. The authors must extend the way in which to make the direct correlation between fiscal benefits and the social enterprise status and must also specify clearly the types of benefits they may enjoy, and last but not least the legislation associated with this domain must be observed by all those who participate in developing these types of businesses.

The authors mention that social enterprises prove their capacity to stimulate positive increase in inclusion, they take into account the society's needs in order to build social inclusion, thus responding to the economic crisis and to the implemented austerity measures whose results did not match the expectations.

In the same context, social economy is presented as an alternative model for the social inclusion of vulnerable groups, which represents a different way of performing social inclusion and reintegration through economic development. Social economy envisages an alternative business model, based on principles and responsibility, whereby the participation of all relevant actors in the decision-making process is encouraged.

In the authors' opinion, social economy as part of the Romanian economic environment, is undergoing a development process and sustained effort must continue to be made by all actors involved in developing this field, not only in terms of start-up, organising or funding, but even up to changing mentalities related to the underserved population working in social enterprises.

Yet, in order for social economy to become sustainable for the vulnerable groups' options, it must be based on the analysis and research in the field, on financial support and also on raising the awareness of the wider audience. All these depend on financial, legal, institutional promotional mechanisms and on an adequate social environment.

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Chapter 4
Crowdsourcing Dispute Resolution:
Survey and Challenges

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ABSTRACT

After almost one decade of active research into human computation and crowdsourcing, several approaches and business models based on crowdsourcing have emerged, managing and distributing work to the crowd. Dispute resolution approaches may incorporate crowdsourcing as a step to retrieve relevant data. The reverse relationship has also become a tendency, where crowdsourcing approaches are close to incorporate dispute resolution techniques to perform quality control and data aggregation or filtering. This chapter provides an introduction to crowdsourcing and its relationship with dispute resolution. A discussion regarding the apparent symbiotic relationship between these two research domains is also presented, along with an overview of several approaches and use cases of particular interest.

INTRODUCTION

As suggested by Levine and Kurzban (2006), humans have developed sophisticated mechanisms to extract benefits from the social world, which are expected to be the product of several adaptations designed to generate mutual benefits to the actors involved.

The Web has opened unprecedented venues for studies on human cooperation and behavior, since much of the information that flows through the Internet contains or represents, either explicitly or implicitly, social interactions. These interactions manifest themselves through technologies like e-mail, mailing list

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archives, hyperlink structure of homepages, co-authorship of documents, chat sessions and many others (Erétéo, Gandon, Corby, & Buffa, 2009). Also, the Web 2.0 came to introduce social features in most web applications and tools, giving birth to multiple explicit social networks for functional or entertainment purposes (Yun & Kim, 2009).

Online social networks seem to be triggering yet another adaptation to the way humans cooperate, bringing forth new tools for interaction that help to either maintain existent social relationships or establish new ones. They also leverage the emergence of collective intelligence (Segaran, 2007) from the combined behavior, ideas and preferences of thousands or even millions of people (Porter, 2008), attracting even more participants on a world-wide scale.

Over the last decades, researchers have been trying to build machines that emulate the creative and cognitive capabilities of humans. This has led to the development of multiple branches of artificial intelligence, such as multi-agent systems, reasoning and negotiation. Back in the 1960s, however, Licklider (1960) believed that machines and computers were just part of a scale which weights humans on one side, and computers on the other. His vision was that computers and humans should work together performing complementary roles (Licklider, 1960; Quinn & Bederson, 2011).

It was only recently that relevant research emerged and brought humans into computer affairs. The early factors contributing to this retake on Lickliders' vision are the social Web and the harnessing of collective intelligence (Gruber, 2008). These new developments have proved that humans can successfully complement computers with their abilities, and that they can act as guided computational units. Some examples include the use of CAPTCHAs to digitize texts and micro-task crowdsourcing (e.g. Mechanical Turk).

As a part of collective intelligence, human computation re-emerged as a relevant research field. Shortly after, the term crowdsourcing was coined by Jeff Howe, leading to yet another field of business and research highly connected to human computation (Howe, 2006; Poblet, García-Cuesta, & Casanovas, 2014; Quinn & Bederson, 2011; Von Ahn, 2009). One decade after, several approaches and business models based on crowdsourcing have emerged, managing and distributing work to the crowd (Doan, Ramakrishnan, & Halevy, 2011; Quinn & Bederson, 2011; Yuen, King, & Leung, 2011).

Dispute resolution approaches may incorporate crowdsourcing as a step to retrieve relevant data. The reverse relationship has also become a tendency, where crowdsourcing approaches are close to incorporate dispute resolution techniques to perform quality control and data aggregation or filtering.

Constitution-making (Landemore, 2014; Luz, Poblet, Silva, & Novais, 2015) is an application scenario where crowdsourcing is an important step in retrieving relevant data, but also a scenario where dispute resolution techniques can be incorporated into the crowdsourcing process in order to (semi-)automatically reach an adequate constitution document.

This chapter provides an introduction to crowdsourcing and its relationship with dispute resolution. A discussion regarding the apparent symbiotic relationship between these two research domains is also presented, along with an overview of both crowdsourcing and dispute resolution approaches and use cases that are of particular interest. Finally, a systematization of the discussed approaches that captures the main challenges and directions for mixed dispute resolution and crowdsourcing approaches is given.

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APPLICATIONS OF CROWDSOURCING

Humans are innately social and the intrinsic aspects of human cooperation have been the subject of great research efforts (Porter, 2008). We, humans, not only tend to form a clustered structure of relationships (social circle), but also extract individual benefits from them (Levine & Kurzban, 2006). Social circles have a great impact on our lives, influencing our ideas and behaviour (Konstas, Stathopoulos, & Jose, 2009). Not so long ago, the information that a person had access to was mostly the information flowing inside each ones' social circle. Nowadays, this social circle also acts as a filter for all the vast amounts of information and choices delivered every day (Ma, Zhou, Liu, Lyu, & King, 2011) by multiple means (e.g. social media, internet).

The emergence of the social Web has brought new powerful Web applications that connect people on a global scale, and allow them to reap the benefits of social life from online virtual environments in a global scale. Along with their huge popularity, online social networks allow the retrieval of significant amounts of important social data, which can be used to promote social benefits (Levine & Kurzban, 2006).

One of the most straightforward benefits we extract from society comes from asking our friends for an opinion or advice (Ma et al., 2011). It is possible to apply a similar mechanism to online social networks by automatically filtering data, and providing the user with relevant and personalized results according to the opinions coming from her/his online social circle. The difference is that, unlike humans alone, the introduction of machines allows that procedure to be performed for millions of items, covering a wide social circle.

Online social networks blur geographical barriers, thus promoting the combination of behaviours and ideas on a global scale (Porter, 2008). This combination is often referred to as collective intelligence (Luo, Xia, Yoshida, & Wang, 2009).

An interesting example of the importance of collective intelligence is what Porter (2008) regards as the Amazon Effect. To explain the Amazon Effect, he describes a usability study where people were asked to buy a product at a certain online store. A lot of people wanted to go to Amazon first, and when they were asked why, they just answered that they would like to do some research on the product, even if they were not buying it on Amazon.

(Brabham, 2008a) follows Surowieckis' (2004) view on the wisdom of crowds (often referred in the context of the Web as collective intelligence), as emerging from aggregating individual solutions instead of averaging them. This view is particularly relevant in the context of problem solving, where aggregating individual solutions often leads to a better solution than any of the best originally proposed individual solutions. The average, however, is mediocrity, and will never be better than the best proposed solution. Following this view, Brabham argues that crowdsourcing is a distributed model achieved through the Web that is "capable of aggregating talent, leveraging ingenuity while reducing costs and time formerly needed to solve problems".

Crowdsourcing, and in particular micro-task crowdsourcing, can be considered to be a form of human computation that harnesses collective intelligence.

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Definitions

The term crowdsourcing was coined by Howe in the context of a paradigm shift in business models (Howe 2006, 2008). The shift originated from companies that started to provide outsourcing services relying on anonymous communities or crowds throughout the Web (e.g. iStockPhoto, InnoCentive and Amazon's Mechanical Turk). By 2006, these communities were growing into incredible valuable work forces capable of performing several specific tasks in exchange for small monetary rewards.

Since then, several different definitions have been given to the term crowdsourcing. According to Howe (2008), "crowdsourcing is the act of taking a task traditionally performed by a designated agent (such as an employee or a contractor) and outsourcing it by making an open call to an undefined but large group of people". Doan *et al*. (2011) define crowdsourcing as a system that "enlists a crowd of humans to help solve a problem defined by the system owners, and if in doing so, it addresses" the challenges of recruiting and retaining users, defining which contributions can be made by users, combining these contributions and evaluating user performance.

Quinn and Bederson (2011) not only provide a definition for crowdsourcing, but also compare it to terms such as human computation, social computing and collective intelligence. They aggregate several definitions found in the literature and state that crowdsourcing is a form of collective intelligence that overlaps human computation.

The term human computation dates back to the early years of artificial intelligence, in the 1960s, where it was envisioned that computers and humans should work together performing complementary roles (Licklider, 1960; Quinn & Bederson, 2011). Still, the vision of human-computer collaboration only started to be properly explored after 2005, the year Von Ahn published his doctoral thesis entitled Human Computation (Von Ahn, 2009). Von Ahn proposes the use of human algorithm games to harness the distributed processing power of humans to perform specific tasks. In accordance, human computation can be defined as a computational process that involves humans and their cooperation in order to solve problems that computers cannot yet solve (Quinn & Bederson, 2011). This definition is complemented by stating that "human computation does not encompass online discussions or creative projects where the initiative and flow of activity are directed primarily by the participants' inspiration, as opposed to a predetermined plan designed to solve a computational problem".

Quinn and Bederson (2011) argue that while human computation requires humans to act as managed units that merely perform a computation, crowdsourcing requires several humans to cooperate in a process by performing a computation or a creative task that is not always managed by computers (e.g. Wikipedia).

Crowds have an important role in human computation. Besides providing good amounts of computational power, applicable in tasks that machines can barely solve with efficiency and efficacy, they can also be used for redundancy.

Typical Domains of Application

Several experiments in different domains have shown that crowdsourcing and human computation have great potential for solving large scale problems that are often difficult for computers to solve automatically, on their own (Von Ahn, 2009). These problems usually require a degree of creativity or just common sense plus some background knowledge (Chklovski, 2003; Singh et al., 2002). The interpretation and recognition of images and natural language are two examples of such problems.

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One of the applications of crowdsourcing lies in harnessing geographical information. Recently, the production of geo-referenced data, maps, and atlases has moved from mapping agencies and corporations to non-expert users (Goodchild & Glennon, 2010). Some of the services that allow this include Flickr, Google's MyMaps, OpenStreetMap, and Wikimapia. Following this trend, Goodchild and Glennon (2010) discuss the applications of crowdsourcing to harnessing geographical information for disaster response. They argue about the importance of quality in harnessing geographical information and present an analysis of non-expert user generated geographical information from occurrences of wildfires in Santa Barbara, California. Further research on volunteered geographic information (VGI) has proved that there is great potential for quickly generating and spreading disaster-related information through a crowdsourcing system (Elwood, Goodchild, & Sui, 2013; Sui & Goodchild, 2011; Sui, Goodchild, & Elwood, 2013).

The potential and importance of crowdsourcing in harnessing geographical information has also been successfully noted and put into practice by Safecast, a project that emerged one week after the earthquake that led to the Fukushima Japanese nuclear accident. Safecast is a "global sensor network for collecting and sharing radiation measurements to empower people with data about their environments". In order to collect data, different types of radiation sensors are distributed through volunteers that later use them to collect geo-referenced radiation measurements during their travels. The results are collected and published by Safecast, which provides free access to the data.

Several crowdsourcing-based businesses have emerged since the advent of crowdsourcing platforms. While some maintain their own community of workers (e.g. MicroWorkers, ShortTask), others interact with one or more crowdsourcing platforms (e.g. CrowdFlower) offering their services in designing and managing projects and tasks, for obtaining reliable results. Brabham (2008a) discusses several successful applications of crowdsourcing as business models, including Threadless, InnoCentive and iStockPhoto. Threadless crowdsources the design process of t-shirts by promoting online competition. InnoCentive crowdsources the research and development of scientific problems as challenges. The last, iStockPhoto sells photographs, animation and video clips produced by its crowd of artists. Interestingly, surveys of the iStockPhoto crowd show that the main motivations behind their time and effort are not only monetary but also enjoyment and the development of individual skills (Brabham, 2008b).

In 2010, Dawson published a diagram distinguishing up to 13 categories of crowdsourcing operating in different domains (business ideas, 3D and graphic design, data analysis, research, tagging, translation, writing and editing, reviewing and software development) (Dawson & Bynghall, 2015). Categories included: crowdsourcing aggregators (e.g. CrowdFlower), content markets (e.g. iStockPhoto), prediction markets (e.g. Crowdcast), question answering (e.g. Yahoo! Answers), innovation prizes (e.g. XPrize), service marketplaces (e.g. Freelancer), distributed innovation (e.g. InnoCentive), crowdfunding (e.g. KickStarter), competition platforms (e.g. 99 Designs), content-rating (e.g. Delicious), idea platforms (e.g. IdeaScale), data sharing (e.g. Dead Cellzones), reference content (e.g. Wikipedia), cycle sharing (e.g. SETI@Home) and micro-tasks (e.g. Mechanical Turk and ShortTask.

From all the crowdsourcing systems and common types of crowdsourced tasks enumerated by Dawson, just a few qualify as human computation systems. This is the case of crowdsourcing systems under the micro-tasks category. However, even if crowdsourcing systems such as Mechanical Turk and ShortTask provide a platform for building any type of tasks, some types of tasks have become widely popular for being particularly appropriate to micro-task representation, and for being easily accepted by workers.

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These specific types of tasks are often (as presented in CloudCrowd) writing, editing, categorization, searching, data entry and translation tasks.

In this sense, most crowdsourcing micro-task systems feature the creation of task templates that can be used to request multiple similar tasks. These systems often provide a predefined set of templates for commonly requested types of tasks. Some of the predefined templates provided by Mechanical Turk and ShortTask include:

- Categorization, classification;
- Data verification (e.g. provide correct spelling);
- Data extraction (e.g. finding a website address);
- Moderation and tagging of multimedia content (e.g. tagging images or videos with adult content);
- Transcription from multimedia content (e.g. audio, video and images);
- Sentiment analysis and surveys;
- Search relevance (e.g. evaluate relevance of search results).

Around these crowdsourcing systems that manage their own community of workers, crowdsourcing-oriented businesses have started to emerge. For instance, MobileWorks, a crowdsourcing-oriented company, groups its services into categories such as digitalization of documents, categorization and classification, researching, and harnessing feedback (e.g. through surveys).

Some of these application domains can be easily modelled and managed with single and independent crowdsourced micro-tasks. Recently, however, a special interest in employing crowdsourcing towards solving more complex tasks has emerged (Ahmad, Battle, Malkani, & Kamvar, 2011; Kittur, Smus, Khamkar, & Kraut, 2011; Kulkarni, Can, & Hartmann, 2011; Little, Chilton, Goldman, & Miller, 2010; Luz, Silva, Maio, & Novais, 2012; Sarasua, Simperl, & Noy, 2012). This interest has led to several approaches being built upon workflows of micro-tasks. The modelling of such workflows allows the crowdsourcing of a new kind of more complex processes, such as dispute resolution processes.

MICRO-TASK CROWDSOURCING AND DISPUTE RESOLUTION

Over the last years, online dispute resolution (ODR) has been applied in a variety of situations and domains such as law, conflict resolution and knowledge management. The process involves the use of Web technologies to facilitate the resolution of disputes between parties. Generally, the resolution occurs through an additional "fourth party" that assists in the assessment and identification of common interests and in establishing a consensual solution (Poblet, 2011; Poblet & Casanovas, 2007).

As stated by Rule and Nagarajan (2011), "the field of Online Dispute Resolution has always been driven by technology". It has continually evolved to exploit and absorb new emergent technologies and approaches that improve its efficacy (e.g. Web conferencing, shared whiteboards, mind mapping platforms, social networking). More recently, these approaches include mobile devices and crowdsourcing (Van Den Herik & Dimov, 2012).

In the particular case of micro-task crowdsourcing, there is a close relationship to dispute resolution due, not only to its data collection capabilities, but also to the existence of multiple results for the same

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micro-task (redundancy). This is often necessary to increase the quality of the micro-task results. Nevertheless, a process that tends to resemble a dispute resolution process is required to aggregate these data.

In this sense, a two way relationship between crowdsourcing and dispute resolution can be identified (where one exploits the other), which manifests in:

- The use of dispute resolution approaches to aggregate micro-task output data;
- The use of crowdsourcing to retrieve relevant information for the dispute resolution process;
- The use of crowdsourcing to model a dispute resolution process through workflows of micro-tasks.

While the first is a manifestation of crowdsourcing exploiting dispute resolution, the other two are manifestations of dispute resolution approaches exploiting crowdsourcing.

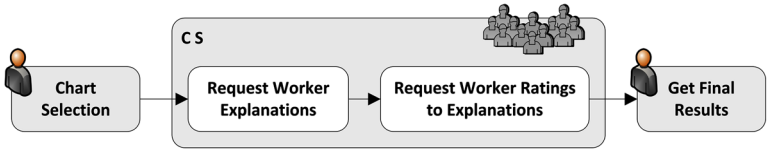
Data Aggregation and Quality Control as Dispute Resolution

Over the years, several researchers have dedicated their efforts to evaluating the quality of the results obtained through crowdsourcing micro-tasks (Brabham, 2008b; Goodchild & Glennon, 2010; Kittur, Chi, & Suh, 2008; Paolacci, Chandler, & Ipeirotis, 2010; Willett, Heer, & Agrawala, 2012).

Kittur et al. (2008) present an analysis of crowdsourcing user evaluations and surveys using Mechanical Turk. These user evaluations include "surveys, usability tests, rapid prototyping, cognitive walkthroughs, quantitative ratings, and performance measures". By performing two different experiments they concluded that although promising, special care is required when formulating user evaluation micro-tasks. In the first experiment, workers were asked to rate the quality of a Wikipedia article according to questions formulated from the Wikipedia article guidelines. Results showed that nearly 48.6% of the answers were invalid and 30.5% were given in less than one minute. In the second experiment, questions that guided the worker through the article evaluation process (e.g. how many references and images does the article have?) were added to the micro-task. This resulted in a significant reduction of invalid responses (now around 2.5%) and in an increase of the micro-task execution time.

Willett et al. (2012) discuss the quality of results in social data analysis tasks. This kind of task focuses on harnessing explanations and interpretations of data, thus requiring diverse justified analytical answers. The crowdsourcing process (Figure 1) starts after the selection of a set of charts by an analyst. An analysis micro-task is then created for crowdsourcing workers to provide explanations for each chart. The analysis is followed by a micro-task where workers assess the quality of the submitted explanations according to relevance, clarity and plausibility. The results of this task aid the analyst in filtering low quality explanations.

Figure 1. The crowdsourcing process of data analysis proposed by Willet et al. (2012)



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Implementing this workflow of micro-tasks, Willett et al. (2012) describe seven strategies to improve the quality of explanations, tackling issues like irrelevant, unclear and speculative explanations, inattention to chart details and lack of diversity. These strategies are: i) to use feature-oriented prompts, ii) to provide good examples, iii) to include reference gathering subtasks, iv) to add chart reading subtasks, v) to include annotation subtasks, vi) to use pre-annotated charts, and vii) to elicit explanations iteratively.

Experiments by Willett et al. show that around 63% of the given explanations are good, and that the described strategies significantly improve the quality of explanations.

Although quality evaluation and control is often a highly domain-specific process, Ipeirotis *et al*. propose an algorithm that evaluates the quality of workers for general tasks in Mechanical Turk and attributes a score to each worker (Ipeirotis, Provost, & Wang, 2010). Following the assumption that biased workers can still provide relevant (although often considered wrong) answers, the algorithm tries to distinguish between error and bias in worker answers.

These processes are similar to common dispute resolution processes. Furthermore, the involved data is highly relevant for situations of conflict and for assessing and establishing a consensual solution.

Dispute Resolution through Micro-Task Crowdsourcing

So far, crowdsourcing has been introduced into dispute resolution processes where "the crowd is a (generally large) group of people who participates in the dispute resolution process through an open call" (Van Den Herik & Dimov, 2012). This kind of crowdsourcing is referred to as Crowdsourced Online Dispute Resolution (CODR).

Van den Herik and Dimov (2012) provide an overview of the currently existing approaches to CODR, which include (i) online opinion polls, (ii) online mock trials and (iii) CODR procedures rendering decisions enforced by private authorities.

The concerns regarding CODR are mostly inherited from general crowdsourcing approaches. However, there is a special concern in the screening of users/workers and in the harnessing of unbiased results. Nevertheless, crowd incentives and quality control, in general, are still issues that must be tackled in every CODR approach.

More recently, workflow approaches to micro-task crowdsourcing have emerged (cf. bellow). These approaches are a typical manifestation of human-machine computation, where humans are guided to act as computational units and their efforts are integrated with the effort of machine algorithms and routines.

The WfMC (Workflow Management Coalition) defines a workflow as "the automation of a business process, in whole or part, during which documents, information or tasks are passed from one participant to another for action, according to a set of procedural rules" (Lawrence, 1997; Van Der Aalst, Ter Hofstede, & Weske, 2003). Similar definitions describe a workflow as "a collection of tasks organized to accomplish some business process" (Mentzas, Halaris, & Kavadias, 2001) and even as a process that "supports the coordination and collaboration of people that implement a process" (Georgakopoulos, Hornick, & Sheth, 1995). Dispute resolution processes can be modeled and represented as crowdsourced micro-task workflows.

So far, several approaches to the crowdsourcing of micro-task workflows have been proposed. These include Turkit, Turkomatic, CrowdForge, CrowdWeaver, Jabberwocky and CompFlow.

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Turkit

TurKit is an API, built on top of Mechanical Turk, for running iterative tasks, which provides an environment for the creation of workflows that connect multiple dependent tasks (Little et al., 2010).

Using the crash and rerun model, it provides an abstraction over the specificities and synchronization issues of Mechanical Turk, allowing the developer to focus on imperative ordinary function calls.

The crash and rerun model follows the premise that it is cheap to rerun an entire program up to the point where it crashed, as long as it runs locally. For remote and costly operations (e.g. Human Intelligence Task requests) the results must be stored in a database so that they will be accessible in future reruns.

Turkomatic

Turkomatic follows a divide-and-conquer approach to plan work featuring micro-task workflows partially designed by workers. It works over Mechanical Turk and is defined as "a crowdsourcing interface that consults the crowd to design and execute workflows based on user requests" (Kulkarni et al., 2011).

Workers start by dividing the requested task into subtasks that will be solved by other workers. This process can be iterative, generating a tree of subtasks. The final results are later combined by workers into an adequate solution.

CrowdForge

CrowdForge is a general purpose framework for distributed processing that provides scaffolding for complex human computation tasks (Kittur et al., 2011). The approach features a set of task coordination strategies that allow multi-level and dynamic partitioning of tasks, the specification of task workflows, quality control tasks and aggregation of results.

Finding inspiration in Googles' Map Reduce framework, CrowdForge defines three types of subtasks: (i) partition tasks, (ii) map tasks and (iii) reduce tasks. Partition tasks divide a larger task into smaller subtasks. In map tasks, one or more workers process a task. Finally, in reduce tasks the processing results of multiple workers are merged into a single output.

The CrowdForge prototype presented in (Kittur et al., 2011) consists in a Web application allowing the design of complex tasks, along with a back-end server that interacts with Mechanical Turk. The system manages a workflow of Mechanical Turk HIT (Human Intelligence Task) templates, which can represent partition map or reduce tasks.

CrowdWeaver

TurKit, CrowdForge and Jabberwocky provide an environment for the design and execution of complex tasks through structured languages and non-visual representations. With the current trend on micro-task workflows, work on their management and visualization has started to emerge. Kittur et al. (2012) state that one of the major issues faced by employers working with crowds lies in the complexity of linking tasks and forming workflows. In this sense, they identify several challenges in visually managing crowdsourced workflows and present a system for visualization and management of complex tasks, entitled CrowdWeaver.

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CrowdWeaver works on top of CrowdFlower and features the creation and monitoring of task workflows, the management and reuse of templates with human and machine tasks, the tracking and notification of crowd factors such as price and quality, and support for real-time experimentation. The interface provides a mental representation of the task workflow, which can be saved and re-used in further instantiations of the workflow.

Several machine tasks, which mainly manipulate input and output, are supported. These include divide, concatenate, pair, and permute. Additionally, custom machine tasks are allowed.

Jabberwocky

Similarly, Jabberwocky (Ahmad et al., 2011) also employs the MapReduce approach in a framework featuring a high-level abstraction task modelling language. It allows the modelling of complex tasks and workflows in which the advantages of multiple worker communities can be harnessed. These communities can be local or found in social networks and other crowdsourcing systems. In the case of local communities, workers can be identified during the crowdsourcing process. For social network communities, expertise data may be extracted from the social network API.

Jabberwocky is formed by three layers: the (i) base layer is called Dormouse, followed by the (ii) ManReduce layer, with the (iii) Dog layer on top. The Dormouse layer provides an abstraction over human (crowd workers) and machine computational units. Unlike other crowdsourcing frameworks such as Mechanical Turk and CrowdFlower, each computational unit registered under Dormouse can be uniquely identified during workflow executions. Besides featuring its own worker community, Dormouse can crowdsource tasks to external crowdsourcing platforms.

The ManReduce layer is a programming framework, written in Ruby, responsible for facilitating complex data processing tasks in Dormouse. It features map and reduce steps which can be computed by either humans or machines.

The top layer, called Dog, represents an abstraction scripting language for modelling tasks. Dog works over the low-level ManReduce framework and focuses on reusability, maintainability and ease-of-use.

CompFlow

CompFlow (Luz, 2015) is a method for the representation, construction, instantiation and execution of human-machine computation task workflows through ontologies. The representation captures the structure and semantics of the tasks and their domain, while remaining close to the human conceptual level. Workflows are built according to two dimensions: the domain dimension and the operational (task) dimension. This allows the input and the output of workflows to be described according to a domain ontology, completely independent from the workflow representation. The instantiation and execution of the represented workflow can be performed through the implemented workflow engine.

To aid the requester in the creation of new workflow representations (or workflow-definitions), a semi-automatic construction process based on domain ontologies is also proposed. The process has been implemented into a construction framework that allows the aided, iterative and visual construction of workflow-definitions.

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Applications to Dispute Resolution

The approach proposed by Willett et al. (2012) is a typical example of CODR through micro-task workflows.

Van der Herik and Dimov (2012) identify four types of CODR, classified according to the dispute resolution approach, i.e. through litigation, arbitration, meditation and negotiation.

Forms of CODR that solve disputes through litigation (Marder, 2005) demand a workflow analysis and representation of the roles of traditional juries and civil procedures. Such approaches are yet to be fully exploited and require a broader community of participants than the one found in traditional litigation procedures.

The process of solving disputes through arbitration (Schmitz, 2010) can be easily adapted to crowdsourcing if the group of workers or micro-task participants performs an impartial judgement of the case presented by the involved parties. In this case, the focus is given to appropriate selection of the group of workers.

Similarly to litigation processes, heuristic-based mediation processes (Sycara, 1989) can be modelled and represented as micro-task workflows. Nevertheless, mediation can be a typically unstructured and creative process that may not adapt and scale well in the strict structure of a micro-task workflow representation.

Multi-agent negotiation approaches (Maio & Silva, 2011) are well known and often resemble workflows of actions. Such workflows can also be modelled as micro-task workflows for crowdsourcing that exploit and harness collective intelligence.

Although several ideas and approaches have been suggested over the last decade, "the process of solving disputes by collective intelligence is in its infancy" (Van Den Herik & Dimov, 2012). With the emergence of micro-task workflow approaches, new applications of CODR are also possible.

CHALLENGES

Since the appearance of the first crowdsourcing systems for micro-tasks, many more have emerged. Their continuous use has led to several experiments and studies that often focus on user motivation and quality control (Yuen et al., 2011).

User motivation has been addressed in several ways, from providing enjoyment and relying on altruism, to giving monetary rewards (Faridani, Hartmann, & Ipeirotis, 2011). The latter has been the subject of some criticism due to the creation of cheap labor marketplaces (Harris, 2011). In the specific case of task crowdsourcing systems, the current monetary rewards are not sufficient to be a primary source of income, and often they are not enough to serve as a motivator (Mason & Watts, 2010; Paolacci et al., 2010). In these cases, workers actually participate out of altruism, curiosity or simply to keep themselves busy. Still, motivating and retaining workers over time remains a challenge for any crowdsourcing system.

Quality control has been studied in different application domains and addressed differently by a variety of crowdsourcing systems. In general, assessment methods are employed either before (during the worker selection step) or after (during the worker assessment step) the participation of the worker. Among the current assessment strategies are expertise tests in certain domains, asking questions for which the answer is known and analyzing performance in previous tasks.

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Although several quality control strategies already exist, the advent of crowdsourcing of complex tasks has brought new challenges to different dimensions of the crowdsourcing process, including specification, flow control, quality control and visualization.

In the specific case of quality control, and due to the presence of a micro-task workflow structure, a deviation or error in one task can accumulate with those of the following tasks.

Besides quality control, the flow control assumes special relevance. In fact, the crowdsourcing of complex tasks establishes requirements regarding worker selection that are often discarded in simple micro-task crowdsourcing systems. One of these requirements is worker identity. The fact that most crowdsourcing systems regard the micro-task as the top-level unit of work, leads to loss of identity information from one micro-task to the other. This can easily become a challenge when the worker, as an identifiable individual, is required to participate in different steps of the task workflow.

Another challenge when dealing with complex tasks is the aggregation and visualization of results. At some point, since multiple micro-tasks are involved in a workflow, tracing a specific result and asserting the causes and facts that led to it becomes a necessity. Enforcing structured machine-readable data also facilitates the implementation of strategies for tracing workflow results. Still, special care is needed so that such a structure does not increase the complexity and cumbersome nature of solving tasks from the worker's perspective.

Overall, the following main challenges were identified:

- Specification of complex tasks, namely:
  - Iterative, interactive and incremental tasks;
  - Support for complex flow control conditions, both internal and external;
  - Structuring the task specification, including its domain knowledge, in a way understandable and interpretable by both workers and machines;
- Specification of the human-machine interaction, namely:
  - Specifying worker selection restrictions for different phases of the workflow;
  - Identifying workers across the workflow in order to permit iterative workflows;
  - Tracing results and obtaining and providing justifications;
- Control quality in complex task workflows:
  - Assessing and reducing the impact of low quality answers across the workflow;
  - Using (social) profile information to assess worker's expertise and relevance, and to enhance context;
- Visualization and reporting.

FUTURE RESEARCH DIRECTIONS

There are several aspects of CODR that are particularly relevant since they affect the dispute resolution process and its results:

- Participant selection, which requires an enriched model of the participant, including the participant's background, expertise and social network;
- Contextual micro-task information, i.e. establishing the context of the dispute along with the facts;

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- Tracing results and obtaining justifications, i.e. reaching a justifiable solution based on the output of previous micro-tasks;
- Formal structure and semantics for further automatic processing of data (e.g. the participation of machine agents in the dispute resolution process).

The selection of participants based on social network properties such as homophily (the tendency to bond with similar others) and centrality (Wasserman & Faust, 1994) is particularly interesting and may reveal social patterns and tendencies.

Micro-task crowdsourcing is a research field with a wide variety of application domains. Also, given the complexity of the dimensions involved in the crowdsourcing process, there is room for many different approaches. In this sense, the proposed ideas and possible directions are but a fraction of the future research and development possibilities.

CONCLUSION

Over the last decade, human computation and crowdsourcing approaches have been employed in the creation of multiple systems for problem solving on a wide scale. These systems are starting to facilitate the man-computer symbiosis envisioned by Licklider (1960) in the 1960s.

The increasing popularity of crowdsourcing has led to a variety of commercial and non-commercial applications in different domains. Among these applications, a small set of crowdsourcing platforms oriented towards problem (task) solving has emerged. These platforms regard the problem as micro-tasks that can be solved redundantly in one step by multiple users. In more complex processes (such as dispute resolution) where a workflow of micro-tasks is often required, new challenges emerge. This new trend in crowdsourcing has led to some interesting workflow oriented systems such as CrowdForge and Jabberwocky.

Nevertheless, several challenges regarding CODR still need to be tackled through further research and implementation in different areas such as knowledge representation, visualization and user interaction.

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KEY TERMS AND DEFINITIONS

Collective Intelligence: The result of the combined behaviour, effort and ideas of different people on a global scale.

Crowdsourcing: A problem-solving approach that consists in enlisting a crowd of human workers to solve a particular problem defined by an owner.

Dispute Resolution: The process of solving a dispute between entities.

Human Computation: An approach where humans perform computational tasks often performed by machines.

Human-Machine Computation: An approach where both humans and machines collaborate to perform both creative and computational tasks.

Micro-Task Crowdsourcing: A crowdsourcing approach that divides the problem into small computational tasks that are then distributed through a crowd of human workers.

Ontology: A formal, explicit specification of a shared conceptualization.

Workflow: The automation of a business process through the organized execution of tasks.

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Chapter 5
Crowdsourcing Social Innovation:
Towards a Collaborative Social Capitalism

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ABSTRACT

The growing awareness of humanity's finite resources and recognition of the limitations of one-off projects are prompting step changes in development planning. Sustainable development addresses the limitations of current practices; its aim is to achieve the triple bottom line of economic prosperity, environmental quality and social equity, meeting the needs of present society without compromising resources for future generations. Collective intelligence is considered by both Charles Leadbeater (former advisor to Tony Blair) and MIT as one of the most powerful ways to tackle complex problems, like climate change. This chapter explores the principles of crowdsourcing, its applications and the main trends. It presents theories, practices and examples of the use of crowdsourcing to innovate in the area of sustainable development for the common good. It announces the rise of collective brain-power to the challenge of creating better and more effective forms of civic and social engagement to solve problems on a world scale.

INTRODUCTION

The growing awareness of humanity's finite resources and recognition of the limitations of one-off projects are prompting step changes in development planning. Sustainable development addresses the limitations of current practices and features at the centre of almost every political, environmental, scientific and economic discussion held today. Its aim is to achieve the triple bottom line of economic prosperity, environmental quality and social equity, meeting the needs of present society without compromising resources for future generations.

The 1992 Rio Earth Summit was the moment when sustainable development captured worldwide attention. It established why sustainable development is necessary; the project now is how to execute it. The 21st century is the era of mass innovation - more ideas, knowledge and information being shared by

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more people than ever before. Can we harness collective brainpower to innovate in the area of sustainable development for the common good? Google, Wikipedia and Linux are already using collective intelligence to develop new solutions through online communities. Could a collaborative online community do the same for sustainable development?

THE LIMITS OF CAPITALISM

At the beginning of the twenty-first century, the world seems more divided than ever.

The world GDP keeps growing year after year, so in theory, we are all getting wealthier. However, the gap between the richest and the poorest is increasing and the richest 1% of the population will soon possess half of the global wealth. We keep extracting, exploiting and consuming at a rate that was never so high before. We are increasingly polluting, despite the evidence of global warming, the alarming loss of biodiversity, and the uncountable number of lives that are wasted throughout the process to consumerism.

A "revolution" toward a large scale improvement of well-being and sustainable development is approaching.

The growing awareness of humanity's finite resources and the impossibility to achieve an infinite economic growth in a finite planet, are demonstrating the capabilities of the capitalistic model to reduce inequalities and address the most urgent challenges of our time.

While market forces demonstrated to be a non-sufficient mean to lead to the most efficient allocation of resources, governments and institutions have failed to meet the needs of the Common Good and bring society together to solve global issues:

- Every year nearly 12 million children die of mainly preventable causes, including diseases for which vaccines are routinely administered in many countries;
- Although access to safe drinking water increased from 61 per cent in 1990 to 71 per cent by mid-decade, 1.4 billion people in developing countries still lack such access. Furthermore, 2.7 billion people still do not have adequate access to sanitation;
- In the developing world, about 130 million children still remain out of primary school, nearly 60 per cent of them girls. Adult illiteracy remains high, affecting roughly 855 million people, nearly two thirds of them women;
- According to the World Bank, in 2011, 17 percent of people in the developing world lived at or below $1.25 a day.

Through intense pressure from commercial marketing, consumption became the desire for status and social distinction at the personal and group level. Considering the finite natural resources available, it would be impossible for the estimated 2.2 billion people currently living on less than 2$ a day, to ever match the consumption level of the richest group. If every person on earth would consume at the same rate of a US citizen, we would need 5 planets in order to accommodate the need for resources.

We are still using a linear system applied to a finite planet.

Increases in poverty and inequality and the decline in opportunities have had a serious adverse effect on the well-being of individuals, communities and even countries. Several critics have argued that the development orchestrated by the industrialized countries tended to replicate the forces of colonialism continuing the pattern of resource expropriation and economic control by the industrialized countries.

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The paradox of a global economy increasingly unified, and a global society increasingly divided is the most dangerous threat that weighs on the planet, because it makes difficult, if not impossible, the cooperation necessary to solve the most urgent problems of our time.

WHAT IS THE ROLE OF BUSINESS IN SOCIETY?

To understand the role of business in society, we should go back a few centuries.

Until the 17th century, people owned businesses or worked for businesses, but they were just people, as the businesses did not exist independently of the people who owned them – thus their individual ethics were directly reflected on these businesses.

When the first corporations came into existence, they were granted charters for specific short-term projects, like building a bridge or a railroad. Once they fulfilled their purpose, they were disbanded.

But over time, the law changed and corporations no longer had to be turned off once their project was complete. They began to live on indefinitely, with a much more general purpose, profit (Korten, 2001).

Unlike people, who are driven by all kinds of motivations – doing the right thing, love for family, peers, the planet – publicly traded corporations are now required, by law and the markets, to maximize value for their shareholders – making as much profit as possible (Leonard, 2007).

The idea that a corporation's purpose is to maximize financial gain for its shareholders was first articulated in Dodge v. Ford Motor Company in 1919: Dodge v. Ford Motor Co. – 170 N.W. 668 (Mich. 1919). Over time, through both law and custom, the concept of "shareholder primacy" has come to be widely accepted. With such definition, there will always be a trade-off to be made between profits and the general interest of society.

Thus, there are many reasons why the traditional business sector cannot become the drive behind substantial change. If we have a look at the current situation throughout the world, we see a business environment which is shaped by a history of unhealthy competition, manifold cases of adulteration for the sake of profit or the ongoing issues of child labor for the sake of reducing labor costs (Bakan, 2004).

Reports about the horrible working conditions in the factories producing our iPads (Duhigg & Baraboza, 2012) or the toxic chemicals contained in our everyday products are easily available. These examples show quite well how the drive for higher dividends is heavily corrupting the social sense of entrepreneurs.

We, the consumers, we didn't choose to put toxic products on the shelves, or to allow slave labour in factories around the world. We didn't choose to fill stores with electronics that can't be repaired and have to be thrown away. We did not choose a world in which some people can afford to live green, leaving the rest of us to be irresponsible planet wreckers. (Leonard, 2007)

Another false myth of liberal thinkers is the capability of the market to automatically adjust itself according to a continuously changing environment. E.g. *when the issue of Global warming will become an absolute priority, then the market will invest in greener technology that will take our CO2 emissions down*. The counter argument is that the planet does not respond to such linear thinking. Transgressing one or more planetary boundaries may be deleterious or even catastrophic due to the risk of crossing thresholds that will trigger non-linear, abrupt environmental change within continental- to planetary-scale systems.

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Thus, even if we would drastically reduce our environmental impact, this would not bring us back to the same environmental conditions of the 17th century.

The short term logic of the capital market is undermining our capability as a society to foster common good initiatives. The urgent environmental problems, and the incapability of this type of democracy and of the market alone to handle them, request a totally fresh approach.

THE NEW WAY

Common good, is broadly understood as the overall social condition that enables individuals or groups to attain their fulfillment more easily. Unlike the utilitarian approach, which focuses on the greatest good for the greatest number, the principle of the common good is geared toward the benefit of all (John Paul II, 1991). As a reaction of the public institutions failures to answer to the global need of common good, citizens are getting "smarter", more capable of interpreting issues and discerning between options on their own than simply accepting the views of media and political elites. In the global environment, several companies have come under pressure from civil society and non-governmental organizations (NGOs) to be more responsive to the range of social needs in developing countries, including addressing concerns about the working conditions in factories or service centers, and attending to the environmental impacts of their activities.

Companies are an essential element of our society as they are deeply involved in the creation (or destruction) of common good, by providing workplaces adherent to law, ethical standards, and international norms. Their importance has increased over the last century to a point in which 52 of the 100 biggest economies on earth are now corporations (Anderson & Cavanagh, 2005).

Thus, for society to thrive, it is fundamental that companies embrace responsibility for the impact of their activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere.

Today's corporate literature envisage a new economy that puts safe products, happy people and a healthy planet first; where businesses proactively promote the public interest by encouraging community growth and development, and voluntarily eliminating practices that harm the public sphere, regardless of legality.

Can we review the way we create companies, and measure success beyond profit? The key enabler for this new economy is sustainable development, which addresses the limitations of current business practices and promotes the deliberate inclusion of public interest into corporate decision-making. Its aim is to achieve the triple bottom line of economic prosperity, environmental quality and social equity, meeting the needs of present society without compromising resources for future generations.

The 1992 Rio Earth Summit was the moment when sustainable development captured worldwide attention. It established why sustainable development is necessary; the project now is how to embed its principles in the market.

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A NEW BUSINESS SECTOR

Typically, when we think about "sustainable business," we concentrate on corporate social responsibility (CSR): energy efficiency, reduced carbon footprint, recycling and reuse, fair treatment of employees, and charitable giving, among other considerations.

However, there is a growing market of mission-driven companies that are dedicated to being socially responsible from their inception, unlike most (though not all) corporations that pursue CSR for marketing purposes or to cut costs and increase profits.

The realm in which these mission-driven enterprises operate has come to be known as "social entrepreneurship," a term widely credited to Bill Drayton, founder of the social venture philanthropy, Ashoka.

While the term 'social entrepreneurship' is relatively new, initiatives to promote positive social change are not new. – earliest writings extend back to the late 1990s (Emerson & Twersky, 1996). For example, the Greystone Bakery was founded in 1982 by Roshi Bernie Glassman, with the explicit mission to train and hire unemployed local residents, who otherwise would have struggled to obtain employment elsewhere. The Grameen Bank was founded in 1983 to provide rural illiterate women with access to micro-credit facilities to launch new businesses.

"Every time I see a problem, I create a business to solve it", says Professor Mohammed Yunus, the founder of the Grameen Bank, in his books. He describes Social enterprises as businesses designed to meet a social goal not to create profit for its owners.

The strength of being a social enterprise lies partly on its predisposition to bring lessons from business and apply them to answering social need. They bring the self-sufficiency of for-profit businesses and the incentives of market forces to bear on global social problems in a way that neither pure capitalism nor pure charity has been able to match.

Gregory Dees, one of the "fathers" of the field of social entrepreneurship (Dees, 1998) that social entrepreneurs play the role of change agents in the social sector by:

1. Adopting a mission to create and sustain social value (not just private value);
2. Recognizing and relentlessly pursuing new opportunities to serve that mission;
3. Engaging in the process of continuous innovation, adaptation, and learning;
4. Acting boldly without being limited by resources currently in hand;
5. Exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created.

Entrepreneur and social entrepreneur have in common the strong motivation to pursue their vision relentlessly and realize their ideas. However, what makes social entrepreneurship distinct from traditional business entrepreneurship is its focus on the social/environmental mission. This is true, no matter what legal structure the social entrepreneur chooses.

For-profit social enterprises put mission before profits, typically using their excess revenues as a means of scaling the reach of their mission. Nonprofits are increasingly finding that they cannot rely on philanthropy to sustain themselves, much less grow. Thus, they are pursuing earned income strategies that leverage the organization's excess capacity and capability. By law, the earned income they generate must be reinvested in the enterprise and its mission. Hybrid social enterprises, which combine features

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of both for-profits and nonprofits, use this legal structure to expand potential revenue streams, all aimed at increasing and sustaining the organization's ability to pursue its mission (Lyons, 2012).

Measuring the performance of a social enterprise is much more complex than it is for a commercial business, which can simply measure financial success. Measuring and monetizing lives saved, quality of life increased, and environmental damage mitigated (among other impacts), while possible, and are exceedingly difficult to do. However, there are great examples that showcase the potential of this sector to benefit large numbers of people.

A FEW GREAT EXAMPLES

WaterHealth International (http://www.waterhealth.com) is solving the problem of clean drinking water: 3.6 million people die each year from water-related disease. The social enterprise uses a franchising system providing village entrepreneurs with UV filtration technology that allows processing and selling clean drinking water to remote villages at a low cost. Through its network of franchises, WaterHealth provides access to pure and safe drinking water to half a million people in 4 different countries.

There are many charitable water projects, but they have difficulties in pursuing their mission, as they do not have money for maintenance, for example for fixing the pumps when they break down. On the other hand, WaterHealth through the franchising system, have a network of entrepreneurs that pay for maintenance to troubleshoot equipment. Thus the franchising system allows these initiatives to be sustainable, the model is not applied only by WaterHealth International, but also by other social enterprises that handle the problem of clean water delivery, for example 1001 fontaines (http://www.1001fontaines.com/en).

Another great example of social enterprise is the one of Sulabh International (http://www.sulabhinternational.org/): an India-based organization that works to promote human rights, environmental sanitation, non-conventional sources of energy, waste management and social reforms through education. Sulabh International counts 50.000 volunteers and is the largest nonprofit organization in India.

Sulabh was founded by Bindeshwar Pathak in 1970, with the mission to rescue the untouchables (or scavengers: the poorest cast in India) from the sub-human occupation to remove raw (fresh and untreated) human excreta from buckets or other containers that are used as toilets or from the pits of pit latrines. The employment of manual scavengers is officially prohibited in India since 1993 but is still taking place to this day.

Bindeshwar first developed a scavenging-free two-pit pour flush toilet (Sulabh Shauchalaya) as well as a safe and hygienic on-site human waste disposal technology: which enabled the users to throw the excreta themselves in a clean way, without having to make use of the Untouchables. Sulabh created several solutions that were positioned to serve both the poor and the rich families, so that the high-end products could compensate the very low price proposed to the poorest families.

The social business was further developed through a new concept of pay-&-use public toilets, popularly known as Sulabh Complexes with bath, laundry and urinal facilities being used by about ten million people every day.

The innovation is an open-sourced technology which treats excreta and generates:

- Bio-gas, which is converted into electricity to power the building);
- Bio-fertilizer, which is then sold at market price;

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- Treated Water, which is used for agricultural use.

The exceptional environmental impact of Sulabh is further complemented by the set-up of English-medium public school in New Delhi and also a network of centres all over the country to train boys and girls from poor families, especially untouchables, so that they can compete in open job market – and finally become *touchables*.

Sulabh is one of the best example of social enterprise that is economically sustainable, it maximizes environmental quality and social equity, using a business approach to solve a complex problem that governments and institutions have failed to address.

But the greatest innovation of all is that Sulabh's toilet block blueprints are open source, thus other organizations and people that are affected by the same problem, can now use the solution and improve it. Innovation is not anymore limited to the organization and its activities, but it can be further developed by other stakeholders, who can participate in the development process.

THE IMPORTANCE OF STAKEHOLDERS PARTICIPATION

There is another feature that distinguishes social entrepreneurship from business entrepreneurship: social entrepreneurs are held to a higher standard of accountability. Business entrepreneurs are accountable only to their customers and shareholders, while social entrepreneurs are accountable to a much larger group – their stakeholders, "any group or individual who can affect or is affected by the achievement of the firm's objectives." according to Freeman's (Freeman et al, 2010) widely accepted definition. This group includes a part investors, employees (including volunteers in nonprofits), direct beneficiaries, also the local community and the society.

Stakeholders have the chance to influence the decision-making process, providing opportunities to further align business practices with societal needs and expectations, helping to drive long-term sustainability. They also must be taken into account by the organization when facing complex conditions in the operating environment.

Companies like Vodafone (2014) engage their stakeholders in dialogue to find out what social and environmental issues matter most to them about their performance in order to improve decision-making and accountability. Such practices are key to mitigate risks, helping the practitioners to compete in an increasingly complex and ever-changing business environment, while at the same time bringing about systemic change towards sustainable development (Jeffrey, 2009)

There are different stakeholder engagement approaches:

- From pull communication (*one-way engagement*: Information is made available, stakeholder choose whether to engage with it).
- To consultation (involved, but not responsible and not necessarily able to influence outside of consultation boundaries. *Limited two-way engagement*: organization asks questions, stakeholders answer).
- To real partnerships (shared accountability and responsibility. *Two-way engagement* joint learning, decision making and actions).

These engagement approaches are very well illustrated in the diagram realized by Stakeholdermap (see Figure 1).

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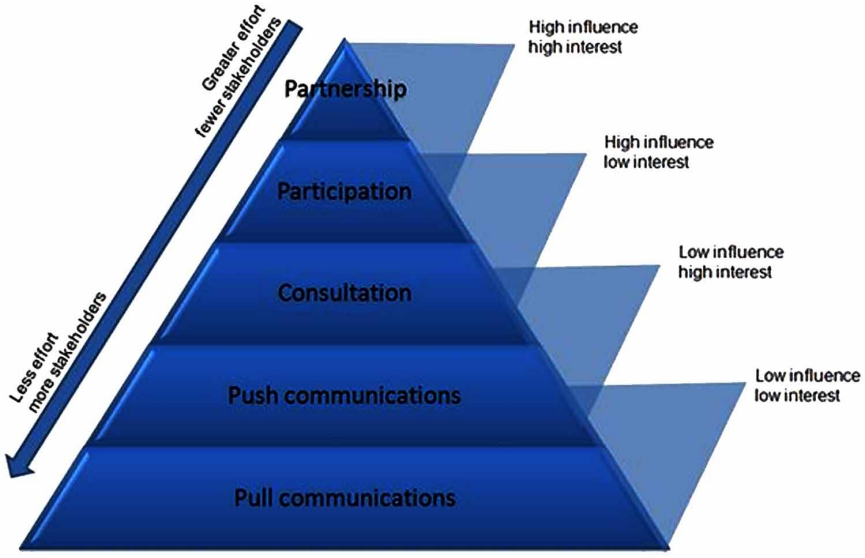
Figure 1. The relationship between stakeholder influence/power and stakeholder engagement approaches
Stakeholdermap, 2015. Source: http://stakeholdermap.com/stakeholder-engagement.html.



Through stakeholder engagement, processes organizations have positive economic results and creating win-win situations. Through the better understanding of the stakeholder needs and desires in consultation processes and through participation and partnerships, organizations can identify and create win-win situations with those stakeholders. The underlying idea is that partnerships between businesses and other sectors can drive sustainable development.

Anticipating the potential in stakeholder dialogues at an early stage and following a step-by-step guide can lead to successful shared value creation. A great example of shared value creation is Gram Vikas (http://www.gramvikas.org), a social enterprise and rural development organization headquartered in Orissa, India which assures access to basic education and adequate health services. The entire value creation process of Gram Vikas' involves "participatory decision making, shared responsibility taking and equal opportunities" with various stakeholders, and particularly disadvantaged groups. The results are that each of these groups are assuming ownership of the solution and its delivery, and thus the success rate is very high.

The trend towards cross-sector collaboration and stakeholder engagement is clear. The question is whether we are moving towards a convergence of values and whether shared value creation (expanding the total pool of social and economic value) will become the norm? Could the gap between social entrepreneurship and entrepreneurship be closed by actually making so that every enterprise is responsible, transparent and engages its stakeholders in the decision making process?

THE AGE OF OPEN INNOVATION

Individually we are a drop, together we are an Ocean.

The 21st century is the era of mass innovation - more ideas, knowledge and information being shared by more people than ever before.

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Knowledge has become the key resource in the post-industrial society (Bell) (Bell, 1974), thus reliance solely on internal innovation processes has become insufficient. Open innovation represents the logical result of dramatic, social, technological and environmental change and it describes how organizations work with large groups to achieve greater results than any team of experts working alone.

For Henry Chesbrough, one of its pioneers, open innovation is:

… the use of purposive inflows and outflows of knowledge to accelerate innovation. With knowledge now widely distributed, companies cannot rely entirely on their own research, but should acquire inventions or intellectual property from other companies when it advances the business model. (Chesbrough, 2006)

The process has become increasingly essential, if not inevitable.

"Wisdom of the Crowd" processes have taken place in various forms and in many areas for decades. But it is now, in the information or digital age, that they are being exploited at such a fast pace.

Innovation challenges, hackathons, external product development are all new phenomena that can best be summarized under the concept of open innovation.

The phenomenon that paved the road for a completely new approach to working together was the Open-source culture. The term open-source refers to a software development strategy in which the source-code is made available to a community. In this way everyone can make changes and improvement to the software. An example of the success of this strategy is the globally established computer operating system Linux, which benefitted from the ongoing analysis, review, testing and contributions of a large and diverse group of people from all over the world.

Wikipedia is another famous example of open source culture. It has over 80.000 contributors who have written more than 15 million articles in over 250 languages.

Traditional encyclopedias such as Microsoft Encarta or Britannica, did not see the crowdsourcing phenomenon coming, and continued to source their articles from few experts.

After some resistance, Microsoft decided to abandon its encyclopedia, acknowledging what everyone else realized long ago: it just couldn't compete with a free, collaborative project, where volunteer editors quickly update popular entries. Encarta could not simply keep-up to the pace and was embarrassingly outdated.

The open source approach to collaboration enables people from all-over the planet to engage and create together (Rayner, 2001). Open Innovation is also changing the way organizations work. A few corporations immediately realized the potential. LEGO, in its darkest days, tapped into abundant external talent to help them succeed in the face of some of their greater challenges. Back in 2003, the company was on the verge of Bankruptcy. Under the lead of a new CEO, Jørgen Vig Knudstorp, the company successfully reached a passionate group of smart and enthusiastic people, who were very familiar with their products and were just waiting to contribute: their customers.

They had hoped to get support from 100 of these fans; they were inundated with responses from 10,000.

The community shared creative ideas, and helped the company prioritizing which one were the best and had the greatest potential to become profitable. LEGO overcome its crisis and today it still develops this process of creative collaboration, by involving passionate people outside of their internal structure.

We are shifting from a world in which everyone seems a competitor, towards a world in which the upside of opening-up and engaging with people and ideas from elsewhere outweighs the risk of sharing confidential information. Innovation can come from any source, and the organizations that are succeeding

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in inspiring external talent to engage in their crowd-storming process, are gaining a strong competitive advantage compared to those who still uniquely rely on internal resources.

Companies like Apple and Google also depend on the effort of outside talent in the form of apps and open source software.

After the launch of Iphone in 2007, Apple switched the focus from the phone functionalities towards applications (or apps) that can be run on the iphone to give it new capabilities. Apps demonstrated in a countless number of ways that the iphone can become much more than a phone: through apps you can read a Restaurant customer review, find a cab, buy a book, split a restaurant bill, find a hotel or translate speech into a foreign language. Only in 2012, Apple paid $4 billion to Apps developers and created 210.000 jobs related to the app economy in the United States.

In the same way, Google and Apple depend on open source software that has been developed, used, tested and improved on an open-cooperative environment. While Android derived from the Linux operating system; Apple used a package of open-source products called Darwin.

According to former P&G CEO A.G. Lafley: "Innovation is a social process. And [it] can only happen when people do that simple, profound thing – connect to share problems, opportunities and learning. To put it another way, anyone can innovate, but practically no one can innovate alone".

The paradox of open innovation lies in the conflict between the potential benefits of collaboration and the prospects of knowledge leakage and misappropriation of the results of the process. The process is based on 2-way interaction that may cause the organization to lose control of specific information. This knowledge, in the hands of a competitor, could compromise the competitive advantage potentially gained from the open innovation process. However, recent research focused on the significance of value creation through stakeholder engagement (Svendsen, 1998) offers a model that addresses this inherent conflict in open innovation processes.

Stakeholder participation removes the structural tension of open innovation according to Gould, R.W, (2012). Consideration of the social, organizational, and ethical benefits of engagement with relevant stakeholders enhances the concept of open innovation, helping to move beyond its solely practice-based origins.

THE LOVE STORY BETWEEN OPEN AND SOCIAL INNOVATION

The concept of open-innovation is very much associated with the business sector only; and in such a way Chesbrough defines open innovation as a process taking place mainly in commercial research and development, reducing it to product development.

However, seeking ideas and solving problems is just one of the many facets of open innovation and there are several reasons for expanding this paradigm shift to social innovation.

In fact, open innovation and stakeholder engagement towards collective social responsibility describe similar organizational processes: organizations reach outside their boundaries to access and share essential information with their stakeholders and with the crowd. Yet the two concepts, and their associated languages and discussions, have remained isolated from each other.

There is a vast potential to co-create social value through open and transparent networks that involve a diverse range of stakeholders, thanks to the ease of online collaboration tools and social media.

A few relevant initiatives started to emerge in the social sphere, creating a completely new field called open social innovation.

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As previously mentioned, stakeholders' participation brings even more value when it goes beyond just listening to the people who can affect the organization, and a process of co-creation is put in place. Modern information technology is a key enabler for empowering stakeholders and facilitates their participation in the development process: people can share their knowledge, exchange ideas; each one comes with incremental improvements, and together can benefit from the collective wisdom of a crowd.

A fantastic example of the power of open-social innovation is the R&D-I-Y, *research and develops it yourself*: a process that has been applied to the Windowfarms network (Pearl, 2011).

Britta Riley is the cofounder of Windowfarms.org, a New York based company that makes hydroponic platforms for growing food in city windows, designed with the help of more than 1,800 enthusiastic collaborators from all over the world.

Britta took her inspiration from NASA, which uses hydroponics to explore how to grow food in space. She reasoned that many apartment windows have less than stellar conditions for growing plants, especially in a Northern winter. Conditions in any particular window would limit what could grow there—but perhaps hydroponics could contribute to food security on earth.

Britta decided to open source the project. She published the design on the web and invited anyone from anywhere in the world to improve the system. With no intellectual property issues, it was open to co-developers. Collaboratively, they have developed a system that grows a salad a week in an apartment window and allows an individual to cut their carbon footprint nearly in half.

On a global scale, the project has taken on a life of its own. Enthusiasts in Finland are working to customize the system with LED grow lights--also developed collaboratively--so that they can continue their gardens during the long, dark winter. Other contributions include air pumps to replace water pumps and optimum nutrients for strawberries that result in fruit throughout a New York winter. Britta says that the real reward from working with this company is the joy of collaboration.

Many other examples of stakeholder's participation through open-innovation deserve the right attention.

People co-create concepts through open content systems such as Wikis – these web applications have led to fascinating examples of collective intelligence. Wikipedia has inspired many organizations to create their own versions or copycats. This is the case of Energypedia, a project of German development agency GIZ that combines local and global knowledge to collect experiences and best practices in water and sanitation issues.

In the wake of the Fukushima nuclear disaster, Japanese citizens' set-up a network of volunteers publishing radiation levels they measured themselves after that trust in official data had collapsed.

Volunteers and political activists also take advantage of the Internet and tech devices such as mobile phones, tablets, etc. to monitor events and issues taking place around the world. Ipaidabribe.com, an anti-corruption project, allows ordinary citizens to send messages denouncing cases of corruption.

However, the best example of open-social innovation is the one of Fold it, in which an effective online tool which combines advanced gamification techniques with crowd collaboration, to contribute to Cancer and HIV/AIDS research.

THE FOLDIT EXAMPLE

Foldit is an online puzzle video game about protein folding that was developed by Adrian Treuille. It is part of an experimental research project developed with the University of Washington's Center for Game Science in collaboration with the UW Department of Biochemistry.

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The public beta version was released in May 2008 and has 240,000 registered players.

The objective of Fold it is to fold the structures of selected proteins as well as possible: one of the hardest and most expensive problems in biology today.

The protein biosynthesis is reasonably well understood, as is the means by which proteins are encoded as DNA. Determining how the primary structure of a protein turns into a functioning three-dimensional structure – how the molecule "folds" – is more difficult; the general process is known, but predicting protein structures is computationally demanding.

Foldit is an attempt to apply the human brain's natural three-dimensional pattern matching abilities to this problem. By analyzing the ways in which humans intuitively approach these puzzles in the game, researchers improve the algorithms employed by existing protein-folding software. As more players complete more puzzles, the researchers can create a better understanding of these protein structures and craft new medicines to promote better health and cure disease.

While at the beginning, gamers were playing on folding proteins to which the solution was already known, now Fold it is being used for real-world scientific problems.

A report by an international team of researchers from the U.S., Poland, and Czech Republic in Nature Structural & Molecular Biology unraveled that Fold-it players have solved the crystal structure of Mason-Pfizer monkey virus (M-PMV) retroviral protease (Khatib et al, 2011).

Retroviral proteases have critical roles in viral maturation and proliferation and they are very important for antiretroviral drug development for diseases such as AIDS. Researchers have for over a decade been unable to solve the structure despite using many different methods. Even recently, the protein-folding distributed computer program Rosetta that uses thousands of home computers' idle time to compute protein structures, was not able to give an answer. The Foldit players using human intuition and three-dimensional pattern-matching skills, however, were able to solve the problem within days.

COLLECTIVE SOCIAL ENTREPRENEURSHIP

Social entrepreneurship has been considerably growing in the past 30 years, but it still remains a small part, only 6.5% of the entire economy in Europe (Seforis Consortium, 2013).

On the other hand, the explosion of global challenges in areas such as "climate change and environmental degradation; inequality and poverty; lack of access to basic healthcare, clean water and energy; mass-migration and international terrorism" requires modern sustainable enterprises to apply a more radical involvement of all their stakeholders.

Thus, to achieve true impact, social enterprises need to find a way to go beyond making progress on their own; they need to lead collaborations with others (Milway, 2014). Creating a sustainable ecosystem would require individual social enterprises to collaborate not just within their sector but also across sectors. Montgomery, Dacin, and Dacin (2012) term such collaboration "collective social entrepreneurship."

According to Robert Wayne Gould (2012) this can be realized through a combination of open innovation and stakeholder participation.

In the previous paragraphs, we have seen how Collective intelligence can be extremely effective at tackling complex problems. On the other hand, we have analyzed the importance of stakeholders' engagement to support social entrepreneurial organizations to produce long-lasting impact for the common good.

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Thus, to initiate a new societal paradigm based on open-source collaboration, all stakeholders need to be empowered to voice their concerns and participate more actively in the decision making process.

The participation, investment and inclusion of all members of society in the development process is the key to help people fulfilling their human potential, but also to ensure that full advantage is taken from a country's human resources, as well as to promote peace and stability.

One of the main organizations that are democratizing the participation of stakeholders in the development process is IDEO.

ABOUT OPEN IDEO

OpenIDEO is an open innovation platform on which global communities can take part in solving any of the various challenges presented on the platform. It is an online international community enabling people to collaborate in developing innovative solutions to pressing social and environmental challenges. Everyone can participate: veteran designers, critics, academics, and curious lurker.

Similar to a formal innovation process, ideas are presented as "challenges". One such challenge initiated by Jamie Oliver to raise children's awareness of the benefits of fresh food so they can make better choices. Challenges make progress through various creative phases: inspiration, concepting, evaluation, refinement and implementation.

The first step is called inspiration, the process starts with research to develop empathy and understanding on the topic: capturing people's needs and experiences before diving into solutions. Contributors are encouraged to submit inspirations in the form of images, stories, and visuals. During the next phase of the project, concepting, contributors are asked to post a solution - in other words, how they would make the concept a reality. People are invited to comment, ideas owners to incorporate the feedback received, and then refining their ideas again. This iterative approach is based on the philosophy of learning through building – trying out ideas with real people as quickly as possible.

Next, members are asked to rate and comment on concepts in the evaluation phase because each concept will gain merit depending on the community response. Only the best concepts carry forward.

In the next step of the design thinking process, called refinement: IDEO facilitators tweak the evaluated ideas, adding a highly focused design approach to it. This phase is to be understood through Tim Brown, writing on his blog:

The idea of crowdsourcing innovation is, in my view, still a big experiment. Conventionally the question has been whether the crowd can outperform the internal team. Our view is that small teams are good for some things and the broader community is good for others. The goal of OpenIDEO is to find out whether it is possible to orchestrate collaboration between the two to achieve better results. (Brown, 2010)

The results of Open Ideo are impressive: within 5 years they managed to post 29 challenges, and over 80.000 people participated submitting over 6000 ideas. Out of them, 300 projects are in the development stage.

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OPEN LEAN INNOVATION

Another interesting trend that is converging with the crowdsourcing universe is the Lean startup methodology, which was coined by Eric Ries from his study of Lean Manufacturing techniques created by Taiichi Ohno and Shigeo Shingo of Toyota.

The lean thinking became particularly relevant after the Dot-Com bubble of the late 90's, in which companies like Pets.com and Webvan could raise huge amounts of capital, spending it as fast as they could raise it, only to collapse when common sense re-asserted itself and the bubble burst.

After the bubble, venture investors spent the next three years doing triage, sorting through the rubble to find companies that weren't bleeding cash and could actually be turned into real businesses. Startups began to recognize that they weren't merely a smaller version of a large company. Rather they understood that a startup is a temporary organization designed to search for a repeatable and scalable business model. This meant that startups needed their own tools, techniques and methodologies distinct from those used in large companies.

The "lean startup," favors experimentation overelaborate planning, customer feedback over intuition, and iterative design over traditional "big design up front" development. Although the methodology is just a few years old, its concepts—such as "minimum viable product" and "pivoting"—have quickly taken root in the startup world, and business schools have already begun adapting their curricula to teach them.

The unit of progress for Lean Startups is validated learning - a rigorous method for demonstrating progress when one is embedded in the soil of extreme uncertainty. Validation comes in the form of data that demonstrates that the key risks in the business have been addressed by the current product. The lean startup asks people to figure out the right thing to build – the thing customers want and will pay for – as quickly as possible.

Modern entrepreneurs need feedback on their solution. They want to know when it's going to fail. They have to know who will use it, and who won't. They need to know how much they're willing to "pay" for it. That information won't be found "pitching" a solution.

Thus, the startups that ultimately succeed go quickly from failure to failure, all the while adapting, iterating on, and improving their initial ideas as they continually learn from customers.

Each stage of a startup development is highly iterative, customer feedback is essential to learn everything: from the problem that the product should solve, to the best communication or distribution channel, as well as the revenue model and the pricing. This continuous collaboration with the customers is key to reduce the inner uncertainty within the innovation process.

As in the case of open innovation: there is a paradox between the benefit of opening a project to the feedback of the customers, and the fear that several entrepreneurs have that their idea will be stolen, thus they often prefer to develop their project in secrecy.

However, several economists and successful entrepreneurs support the concept of sharing business ideas. For example, Nilofer Merchant in her article Harvard Business review "Let your ideas go" (Merchant, 2012), or Patrick Hull in Forbes Magazine "Talk about your idea, it won't get stolen" (Hull, 2013). They strongly believe that ideas cannot be stolen, because the hardest task in creating a startup is not having the idea, but implementing it. Timing and Execution are the essential elements to succeed.

If we apply the concept of Lean startup to social innovation initiatives, then it becomes fundamental for social entrepreneurs to involve their stakeholders in the process of validating the organization strategy - promoting full transparency from the financial performance to the resulting social impact. At the end of the day, young social enterprises face the same challenges of traditional startups: they often lack

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the resources to succeed (knowledge, network, and skills) and they operate in conditions of extreme uncertainty - which according to Forbes causes 8 startups out of 10 to fail in the first 2 years of activity. Thus, by opening up and enabling the mentors, peer entrepreneurs and stakeholders to contribute with their knowledge in the business modeling process of social businesses, we can considerably increase the chances of success of these organizations and scale their impact (Potter, 2014).

Furthermore, this open approach to social innovation will be the key to enable NGOs, to shift their revenue model (based on traditional philanthropic donations) towards the one of sustainable social enterprises. A recent OECD report showcases the decline in official development assistance, reinforcing the need for NGOs to decrease their dependence from external financial support. The opportunity for social projects to crowd-source consulting from their stakeholders in order to evolve their strategy is probably the greatest hope that we have to revitalize the third sector.

A great example of stakeholders' participation to validate the strategy of social entrepreneurs through crowdsourcing is the open innovation platform Babele.

BABELE: CROWDSOURCING BUSINESS MODELS FOR SOCIAL ENTREPRENEURS

Babele (https://www.babele.co) is a social enterprise launched in the fall of 2013, with the objective to harness collective intelligence to help social enterprise validate their key assumption and validate a sustainable strategy.

Babele has a unique open source approach for supporting social entrepreneurship and creating social impact. It has been inspired by the emerging paradigm of more open, collaborative and adaptive organizations. Instead of creating social business strategies in secrecy and thus reinventing the wheel without learning from others, it offers an advanced system to share ideas, get inspiration from others, co-create business strategies for social good and replicate them in other parts of the world. The platform provides a business modeling framework, enabling entrepreneurs to create, debate, learn and experiment with projects in a collaborative way. Peer-entrepreneurs, citizens and mentors can participate by submitting ideas and giving feedback on each precise element of the business strategy of the social entrepreneur.

The ecosystem hosts a community over 850 social business model and collaborators from 103 countries. The platform combines the principles of social entrepreneurship, crowdsourcing and lean startup, engaging crowds of stakeholders in problem-solving - supporting the business development process of social enterprises from all-over the world.

Also the business model of the social enterprise is highly influenced by the open-source culture, making the platform available for free to all the social enterprises that fully open their business model to everyone, and offering a premium service for organizations that wish to customize the privacy access to the strategy to different groups of constituencies.

Furthermore, Babele embraces the philosophy of creating the network of networks for social innovation.

The key risk for the social innovation sector is to suffer from scarce effectiveness in addressing local and global problems due to the high market fragmentation.

While individual initiatives and organizations (Universities with social entrepreneurship classes, social incubators, foundations and support networks) are flourishing throughout the world at an incredible rate (e.g. Ashoka, Echoing Green, Schwab foundation, Skoll foundation, NeSst, etc.) on the other hand, they are failing at joining forces and sharing best practices.

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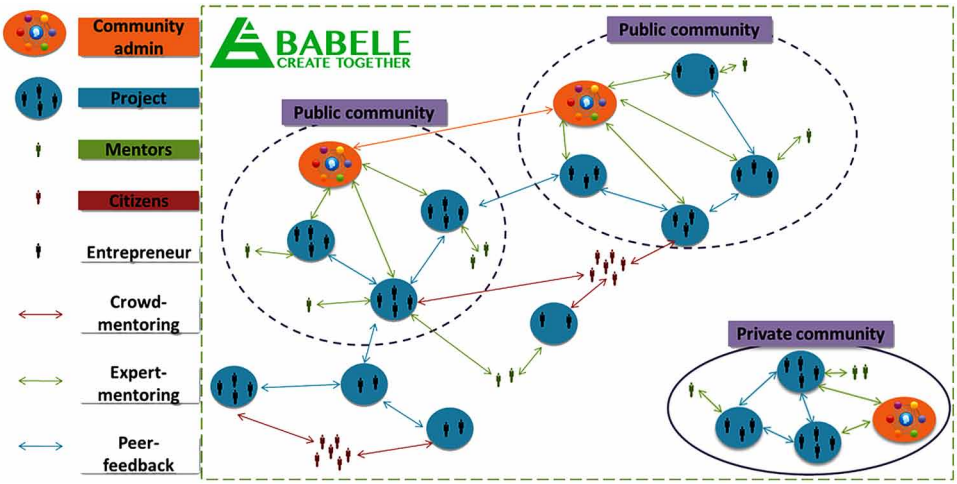
Figure 2. Interactions within the Babele platform between independent projects, projects within public and private communities, mentors, citizens and peer-entrepreneurs
Babele, 2015.



Babele is actively working to connect the dots between these networks and organizations, offering crowd-mentoring communities to manage their support programs for local social enterprises.

The organizations can stimulate peer-learning among their own projects, engage with their mentors, but also exchange with other organizations. The final result is a network of communities that can interact with each other: social innovation actors, entrepreneurs, incubators, universities, municipalities, citizens, or CSR driven companies.

This approach is fundamental to consolidate the social innovation market, incentivize openness and transparency and support the replication of the best initiatives that have the potential to address the most urgent challenges of our time (see Figure 2).

BEYOND R&D THROUGH THE POWER OF NETWORKS

Robert Fabricant discusses if Social enterprises can be seen as R& D labs in an insightful article in the Harvard Business Review *Meet Your New R&D Team: Social Entrepreneurs (*Fabricant, 2013). According to him, social entrepreneurs can have a "R&D function" for learning how to serve underdeveloped markets; they are innovative and find solutions to dedicated social issues. Once their solution has a proven impact, they should scale-up. In order to do this, they need more resources. Therefore, partnering with corporate CSR initiatives may offer them the necessary means to grow. There are many examples; Robert Fabricant describes four of these partnerships in his article.

This point of view is not new. What Robert Fabricant mentions are in fact "hybrid strategies", which means creating partnerships between social entrepreneurs and multinational companies. Oliver Kayser, after 18 years with McKinsey and 5 with Ashoka, has created Hystra consulting, a company specialized in these hybrid strategies.

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Across the world, social entrepreneurs have been experimenting with a mix of social and business strategies, gaining new insights into market needs and coming up with innovative solutions to intractable global problems. It is now time for concerned and conscientious corporate leaders to do what they do best in order to help social solutions achieve the scale needed to change the world. (Kayser, 2009)

Both Robert and Oliver recognize that social entrepreneurs bring innovative solutions to social issues, and therefore are doing "R&D". However, they also acknowledge that social enterprises need to partner with multinational companies in order to grow their scale and scope.

If we continue with the metaphor where social enterprises are the "R&D Lab" for Europe social challenges, then corporations are the "production" department, which deploys the prototype conceived upstream.

Their point of view remains in the current paradigm, where only the corporations have the force to scale-up from the prototype model to consistent production. They are the only ones capable of doing this because social enterprises are too small and do not have enough resources.

Now imagine a new paradigm, where social enterprises would not only be the "R&D lab" but also the "production" department. They would be interconnected within an efficient network, where they collaborate, experiment and exchange in a transparent way.

This statement might sound absurd but it will become less hard to believe through the following comparison. In the 80's we had super-computers ("corporations") that were extremely powerful in comparison with any standard computer in the market ("social enterprise"). Now with the power of the internet ("our efficient network"), many interconnected PCs have become more powerful than a supercomputer.

A new ecosystem can be created to gather the competencies and resources to make it happen where social enterprises will not only be the "R&D lab" of Europe's social issues, but they will be the engine solving these social issues and promoting a new kind of growth.

OPEN GOVERNANCE

Open social innovation is contaminating several other sectors beyond social entrepreneurship.

Civic engagement is another key trend that combines the collective wisdom of the crowd (citizens) with the collaborative creation of sustainable initiatives that have the potential to improve the quality of life of local communities.

Governments are increasingly realizing that they can (and need) to communicate with citizens in a different way. Citizens can help provide better solutions for cities, but for that, they need to be included in decision-making processes. For example, in the German city of Nuremberg, citizens were asked to locate the noisiest areas of their neighborhood. By jointly identifying these spots, the city administration did not only get a different picture of the problems but could also work on much better solutions.

Multi-stakeholder governance appears to be the future way of developing public policy, bringing together governments, the private sector and civil society in partnership. The movement towards this new governance paradigm has been most marked in areas involving global networks of stakeholders: too intricate to be represented by governments alone. Nowhere is this better illustrated than on the Internet, where it is an inherent characteristic of the network that, laws, and the conduct to which those laws are directed, will cross national borders. This momentum has developed to bring multi-stakeholder governance to the Internet.

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The United Nations e-Government Survey 2008 indicates that governments are moving forward in e-government; the UN e-participation index indicated a constant upward movement with 189 countries online in 2008.

More than 200 municipalities and public institutions are estimated to have initiated participatory budgeting in the world.

MEU RIO

A magnificent example of this phenomenon is the online platform MEU RIO that allows the citizens of Rio de Janeiro to have a say in what's happening in the city.

Alessandra Orofino, founder of the initiative, explains in an interview that their main work is the one to translate public policy issues into a language that is understandable to broader society and young people. The site gives people an opportunity to act on things they think are important, and allows both organizers and users to identify areas for change and action. Meu Rio has a team dedicated to researching public policy so they can mobilize people effectively.

As an example, in 2013, an eight-year-old student wrote to Meu Rio about her school, the Escola Municipal Friedenreich. It has around 300 students, and is one of the best public schools in the country along with specialized staff and facilities for the disabled.

The city had decided to demolish a school to build a parking lot for the nearby Maracanã Stadium. There was no plan to rebuild the school or transfer the students, and the parents only found out through the local news.

So the organization set up a campaign to save the school and got 20,000 signatures on a petition. The campaign started attracting media attention, but even the secretary of education didn't know what to do. So Meu Rio decided to try a new tactic. They set up a webcam at an apartment across the street from the school, and monitored the school 24/7 through a website with a live feed from the camera. People could sign up to be a "guardian" of the school and watch the feed, and if bulldozers showed up, those watching could press a red button to contact Meu Rio, which would send out text messages to followers in order to physically protect the school. Around 3,000 people signed up to watch the school, and using analytics, Meu Rio discovered that for the two months of the campaign, not a minute passed that someone wasn't watching the school. Public officials realized it would be a PR disaster to demolish the school, and gave up.

TOWARDS PURE PARTICIPATORY DEMOCRACY

People participation can go beyond idea brainstorming and problem solving. The next step of stakeholders' engagement is the co-ownership of the common good solutions that are collaboratively conceived and implemented in the local communities.

A very small village in the middle of Lapland (Sweden), is living on the next edge of sustainable development and crowdsourcing - practicing as no-one else co-creation for the common good.

The majority of Vuollerims inhabitants have understood that, while in a period of abundance, competition might be the best strategy; in a period of scarcity, collaboration is certainly the approach that offers the best possible outcome.

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Being in such a peripheral part of the world, can present several challenges, for example the migration of young minds towards the bigger and more attractive cities in the south of Sweden.

To address these challenges, the people of Vuollerim have come together and worked on a new welfare system that involves citizens in first person and embraces entrepreneurship as well as taking initiative, this initiative is based on collaborating for the common good, rather than focusing on individual benefits.

The district of Vuollerim has about 800 inhabitants, 60 companies and 40 non-profit associations. All of these businesses and organizations have jointly agreed (by writing it in their statutes) to aim for local development and the best for the village.

All started in 1999: when the first village-owned company was born in order to save the hardware store that had closed down and was about to be demolished. The Vuollerim's economic association is composed by more than 100 members, who recognised how essential the hardware store was for Vuollerim and its surroundings. Together they bought the property, which is now running as a multifunction store called 'The Greenhouse', in the middle of the village.

Another great example is VIVA, which manages the Inn: a year-round open hotel. VIVA is co-owned by 150 citizens: that have built and decorated the Hotel in collaboration with several other villagers.

This democratic collaboration among citizens has been extended also to the Educational field.

Vuollerims Charter School, "A good small school", is a village-owned company, which was founded in 2009 and has over 100 co-owners. The reason to start a charter school in the district of Vuollerim was to ensure there was a complete primary school education available in the village, now and in the future. This had become a concern after the municipality's decision to close down the elementary school in Vuollerim for the ages 6 to 9.

Another incredible collectively owned company is The Village Team, which provides innovators in all ages with the skills, the experience and the expertise necessary to take their idea off the ground and develop unique, locally anchored, sustainable enterprises. These days The Village Team business is in the start of implementing a crowdsourcing experiment in the open innovation platform Babele: a tool for crowdsourcing ideas and co-developing smarter solutions in a collaborative way.

The Village Team contributes as a "mentor" and sounding board for the development of new business ideas. They choose the projects depending on the individual competences and interests of the members, as well as on the local needs that are anticipated for the village. Currently, the company engages in producing local music, renting out conference halls and vehicle storage, as well as offering copying and tire services.

Another village company is Lapland Vuollerim Welcomes You AB. It is a community based tourism company, providing genuine 'everyday life' experiences. Lapland Vuollerim has been nominated for Best Outdoor Product of the Year, World Responsible Tourism Award and Tourism for Tomorrow Innovation Award and it is a socially responsible business owned by villagers, reinvesting 100% of their profits into further growth of the company and into the local economy.

What is absolutely fascinating of this model is that all the above mentioned companies strive to enhance both economic as well as social well-being and growth for the district. All profits for each village owned company are reinvested in the district in one way or another

This collaborative welfare model enabled Vuollerim citizens to work together towards a common goal: be better off as a community rather than having a village with Winners and Losers.

The village is on its way to a brighter future by retaining jobs, youth and investing in education. This model is a true HOPE for all the peripheral areas in the world that are suffering from similar challenges. It can be done everywhere! The secret is to work together.

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HOW CROWDSOURCING AND SOCIAL INNOVATION CAN FAVOR PARTICIPATORY DEMOCRACY

Crowdsourcing and design thinking can be smartly combined to funnel the participation of societal stakeholders, who can take an active role in the development of civic projects for the common good. The ideal open innovation platform to achieve for participative local democracy should incorporate elements of design thinking - as a way to funnel the creativity of the crowd toward the development of the most effective and feasible solution - and a sustainable planning framework in order to use collective intelligence to define all the key elements of the project (from financial variables until its expected impact).

Below are the key phases that the ideal participatory democracy platform should contain:

Phase One: Research Phase

In this stage, stakeholders work together to create a clear picture of the status quo:

- Identify the key local problems that negatively affect the livelihood of the municipality and gather all the relevant data (quantitative and qualitative) to describe the problem and how it occurs;
- Collectively assess the root-cause of the problems and analyse the resulting negative impact through an 8-dimentional framework, which key variables are: Political, Economical, Social, Technological, Environmental, Demographical, Cultural and Legal;
- Gather success stories, solutions and best practices coming from other municipalities and contexts.

Phase Two: Ideation Phase

In this stage, stakeholders co-propose the solutions with the potential to address the problem.

The ideation framework has to be basic, in order to enable creativity in the crowd-storming process.

This will be composed by a short description of the solution, a presentation of why and how the solution has the potential to address the problem, necessary resources and implementation complexity.

Phase Three: Feedback and Screening Phase

In this stage, stakeholders dig deeper into the ideas with insights that will encourage idea development.

Stakeholders will also be able to vote their favorite ideas while justifying their choice;

By the end of this phase, the 10 most voted ideas will proceed to the following phase.

Phase Four: Planning Phase

In this stage, the selected projects will be developed extensively through a collaborative project planning methodology.

Stakeholders will develop each idea into a complete implementation plan, which will include key activities, needed resources, key partners involved in the implementation, realization timeline, as well as a complete section with financials budgeting and expected social/environmental impact.

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Phase Five: Refinement Phase

In this stage, stakeholders will examine each idea and give feedback to each aspect, in order to further refine the proposed plans.

- Mentors and advisors are allocated to each project-topic based on their key interests and competences;
- Project proposers can incentivise proactivity and collaboration by rating the work done by their peers;
- The companies, organizations and institutions that could be involved in the implementation will help validate timeline and budgets for the realization of the projects;
- The municipality's will participate by sharing valuable data to assess each project feasibility;
- By the end of the phase, the community votes the best projects that will be implemented.

Phase Six: Implementation Phase

In this stage, the winning ideas are announced and an agreement is established among the organization that will participate in the project implementation.

- A transparent and easy-to-digest reporting will display the project progress and performance against established Key Performance Indicators;
- A blog with problems and challenges will be shared with the community, in order to benefit from the collective intelligence process also in this final stage.

If it is true that Democracy is a process that must constantly be reinforced at all stages by the internal participation and action by the institutions of the state as well as the international community, then it is fundamental to create new platforms to enhance the discussion amongst principal societal stakeholders, in order to spread awareness of the things which are known, discuss a strategy and get societies together to solve the global issues. Through this process, the crowd can engage and create meaningful solutions for the common good of the municipality, bringing a new fresh perspective to the current model of democracy.

CONCLUSION

The paradox of a global economy increasingly unified, and a global society increasingly divided is the most dangerous threat that weighs on the planet, because it makes difficult if not impossible, the cooperation necessary to solve the other problems.

While market forces demonstrated to be a non-sufficient mean to lead to the most efficient allocation of resources, these governments and institutions have failed to meet the needs of the Common Good and bring society together to solve global issues:

Our society has promoted homo economicus, selfish person, maximizing its interests, focusing solely on profits. This has led to a critical unsustainable situation. More and more people realize that we need to create a new type of system. People are not the rationally self-interested actor lurking at the core of

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mainstream economic theory (the homo economicus: a mercenary ready to crush their neighbors in order to maximize its own interest).

We can also be homo reciprocans, if society promotes a development model based on sustainability, then people will act accordingly (Berlingen et al, 2015). We can see these values reflected in the new organizational models that pioneers are creating through social entrepreneurship and impact enterprises, Sulabh, Windowfarms, FoldIt are just some examples.

The demand for common good is influenced by the increasing level of awareness of the citizens that understand the importance of common good initiatives aimed at leveling inequalities and fight poverty. The world's short-sightedness about policy-making, together with the ageing of the population have led to a crisis of the welfare state, which has questioned the current pension, healthcare and education systems within the most developed countries. As a reaction of the public institutions failures to answer to the global need of common good, citizens are getting "smarter", more capable of interpreting issues and discerning between options on their own than simply accepting the views of media and political elites.

To solve the biggest challenges of our time we need a bottom up, collaborative and open sourced approach: where good ideas working in one place are easily replicated, the impact of a solution is easily reported and transparency is highly encouraged.

Stakeholder engagement combined with open innovation for social good projects allow achieving greater results than any organization working alone.

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Chapter 6
Introduction of Social Media Platforms and Social Media Analytics for Social CRM

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ABSTRACT

This chapter reviews customer relationship management, social media platforms, and social media analytics, and discusses how social media platforms and social media analytics are used to support social CRM. Social CRM emerged by integrating social media with customer relationship management. Social media offers companies an array of innovative ways to interact with their employees, customers, partners, and other stakeholders. As the user base of social media is growing rapidly, it is crucial for companies to understand their social media platforms, develop a plan to continually integrate social media with CRM, analyze social media data with social media analytics, and quickly respond to the needs of customers. To help CRM managers utilize social media analytics systematically, this chapter discusses various analytics methods and presents analytics processes for social media data.

INTRODUCTION

Ove the past several decades marketing discipline shifted its focus from transaction orientation to relationship orientation driven by the loyalty building and value creation paradigm (Yoon & Sims, 2014). Driven by this paradigm shift, customer relationship management (CRM) emerged as an invaluable marketing approach to strengthening customer relationships and creating co-value for both the company and the customer. The core of any CRM practice is to encourage voluntary engagement of target customers, with a special attention to those who are opinion leaders, into the value creation process (Boulding, Staelin, Ehret, & Johnston, 2005; Payne & Frow, 2005). CRM has been successfully used by large and small companies and touted as a robust marketing program for retention of existing customers and acquisition of new customers.

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CRM evolved from traditional face-to-face CRM, to e-CRM, and more recently to social CRM. This evolution reflects technological developments and customers' changing expectations surrounding CRM. With the rise of e-commerce in the 1990s, electronic CRM (e-CRM) was conceptualized to leverage various web technologies in furthering CRM efforts (Llamas-Alonso & Jiménez-Zarco, 2010). While e-CRM is a subset of the broad CRM domain, it expanded traditional CRM with the use of real-time data and interactive web channels and could achieve a closer relationship between customers and business organizations (Chandra & Strickland, 2004). Fjermestad and Romano (2003) proposed two types of e-CRM: analytical and operational. Analytical eCRM focuses on the collection and analysis of customer data, while operational eCRM focuses on the management of day-to-day customer touch-points throughout a transaction.

Since the mid-2010s, social media have paved new ways of attracting new customers, retaining existing customers, and improving various types of the firm's performance indicators. While most people have been using social media for personal networking purpose, companies have utilized social media to promote their businesses and products to potential customers (Mangold & Fauld, 2009) and provide better services to their customers (Baird & Parsnis, 2011). Social media enhances the company's ability to offer better valued products/services by engaging customers in the value creation process as well as in the value feedback process. Customers are using online social networking applications to learn about products and services. Furthermore, customers are having higher expectations for products and services due to increased competition among sellers and more and better information about the products and services.

Social media is often used by customers to protest irregular business practices and customers' complaints posted on in social media are disseminated at high velocity. Companies need to analyze and respond to any postings on social media sites involving publicly disseminated complaints, allegations or other negative comments about the company, as these customer generated contents are having a great impact on corporate value (Katz & McIntosh, 2013). To strengthen their CRM efforts, major companies are keeping track of social media sites to monitor consumers' views on their socially responsible business practices.

Social media allows a company to reach a large group of people by tapping into the social network (Amoroso, Mukahi, & Ogawa, 2014). Each social network consists of members connected to a group of people and multiple-layer social networks can easily turn into a large-size network of networks of people. Leveraging the vast social networks, social media have great potential to accelerate the diffusion process of a company's innovations, to encourage opinion leaders to influence behaviors of opinion seekers, and to transform various customer engagements into the co-value creation. Despite social media's popularity, however, some companies are still hesitant to invest heavily in social media, because the value of social media investment remains to be proved.

According to Yoon and Sims (2014), social customer relationship management (social CRM) is defined as the business practice of promoting voluntary customer engagement activities with a mix of social media into the value creation process to build long-term co-beneficial relationships with target customers under the umbrella of customer relationship management (Yoon & Sims, 2014). In essence, social CRM embeds customer-business interactions into social media platforms. In an attempt to deliver customized messages and promote the voluntary engagement of opinion leaders into the value creation process, marketing practitioners have included social media as an additional new promotional element (Yoon & Sim, 2014) and have developed social media metrics to measure the effectiveness of social CRM efforts (Hoffman & Fodor, 2010).

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Yoon and Sims (2014) suggest that marketing practitioners consider how to cultivate reciprocal relationships with customers and appropriate interactions with customers within the social networks in order to build long-term relationships from the perspective of social CRM. For example, various types of customer information on social networking sites such as personal profiles, hobbies, and online postings can be used to develop personalized marketing messages to customers. In addition, social CRM can deliver insights that will help drive real customer centric innovation.

SOCIAL MEDIA PLATFORMS FOR SOCIAL CRM

Social media represents a variety of dynamic and community-based web applications that place value on the power of distributed knowledge and provide users with rich interactive experiences. Social media became a web marketing media that offers one-to-one methods for meeting and interacting with companies and other customers (O'Reilly & Lancendorfer, 2014). Social media arose from web 2.0 that shifted the web paradigm from a business-centered focus to user-centered one. (O'Reilly, 2007). Web 2.0 refers to a web technology that has evolved beyond web 1.0 and features user-created-content and online communities that allow website visitors to interact dynamically with the site. While technological distinctions between web 1.0 and web 2.0 are often not clear in some areas, the social and technological environment for positive user participation and interactivity epitomizes web 2.0. Social media embodies the principles of web 2.0 and is continuously evolving and offers business improvement tools and support business processes, knowledge management, customer relationship management, and partner relationship management. Since the mid-2000s, social media has paved new ways of accessing customers for businesses and conducting business activities. Marketing professionals are already active users of the various social media-based channels such as social networks and blogs.

Marketing professionals are realizing that social media affects a wide spectrum of marketing activities from brand awareness to promotions and after-sales services. Investing in social media applications will enhance relationships with customers and provide the opportunity to better understand the customer needs. Without customer-oriented channels, companies will have challenges in making their marketing initiatives engaging and truly valuable to consumers (Schultz & Peltier, 2013). Therefore, it is crucial for companies to select their social media platforms, develop tools and metrics to continually monitor customers' online activities, and quickly respond to customers' needs. A successful social CRM should integrate the best practices of both social media practices and traditional CRM.

Social media enables consumers to be content creators as well as content users (Hajli, 2015). Users contribute to the generation of content through writing comments and recommendations on social media sites such as Google, Yahoo, Yelp, TripAdvisor, and Facebook. Companies analyze user-generated contents for various reasons such as word-of-mouth maketing, new idea solicitation, and customer preference identification. For example, Amazon uses content generated from their customers in order to recommend products to other customers. For a potential purchaser who is interested in a certain product, Amazon lists products that other purchasers of the same product also looked at or may be interested in. Leveraging user-generated content, companies can generate an interactive stream of communication with consumers rather than a one-sided brand push (Hennig-Thurau et al., 2010).

Social media platforms refer to established online communities where their members share and seek common interests, activities, experiences, and information. Social media platforms provide archival data

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and real-time feeds, as well as sophisticated analytics tools. Business applications of social media platforms are widespread across all industries. Different social media platforms created unique ways of user involvement in content creation and collaboration with companies. For example, Twitter is a real-time information network that connects users and followers to the latest stories, ideas, opinions, and news. On the other hand, Yelp is a site where customers publish unsolicited reviews and viewers read them.

Customers are actively choosing and using social media to meet their specific needs and tend to use a mix of social media platforms. Therefore, managers should understand how different social media platforms will affect CRM and develop a comprehensive social media integration plan for CRM. Managers also need to monitor the changing landscape of social media platforms and keep up with technological advances in social media platforms. The following introduces five types of social media platforms that can be embedded into social CRM: social networking sites, collaborative platforms, blogs, social bookmarking, and media content sharing. It is possible for companies to integrate multiple social media platforms to develop a comprehensive social CRM campaign.

Social Networking Sites

Social networking sites such as Facebook, Google+, Snapchat, and LinkedIn have created massive social network communities of people who are willing to network, communicate, and collaborate with each other. Many companies leverage social networking sites (SNS) to increase productivity in the workplace. SNS facilitate recruiting and connecting potential contributors for distributed innovation processes. Companies can also use SNS to engage in direct market research and maintain a positive relationship with customers.

To build relationships with customers, companies began to use SNS in CRM. First, SNS are used to solicit feedback on customers' product experiences and to provide customized value to individual customers. According to Lynch (2009), Texas Instruments (TI) noticed a problem in its customer service department in 2004, the main customers of which are engineers who buy and use some of the company's most technical products. To respond to customer questions more effectively, TI decided to build "E2E," which stands for engineers to engineers. Launched in 2008, E2E became a private social networking site where TI engineers interact with customer engineers. E2E proved to be a transparent portal where customer engineers and TI engineers could share best practices that help enhance TI's value proposition to customers. Second, SNS provides a forum for open innovation involving customers in the innovation process. Opening the innovation process to final customers is a new variant of Open Innovation (Chesbrough, 2003). By creating a social network with customers and seeking innovative ideas from customers about the company's products, a company can enhance the performance of social CRM. There is significant competition among the various social media platforms. For example, Google created Google+ in an attempt to compete against Facebook. LinkedIn pursued a niche area social networking services and created a specialized social networking site focusing on professional relationships.

While studies on social media typically focus on its benefits, but the dark side of social networking sites is considerably less investigated. Fox and Moreland (2015) find that although Facebook users often experience negative emotions, they feel pressured to access the site frequently due to the fear of missing out and to keep up with relationship maintenance demands. Some participants reported privacy violations due to Facebook's visibility, connectivity, and persistence. Mobile social networking sites (SNS) can contribute to increased enjoyment and convenience, but their pervasive nature can also result in exces-

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sive use and consequently negative outcomes may entail. Zheng and Lee (2016) find that excessive use enhances cognitive preoccupation and there are negative consequences related to family, personal and professional life of excessive use of mobile SNS.

Collaborative Platform

Collaborative platforms allow users to post, delete, or update contents via a web browser. Wikis is a popular collaborative platform for organizations and groups to enable networking, idea sharing, and collaboration. Internal corporate wikis can be used as a collaborative platform tool to tap the expertise of a large group. For businesses, wikis serve as an excellent collaborative platform for collective intelligence and can facilitate innovations (Tapscott & Williams, 2007). External corporate collaboration sites enable companies to have the opportunity to seek collaboration from the public that participate in the corporate projects.

By allowing consumers to contribute ideas revolving around the company's products, the company can not only forge a core customer relationship, but can also create values for any customer that can benefit from the collaborative works. Microsoft SharePoint is a collaborative platform which provides a platform for employees and customers to work collaboratively through various methods. Other social media platforms include Zoho, Adobe Acrobat, Google Docs, and Wikispaces.

Yang and Lai (2010) evaluate the effects of both conventional and self-concept motivation on individual willingness to share knowledge in Wikipedia. Their results showed that internal self-concept motivation is the key motivation for knowledge sharing on Wikipedia. To understand users' participation behaviors in Wikipedia, Xu and Li (2015) investigate the impacts of several motivational factors on two different types of user behaviors: content contribution and community participation. They find that content contribution is more often driven by extrinsically oriented motivations such as reciprocity and the need for self-development, while community participation is more often driven by intrinsically oriented motivations such as altruism and a sense of belonging to the community.

Blogs

Blogs are online jornals that are characterized by short entries and regular updates and managed by one person/user that provides interaction with others. Blogs are inherently flexible and can be used for a variety of purposes, ranging from posting personal opinions to corporate knowledge management and customer relationship management. Personal or public blog sites are used to host blogs and the posted messages can be distributed to other sites or readers via RSS (Really Simple Syndication). One of the most useful features of blogs is the functionality that allows readers to comment on each post. This feature enables readers to engage in an open dialogue for every post. The collective comments and links on blogs form a clustered network termed the blogosphere. A variety of public blogging services are available to individuals and companies. For example, Twitter is the most popular social networking and microblogging service firm. Members of Twitter post text-based messages of up to 280 characters displayed on the author's profile page and delivered to the author's subscribers who are known as followers.

The publication of a blog enables the company to interact directly with customers. Leading companies like Intel, IBM, P&G, Ford, and Cisco are all early adopters of corporate blogs. While the blog can be used for customer relations as well as public relations, it can also be used to promote new products and

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receive consumer feedback to products and services. Senior management can also utilize internal and external blogs to make announcements, connect with customers, and seek inputs from various stakeholders. WordPress, Blogger, Tumblr, Medium, and Twitter are popular blog hosting sites available to individuals and companies.

Sina Weibo is the most popular micro-blogging website and highly influential in China. Guan et al. (2014) analyze 21 hot events that were widely discussed on Sina Weibo in 2011 and find that (1) male users are more likely to be involved, (2) messages that contain pictures and those posted by verified users are more likely to be reposted, while those with URLs are less likely, (3) the gender factor, for most events, presents no significant difference in reposting likelihood. Ifinedo (2017) investigates factors influencing undergraduate students' continuance intention to use blogs for learning in a management information systems course. The results show that perceived self-efficacy, personal outcome expectations, and perceived support for enhancing social ties are antecedents to students' initial acceptance of blog use for learning and perceived playfulness has a significant effect on students' blog continuance usage intention as does attitude toward blog use for learning.

Social Bookmarking

Social bookmarking is the process of adding, annotating, editing, and sharing bookmarks with others via social bookmarking websites. Companies are increasingly using bookmarking sites like Delicious, Reddit, Digg, and StumbleUpon to promote new products and services and also to save, organize, and remember the web pages or web contents users find interesting on the website. Social bookmarking utilizes tagging to collectively classify and find web pages. For example, at Digg, users can "tag" web pages, labeling their name, which in turn allows the company to catalog shared tags of users. CiteULike and BibSonomya are widely used social bookmarking sites for managing and discovering scholarly references in academia.

Benbunan-Fich and Koufaris (2013) find that contributions to a social bookmarking site are a combination of intentional and unintentional contributions. They find that a significant relationship between intentional public contributions of bookmarks and an egoistic motivation to see one as competent by contributing valuable information and there is a significant but negative relationship between public contribution and altruism whereby users concerned with the needs of others limit their public contributions.

Based on the empirical analysis of the Connotea users, who are primarily in academia, Du et al. (2014) find that experienced academic users generally prefer to use social bookmarking while moderately experienced, and novice users still prefer to use the traditional bookmarking methods such as creating and using bookmarks on a dedicated computer. Experienced academic users were also found to create more tags per bookmark compared to the other two groups.

Media Content Sharing

Media content sharing is a social media platform that enables users to create, store, and share their multimedia files (photos, videos, sounds) with others. Media sharing websites allow users to upload their photos, videos, and sounds to the sites that can be accessed from anywhere via web browsers. There are the main two forms of media sharing sites: videos and photos. Instagram, Pinterest, and Flickr are popular photo-sharing sites. These sites are used for companies to gain followers and engage customers

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in sharing photos and videos. Companies are able to build customer relationships and brand by posting well-developed contents (e.g., images and videos), and monitoring and responding to comments and questions posted about the company-generated contents.

YouTube is a powerful video sharing site that companies can utilize to create their own video publication channel. Well-developed video content can be viral and engaging. YouTube also offers free analytics that can provide information on users' viewing habits and their demographics. YouTube has become the second largest search engine only next to Google since 2013. Companies can upload promotional and informational videos for customers which are engaging, entertaining, and educational. YouTube enables companies not only to connect with existing customers and but also find new customers due to its expansive reach and presence.

Hu, Zhang, and Luo (2016) examine the effectiveness of self-construal and community interactivity in promoting user participation on video sharing communities. Based on the analysis of 184 valid responses from users from a video sharing community in China, they find that self-construal (independent-construal and interdependent construal) and community interactivity (active control and reciprocal communication) are positively associated with user participation and In turn, user participation significantly increases perceived customer value. They also find that self-construal positively moderates the relationship between community interactivity and user participation. Cha (2014) finds that those males who use the Internet for emotional pleasure and excitement, and content variety are more frequently using video sharing websites, and content variety mitigates the negative effects of content quality, loading speed, screen size, display resolution, and audio quality on video sharing websites.

SOCIAL MEDIA ANALYTICS FOR SOCIAL CRM

Social media is not free, but is labor-intensive and requires sound analytical capabilities and strategies to get the message delivered (Khan, 2017). Social media analytics refers to the practice of gathering data from social media platforms and analyzing the data to help decision makers address specific problems (Lee, 2018). Social media analytics enables companies to rapidly collect data from social media platforms and develop an in-depth intelligence of their competitive environment (Arrigo, 2014). Social media analytics equipped with advanced techniques has significantly affected a company's ability to leverage otherwise unattainable social media intelligence. Various social media platforms generate enormous amount of customer data and the popularity of social media analytics surged accordingly. Social media analytics has been used by a wide range of people including human resources professionals, marketing managers, and data scientists.

Various social media metrics allows companies to prioritize and monitor the social media sites, and social media analytics plays an important role in listening and analyzing customer data obtained from various social media sites. According to Accenture's 2014 survey of business managers, social media analytics creates a huge and untapped opportunity, but much more needs to be done to fully leverage social media analytics for consumer-packaged goods (CPG) companies (Accenture, 2014). The same survey suggested that marketing is the primary area of social media analytics. Managers acknowledge the value of social media analytics in innovation and product development, followed by customer service, operations, and strategy. Nearly half of the respondents believe that information technology as the department in which analytics competencies and roles are concentrated, followed by an analytic unit

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within departments and business units, and a centralized analytics unit at the enterprise level. Social CRM needs close cross-departmental efforts between information technology and marketing, as analytics is an essential part of social CRM.

Social media analytics can analyze social media data for obtaining consumers' opinions and sentiments about their products and services as well as building relationships. Among many types of organizations, enterprises are the most active users of social media analytics. Analyzing social media data to better understand why customers buy the product plays an important role in sustaining competitive advantage (Brooks, Heffner, & Henderson, 2014). For example, Walmart has an abundance of social media data and Walmart Labs team monitors Facebook and Twitter and sends data to Walmart's purchasing managers. Walmart's supply chain buying decisions now rely extensively on sentiment data mined from Twitter and Facebook. Marriott, a multinational hospitality company, operates their social media center, called M Live, where about a dozen employees are analyzing Twitter feeds, Instagram photos, and Facebook posts in an effort to engage in social conversations with clients, increase the hotel chain's brand presence and keep up with the latest trends (CNBC, 2016). PepsiCo has relied on social media for a "DEWmocracy" promotion and has created new varieties that have been added to their brand as a result of social media analytics data (Research Optimus, 2014). The Coca-Cola Company operates a social media center called Hub Network, which deploys a suite of social listening, analysis, and engagement tools to deliver a better, faster and more efficient response to real-time social media opportunities and issues (Coca-Cola, 2014).

Customer analytics for social media data has been widely adopted by companies, and popular metrics include the size of social media pages, response time to complaints, posts, engagements (the number of comments, likes, or shares for each post), retweets, demographics of the people connected to a user, and followers. Customer analytics can be classified into real-time customer analytics and non-real-time customer analytics and is discussed below.

Real-Time Customer Analytics

Real-time customer analytics allows companies to manage conversations with customers, respond to their issues, and deliver information that is timely and relevant on social media channels in real time (or near real time) (Walters, 2013). It is important to identify and resolve individualized incidents that may spread out quickly via word-of-mouth. Continuous monitoring of online reviews or blogs is seen as a practice for preventing personalized issues from damaging the company's reputation. Improved customer intelligence obtained through real-time customer analytics enables the company to formulate a more precise, timely response. An empirical study shows that the more rapid the response to the consumer is, the more valuable that response is (Weiss, Lurie, & MacInnis, 2008). For example, Wells Fargo set up a command center to better monitor social media sites such as Twitter, Pinterest, and Facebook, engage with consumers on topics that are trending, and respond quickly to specific customer queries (American Banker, 2014). As part of its social media outreach, Wells Fargo has a dedicated social care unit to which it refers many of its customer complaints.

Non-Real-Time Customer Analytics

While real-time customer analytics is used to formulate reactive marketing strategies, non-real-time customer analytics focuses on developing proactive marketing strategies based on the analysis of customer data over time. Non-real-time customer analytics may produce simple quantitative metrics such

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as the frequency or duration of the web page visits and demographics and geolocation of the visitors, the number and growth of the members on a social media, and the conversion rate. In addition to the simple metrics, companies collect more qualitative information about sentiment or opinion. Using accumulated historical customer comments, companies can analyze how customer behaviours evolve over time and may design marketing messages that have the higher reach and response. Starbucks launched a corporate social network site, www.mystarbucksidea.com, to inform customers about their new products and promotions and analyze customers' needs and expectations about their products and services in non-real-time as well as real-time. J.P. Morgan's media relations team also actively develops social media campaigns, and regularly reports on social media campaign performance and listening insights.

MAJOR METHODS FOR SOCIAL MEDIA ANALYTICS

Analyzing social media data has become a popular research and business activity due to the user-generated content accessible through web-based APIs provided by major social media sites (Batrinca & Treleaven, 2015). Social media analytics utilizes an array of methods developed to derive specific metrics from social media data. Based on the survey of the existing commercial tools, we find that sentiment analysis, social network analysis, and statistical methods are most widely used. Image analysis and video analysis are in an early stage of technology development.

Social Network Analysis

Social network analysis is the process of measuring the social network structure, connections, nodes, and other properties by modeling social network dynamics and growth (network density, network centrality, network flows, etc.) (Lee, 2017). Social network analysis was originally developed before the advent of social media to study relationships among actors in modern sociology. The relationships are typically identified from links directly connecting two actors or inferred indirectly from tagging, social-oriented interactions, content sharing, and voting. Social networking sites such as Facebook, Twitter, and LinkedIn provide a central point of access and bring structure in the process of personal information sharing and online socialization (Jamali & Abolhassani, 2006).

Social network analysis uses a variety of techniques pertinent to understanding the structure of the network (Scott, 2012). These techniques range from simpler methods (such as counting the number of edges a node has or computing path lengths) to more sophisticated methods that compute eigenvectors to determine key nodes in a network (Fan & Gordon, 2014). Social networking sites have been a popular subject of social network analysis. Marlow (2004) employs social network analysis to describe the social structure of blogs. He explores two metrics of authority: popularity measured by bloggers' public affiliations and influence measured by citation of the writing.

Sentiment Analysis

Sentiment analysis, also called opinion mining, refers to the application of computational technologies such as natural language processing and computational linguistics to identify and extract subjective information from the vast amounts of user-generated content. Sentiment analysis mainly uses two methods: (1) a machine-learning method with which the analytics learns to evaluate sentiment through acquisition

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and integration of knowledge gained from a large number of sentiment examples and (2) a lexical-based method with which the analytics evaluates sentiment by utilizing a large dictionary of pre-scored words and phrases. Sentiment analysis has been used successfully for businesses including predicting stock market movements, determining market trends, analyzing product defects, and managing crises (Fan & Gordon, 2014). Sentiment analysis needs to be interpreted with a grain of salt due to potential sampling biases in the data (e.g., satisfied customers remain silent while those with more extreme positions express their opinions) (Fan & Gordon, 2014). For example, many online users are lurkers who join an online community with the aim of passively participating for a period of time before making a decision to actively participate in the community (Nielsen, 2006). Lurkers are more likely to post neutral messages that are not detailed enough to give up their identity (Nonnecke, Andrews, & Preece, 2006).

Machine learning methods often rely on the use of supervised and unsupervised machine learning techniques. One advantage of machine learning methods is their ability to adapt and create trained models for specific purposes and contexts. On the other hand, it is known that labeling data might be costly or even prohibitive for some tasks. Lexical-based methods use a predefined set of words which carry a specific sentiment. They include simple word (or phrase) counts; the use of emoticons to detect the polarity (i.e., positive and negative emoticons used in a message) (Park, Barash, Fink, & Cha, 2013); sentiment lexicons (based on the words in the lexicon that have received specific features marking the positive or negative terms in a message) (Gayo-Avello, 2011); the use of psychometric scales to identify mood-based sentiments. Sentiment analysis divides into the following specific subtasks (Batrinca & Treleaven, 2015):

- Sentiment context: to extract sentiment, one needs to know the context of the contents, which may vary significantly from specialty sites to general sites where contents can cover a wide spectrum of topics.
- Sentiment level: text analytics can be conducted at the word, sentence, or document level.
- Sentiment orientation/polarity: a sentiment in a text can be positive, neutral or negative.
- Sentiment strength: the strength of a sentiment in a text can be weak, moderate, or strong.
- Sentiment subjectivity: a given text may be an opinion or a fact.

Statistical Analysis

Traditional statistical methods have also been used for social media analytics. Some of the statistical methods include Markov chain Monte Carlo methods, regression models, logistic regression, factor analysis, and cluster analysis. These statistical methods typically require transformation of the original contents into a coded format suitable for statistical methods. Regression analysis has been widely useful for understanding causal relationship between various factors obtained from factor analysis. Qu, Zhang, and Li (2008) analyze the content of review data collected from Yahoo's merchant review system. Based on the content analysis, they selected fourteen factors and conducted regression analysis to identify factors that have major impacts on customers' evaluation of online merchants. Xiang, Schwartz, Gerdes Jr., and Uysal (2015) apply a text analytical and statistical approach to a large quantity of consumer reviews extracted from Expedia.com to deconstruct hotel guest experience and examine its association with satisfaction ratings. First, they conducted factor analysis to identify the underlying factors of customer

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reviews. Then, linear regression analysis was used to examine the relationship between guest experience and satisfaction using the identified factors as independent variables and average satisfaction rating as the dependent variable.

PROCESSES FOR SOCIAL MEDIA ANALYTICS

This section presents four-stage analytics processes (Lee, 2018). Stage one focuses on developing key performance/evaluation metrics. Stage two focuses on choosing social media platforms that generate data and monitoring and listening to the chosen social media platforms. Stage three focuses on analyzing data using various analytics tools. Step four involves building social media intelligence. The entire processes are iterative and evolve over time as new social media platforms and tools emerge and the environment changes.

Stage 1: Develop Key Social Media Metrics

Companies need to decide the objectives of social media analytics. Some of the widely-used objectives include building brand awareness, increasing website visits, increasing revenue, enhancing corporate reputation, and improving customer service and customer satisfaction. These objectives must be accompanied by both quantitative metrics (e.g., the number of followers or fans, the number and frequency of postings, the number of "likes" or tweets, and the response time) and qualitative metrics (e.g., sentiment orientation, strength, and subjectivity) necessary to understand the attitude and opinions of customers and competitors.

Stage 2: Choose, Monitor, and Listen to Social Media Platforms

The specific information obtained from engaging in social listening activities is highly dependent on where we listen (i.e., selectively monitoring only a single social media site or monitoring multiple sites) and how the data is analyzed (Schweidel & Moe, 2012). Social media monitoring offers organizations quick access to valuable information about users' consumer profiles, brand awareness/interest/liking/preference and user ability to understand the brand (Lin & Rauschnabel, 2016). Monitoring customers' conversations on social media sites allows the company to respond to both positive and negative feedback quickly, provide timely customer services, and prevent reputation damage. Companies which monitor and listen to the social media conversations will also have the opportunity to counter competitors' move in a timely manner.

Stage 3: Perform Social Media Analytics

A number of analytical tools are available to help managers conduct social media analytics. While some social media data are structured, social media data are mainly unstructured and semi-structured, leading to high diversity, ambiguity, and textual disorder. These unstructured and semi-structured data require pre-processing and cleaning before data analytics to eliminate missing data, incorrect data, and

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inconsistent data. The process of data cleaning may involve spell checking, removal of typographical errors or duplicates, validating and correcting values against a known list of entities, and tagging data with metadata. It is also necessary to transform the cleaned data into structured data.

Stage 4: Build Social Media Intelligence

Social media analytics retrospectively describes what has already happened. It does not prescribe or guide an organization's next steps (Moe & Schweidel, 2014). On the other hand, social media intelligence enables mangers to prescribe what should be done with the results of social media analytics. Social media intelligence is achieved by combining knowledge generated from traditional intelligence activities and knowledge gained from the social media analytics and helps managers develop better actionable market decisions that align with the company's objectives (Walters, 2013). According to Moe and Schweidel (2014), social media intelligence allows the company to:

1. Understand the behaviors driving the creation of online opinions from both a psychological and sociological perspective,
2. Assess the implications of these behaviors on how we interpret social media, and
3. Integrate these insights into an overall strategy.

CONCLUSION

Wong and Eyers (2011) suggest that management need to make a sincere effort to promote an honest and open relationship with its consumer. Social media has been instrumental in connecting and empowering customers. Realizing the unique advantage of social media for the customer engagement and co-value creation, CRM professionals have been integrating social media into CRM processes since the mid-2000s. As social media becomes one of the main stream marketing tools and methods, a deep understanding of social media is imperative for businesses. Social media are fundamentally different from any traditional or other online media due to users' social networking and active involvement in content creation. Social CRM is a subset of CRM specifically focusing on relationship management with customers with social media-intensive CRM practices. The selection of social media platforms should depend on the impact of those platforms on their businesses (e.g., the number of customers who are using the social media platforms) and accessibility of the content on those social media platforms.

Along with the choice of social media platforms to manage, it is crucial for the companies to select the right type of social media data and analyze them with social media analytics. Knowledge gained from the social media analytics helps managers develop better market decisions. For example, social media analytics are used to monitor and listen to the word-of mouth that spread in social media platforms and conduct thorough analysis of consumer opinions on products and services.

Many companies integrate social media into their business operations, but ignore the use of social media metrics to measure the performance. It is imperative to identify key performance metrics, establish the target values, and generate periodic performance reports. It is also important to prioritize key performance metrics. In order to establish target performance of various social media applications, competitors' performance metrics can be benchmarked. Key performance metrics include the number of social connections and followers, the number of reviews and review scores for products, the number of

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posts and reposts at blogs, the number of comments, response time to comments, social media development costs, and conversion rates (e.g., email subscriptions, and downloads).

It is noted that the convergence of social media and CRM creates pitfalls including the organization's lack of control over message diffusion, big and unstructured data sets, privacy, data security, the shortage of qualified manpower, etc. (Malthouse et al., 2013). Social media creates dynamic networks of consumers and brands and managing customer relationships in such networks is challenging. It is noted that along with the growth of social media platforms, the influx of big data became one of the biggest challenges (O'Reilly & Lancendorfer, 2014). SAS notes that companies will face challenges in processing speed, data interpretation, data quality, visualization, and exception handling of big data (SAS, 2013). As companies adapt to the rise of social media, they need to pay special attention to these pitfalls and challenges to ensure the success of their social CRM in the marketplace.

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Section 2

Development and Design Methodologies

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Chapter 7
Ethical Behavior and the Development Paradigm

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ABSTRACT

Marketplace ethical behaviour is quite difficult to practice because it stands at cross purposes with commercial objectives. Both companies and consumers look for short term benefits in preference over practices that are sustainable or planet friendly. The thinking that dominates development economics globally is to buy, use and throw. Companies like to launch new products all the time encouraging consumers to buy new and bigger models, packaged attractively, on which margins are higher, throwing away perfectly fine and working products. Ethical behaviour – whether it is sourcing of raw materials to paying workers adequately – entails additional costs and efforts. Modifying behaviour or inculcating long term thinking is not an easy task. This chapter looks at existing behaviour both of companies and consumers. It also describes ways in which business and government policy needs to change to encourage long-term thinking in society to change lifestyles across the board.

INTRODUCTION

The world as we know it faces massive disruption and even destruction because of global warming and deterioration of habitats. It is becoming imperative that both companies and consumers start thinking about the long-term impact of their choices and behaviour. Unfortunately, the present paradigm of instant gratification for consumers and of meeting quarterly profit targets for companies does not encourage long-term ethical behaviour. However, it is increasingly becoming clear that behaviour both of companies and consumers must be modified for long term health of the planet and survival of the human race.

Modifying behaviour or inculcating long term thinking is not an easy task. This chapter looks at existing behaviour both of companies and consumers. We draw on research to show how prevalent human

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behaviour is detrimental to the planet. The chapter also describes ways in which business and government policy needs to change to encourage long-term thinking in society to change lifestyles across the board.

Ethical behaviour – whether it is sourcing of raw materials to paying workers adequately – entails additional costs and efforts. An ethically produced product incurs more expenditure, which is in conflict with consumers' desire for cheap products. Even if we assume that some rich consumers will pay high prices for ethical consumption, millions of middle class and poor people across the world will continue to prefer cheap products, regardless of how they were produced. For them immediate survival and meeting of family budgets is more important than being ethical or long-term survival of the planet. This poses a unique problem both for countries and individuals.

Drawing from examples in India and across the world, we show how the prevailing development paradigm has resulted in immense pollution and hardships for the people. We discuss how ideas of economic growth and development have deleterious effects on the planet. We question whether it is time to change our thinking on economic development and show how that change is beginning to occur. We discuss alternate development philosophies and study examples of how companies are modifying their business models to include disadvantaged sections of society through social innovation.

The chapter is organised as follows. First, we discuss modern lifestyles that are influenced by the development philosophy that measures everything in terms of GDP growth. There is little room for ethical behaviour here. We then discuss ethical behaviour and conclude that personal ethics must shape societal ethics for the health of the planet. If not checked, we face serious consequences of economic growth such as waste generation, pollution, reduction in living spaces, and inequality. We discuss the capitalist disorder that is a direct consequence of such lifestyles and the thought process that is leading to change in the capitalist system that is required today. Such rethinking on the world order brings us to sustainable models and sustainable business. We discuss alternate development ideas of Schumacher and Gandhi, and how they are resulting in a new type of business model, called the social business model. This is much more sustainable and inclusive. Examples of taobao model in China, microfinance in Bangladesh and milk co-operatives in India, illustrate that several companies have already started building on this alternate development model.

MODERN LIFESTYLES

Marketplace ethical behaviour is quite difficult to practice because it stands at cross purposes with commercial objectives. Both companies and consumers look for short term benefits in preference over practices that are sustainable or planet friendly. The thinking that dominates development economics globally is to buy, use and throw. Companies like to launch new products all the time encouraging consumers to buy new and bigger models, packaged attractively, on which margins are higher, throwing away perfectly fine and working products. As a consequence, we generate enormous amounts of waste. We guzzle energy and pollute our surroundings, waste natural resources recklessly and destroy natural resources. The planet is fast approaching its maximum carrying capacity; its survival and that of the human race itself is being threatened today as effects of climate change and global warming destroy traditional livelihoods and usher in huge changes whose effects are still not totally known.

It is not wrong to say that our lifestyles, shaped by notions of modern economics, are responsible for this widespread destruction. There is hardly any room for ethical thinking and behaviour when everything

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is quantified at the altar of GDP growth. Instead of selling a perfectly functional small car, for instance, SUVs are bought and sold over the world. This illustrates the paradigm of development economics that encourages short term and psychological gains over long term and logical behaviour.

Ethical and sustainable living is thus pushed into the background. It is now becoming clear that such short-term thinking is not sustainable. We need to modify our societal behaviour in the interest of long term survival of the planet and the human race.

ETHICS AND SOCIETAL BEHAVIOUR

Ethics is a branch of philosophy that studies morals and values. Aristotle referred to character, which he called "ethos", as the most potent means of persuasion. He also identified elements of virtue as "justice, courage, temperance, magnificence, magnanimity, liberality, gentleness, prudence, and wisdom". Ethics was incorporated into the legal system during the Roman Empire which also educated lawyers concerning ethics, morality and law. Napoleon established a code of thirty-six statutes based on the concept that all citizens, regardless of circumstances of birth or social stature, should be treated fairly and equally. Utilitarianism in ethics considers how moral actions produce the greatest overall good for everyone.

The realisation is slowly dawning that ethics does not concern individual decisions only. It is no longer about individual behaviour only but societal behaviour. This is because our lifestyle choices as consumers impact not only the rest of the society but the planet as a whole. Since the capitalist system rewards individual entrepreneurship, it hardly promotes "greatest overall good for everyone."

Today we face serious choices as our planet – our only home – is threatened by the weight of unbridled human consumption and waste. There is urgent need to control this, and this can happen only if our economic thinking and our lifestyles change and become more sustainable over the long term. It is time that we understood and acted upon the consequences of mindless development that we follow today.

CONSEQUENCES OF MINDLESS DEVELOPMENT

The idea of development that we follow today encourages unethical behaviour among both companies and individuals. It consists of waging a relentless war on the environment, squandering resources and piling up noxious waste in landfills. "There is a tremendous waste of the earth's resources for short-term pursuits," writes Vance Packard in his book, *The Wastemakers*, an apt title for modern societies. Galbraith had written that today's affluent society had adverse or destructive tendencies and must be saved from them. This section sums up the destructive tendencies of modern societies and the consequences of development that we follow.

Unbridled Consumption

The development paradigm that we have followed – of consuming products that are ever bigger, larger, newer – has led to widespread destruction of habitats. Development has ushered in what is known as the throwaway society, in which we throw away perfectly working products as they go out of fashion. We are encouraged to buy the latest design, the latest model and the latest fashion even though there is

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no specific need for it. Ethical considerations of thrift, saving and environment protection go against the lifestyles and consumption philosophies that we follow today.

Continued GDP growth depends on people buying continuously. Modern marketing encourages a "I want it now" generation, consisting of "voracious, wasteful, compulsive consumers" that want instant gratification. Modern society is characterised by consumerism and over-consumption on one hand and excessive production of short-lived and disposable items on the other. There is a "systemic attempt of business to make us wasteful, debt ridden, and permanently discontented individuals," writes Packard.

Generation of Waste

Few countries have been able to figure out how to handle the enormous waste that we generate. Our cities are dotted with landfills. Out of 275m tonnes of plastic waste generated in 2010, between 4.8m and 12.7m tonnes entered the ocean, reports *The Economist* (2015). If we consider that 4.8m tonnes is roughly the same as the entire global tuna catch, we realise the quantum of the pollution. At current rates of economic growth, by 2025 the cumulative total dumped in the sea could reach 155m tonnes. According to World Bank estimates, current global waste generation levels are approximately 1.3 billion tonnes per year, and are expected to increase to approximately 2.2 billion tonnes per year by 2025.

Solid waste generation rates are influenced by economic development, industrialization and public habits. Generally, the higher the economic development and rate of urbanization, the greater the amount of solid waste produced. Income level and urbanization are highly correlated: as disposable incomes and living standards increase, consumption of goods and services correspondingly increases, as does the amount of waste. Urban residents produce about twice as much waste as their rural counterparts.

The solid waste is dumped in lakes and landfills overflowing with garbage, from where toxic wastes leak into the air and groundwater, destroying livelihoods for miles around. In emerging countries like India, there is no policy to regulate waste disposal. Where landfills are not available, the waste collected is dumped in low-lying or watershed areas, roadsides and even on vacant plots and fields. This has resulted in the disappearance of urban water bodies and wetlands. In Mumbai, builders dump solid waste in the coastal mangroves and creeks.

Pollution

The pollution of air, land, rivers and lakes is phenomenal. Earlier, most waste was bio-degradable. During the 20th century, however, the development of plastics, composites and other synthetic materials has produced a new generation of materials that are impossible to break down. For example, it is estimated that a plastic bottle, which we use for only a few minutes, will take 500 years to degrade. Recycling is only done only for a small percentage of the waste generated. With products made from countless metals and other chemicals, all tightly bonded together, it is almost impossible to dismantle them and reuse them.

The poisoned land and air is not without costs. Incidences of pollution-related illnesses have been reported around the world, and are only increasing. WHO reports that in 2012 around 7 million people died - one in eight of total global deaths – as a result of air pollution. This finding more than doubles previous estimates and confirms that air pollution is now the world's largest single environmental health risk.

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Reduction in Spaces

Across the world, the increase in the number of cars on roads has been phenomenal. Instead of using public transport, people prefer to use cars, the bigger the better. Not only do they add to air pollution but productive land is needed to make roads and car parks. Cars idle in traffic jams, increasing commute times and reducing quality of life. However, companies continue to sell more cars globally, which continue to add to the woes of people. The increase in the number of cars results in reduction in public spaces in countless cities.

Inequality

The capitalist system by its nature encourages inequality. Oxfam has calculated that the richest 62 people in the world have as much wealth as the poorest half of the global population. Its study says that the wealth of the richest 1% has overtaken the rest of the world, that is just 1% of the population owns 99% of the wealth in the world. This sows the seeds of conflict and wars. It also raises questions on the concept of development. "Satisfying an abundance of false needs at the expense of keeping multitudes in misery can never be authentic development," writes Lebret (1954).

War on Nature

The development model that we have followed over the years involves large scale war on the planet. Countries plan and build huge dams, mines and roads. Our consumption too leaves a trail of destruction. Forests, rivers and lakes have been sacrificed for quick gratification. Two examples stand out: cutting trees to make tissues that we throw away thoughtlessly, and the use of large cars for our personal transport. Recycling is just lip service, and there is a mad rush to consume and throw away. We throw away functioning or easily repairable products, making a virtue of wastefulness.

All of the above can hardly be said to be intelligent or ethical behaviour. It adds to the capitalist disorder. Fortunately, voices are now being heard that question the system that we follow mindlessly. The next section describes how capitalism is sought to become more humane, ethical and long term in its approach.

A SLOW REALISATION

A slow realisation is now dawning that companies cannot continue to operate in the unsustainable ways they have in the past. There is also a rethinking about the model of capitalism that dominates world economies. It is increasingly being felt that while capitalism has contributed to increased wealth and better quality of life, it has also caused deep negative environmental and social impacts. Thus, the understanding that profit generation and maximization, while being legitimate objectives of companies, must also be accompanied by economic, social and environmental betterment. In other words, the world is heading to a more "humane capitalism." Companies realise that the "business-as-usual" approach – one in which natural resources are exploited ruthlessly – is creating problems of pollution and sustainability across the globe. If such development goes unchecked, we are in for great social and environmental upheavals that may well destroy the planet.

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The re-orientation of business as a social enterprise is now recognised as essential for the future of business itself. Writing that the global economic system is under threat, Bower, Leonard and Paine point out in their book, *Capitalism at Risk* (2011), "business must serve both as innovator and activist – developing corporate strategies that effect change at the community, national, and international levels." Reich writes in his book, *Saving Capitalism* (2016), "we are lurching toward a capitalism so top-heavy it cannot be sustained."

Stigliz had echoed this in his book *Globalization and Its Discontents* (2002), "Globalization today is not working for many of the world's poor; it is not working for much of the environment; it is not working for the stability of the global economy." That is, we have a system today in which the rich are reaping the benefits of development, while vast numbers of poor live in traditional livelihoods bordering on poverty. It is also being felt that the limits of sustainability have been reached – the planet cannot sustain the runaway consumption that the economic system dictates. This can best be described as an unstable system. A positive future for the planet depends on a new paradigm that links business and development and promotes social, economic, and environmental stability around the world.

Corporations realise that have a broader role in society. Porter and Kramer (1999) had written, "We are learning that the most effective way to address many of the world's most pressing problems is to mobilize the corporate sector where both companies and society can benefit." It is time that companies understood that social and economic goals are integrally connected. Preserving the environment benefits not only society but companies too, because reducing pollution and waste leads to a more productive use of resources. Boosting social and economic conditions in developing countries can create more productive locations for a company's operations as well as new markets for its products.

Bower, Leonard and Paine (2011) argue that businesses must identify the issues that could disrupt the global market system in the coming decades: they look to modifying the market capitalism system in which business must lead as an innovator and as an activist, mobilizing resources to spread the innovations. All this will shape the future of business: it will depend on how companies fulfil their objectives of profits, sustainability and inclusive growth.

In sum, capitalism can be seen to have at least four major shortcomings.

- First, capitalism leads to inequalities. Although average income levels increase, the gap between the rich and the poor increases
- Second, the capitalist system can be very unstable. The repeated financial crises illustrate this instability.
- Third, ecological issues and sustainability are totally ignored. Short-term thinking has dominated modern capitalism and that there are many appeals for sustainability.
- Fourth, many communities and individuals, do not participate in the capitalist system and are consequently excluded from the wealth creation process. This exclusion happens within countries and between countries

Martin and Kemper (2012) write that there are two opposing theories. The first was given by Thomas Malthus, who feared that at prevailing population growth rates the planet would eventually be unable to feed itself. This means that consumers and companies must do more with resources, recycle and process their waste more efficiently, and curb consumption. The second was given by Robert Solow, who wrote that environmental and other problems can be resolved through human ingenuity. Both point to change in thinking towards sustainable living and innovative solutions.

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Sustainable Models and Sustainable Business

Questioning the prevailing concept of economic growth leads us to new ideas about it. For that we have to get over what an essay in *The Guardian* (2011) calls, the "deadening consensus of globalisation." Schumacher (1973) had seen that the economic system was dehumanising and too focused on profitability rather than human needs. He questioned economic growth as the central measure of growth, and insisted that human happiness would not be achieved through material wealth. He advocated people-centred economics leading to environmental and human sustainability.

These thoughts echo those of Gandhi, who had advocated a model of development based on collaborative economic system. This was based on cooperative groups of small farmers and artisans, cooperative institutions of credit and marketing, industries organized on the trusteeship principle. Everyone was encouraged to be a producer in his or her trade. The development of local communities and clusters would involve communities and lead to inclusion, leading to zero unemployment. He called for encouragement of appropriate technical innovations rather than having a few factories and millions of people dependent on them. Local infrastructure needs could thus be met by local communities. These ideas were in direct contrast with the development paradigm being followed in the West.

Though these ideas have been ignored for years, they are becoming popular once again. Many businesses in developing countries have realised that serving markets is not simply selling products. They have expanded the nature of their businesses from mere commercial motives to social ones as well. They realise that the future rests on three paradigm shifts taking place in rural approaches: innovation, transformation of companies into social enterprises, and technological advancements that bring rural consumers closer to companies.

That is to say, companies re-invent their business models and their very approach of doing business. Such companies stand a greater chance of success and long-term survival. As part of our research on marketing to bottom of the pyramid consumers, we have studied a number of companies (see Table 1) that have modified their business models for the good of all, aiming at social inclusion. These companies have gone beyond their profit-making objectives and have incorporated social objectives in their business models. Companies like Alibaba in China, Grameen Bank in Bangladesh and Amul in India have included in their business models the communities that were neglected earlier. They have thus empowered a large number of people in their countries. Such companies show that it is possible to be both ethical and profitable, and show the way to the future of business.

The companies, we find, followed the design thinking pattern: a solution focused and action oriented mind-set towards creating a preferred future. Vaitheeswaran (2012) writes that to tackle the world's most wicked problems, we need a paradigm of *design thinking*, the open-minded, no-holds-barred approach that designers bring to their work, rather than the narrow, technical view of innovation traditionally taught at many business and engineering schools. Firms invest in distribution and training of local resources, develop innovative products and processes, involve stakeholders, and above all, build a social purpose in their objectives.

The task is not easy, of course. Still, the thrust for transforming business has happened because companies seek new markets, the growing need for sustainable business activities, to reach a large, under-served market, and to develop good corporate citizenship and corporate image. Radjou and Prabhu (2012) write that multinationals have realised the importance of enhancing their capabilities in emerging economies. Products developed in the West are too expensive for developing countries, so MNCs are investing in local R&D and factories to design and produce locally relevant products and services. In their thrust

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Table 1. Companies that have gone beyond business objectives and incorporated social objectives in their purpose

Company/Brand	Business	Social Objectives
Alibaba	Online portal	Organising villages in China to become producer communities
Amul	Milk and milk products	Organising milk co-operatives, helping farmers with livestock and to get higher milk prices
Aravind/Nirmalaya	Healthcare	Providing world class health care while reducing cost, village outreach
Bandhan Bank	Banking	Providing micro-credit; organising village thrift societies
Cafe Feminino	Coffee growing	Establishes high trade standards for coffee and other products. Introduces "Fairtrade" - certifying companies that pay producers a living wage and meet other social and environmental standards
Essilor	Eye care	Providing eye care and spectacles at low cost
Fabindia	Apparel, furnishings, health products	Organising artisan communities and get better prices for their products
General Electric (GE)	Machines for medical diagnosis	Re-inventing machines to make them cheaper and portable for poor countries
Google	Digital Services	Internet penetration in villages, capacity building
Grameen Bank/Bandhan Bank/Grameen Phone	Banking/Telecom services	Organising people for microfinance/Cheap telecom services to villages in Bangladesh
ITC	FMCG, Consumer Products	Providing information and trading portal through IT couples
Jaipur Rugs	Carpets and rugs	Training local artisans and empowering them
Novartis	Medicines	Providing healthcare and branded medicines to villages
SELCO	Solar lighting	Providing cheap lighting solutions to villages
Kiva/Rangde	Crowd-sourcing	Providing funding for small businesses in villages through crowd-funding

to be sustainable, between 2003 and 2007, multinationals have invested some $24 billion in more than 1,100 R&D centres in India and China. "This approach has clear advantages over importing and selling high-priced products and services developed and produced in the West," they write.

Pressure is also mounting on organisations to focus on good corporate citizenship. Such organizations pursue their objectives while building a social business. Kanter (2011) writes that firms have to think of themselves as social institutions than merely profit-making companies. This gives them a long-term perspective to invest in the human side of the organization.

Such thinking has resulted in interventions like the invention of microfinance, information and problem solving apps, and impact-investing for difficult and problems. Eggers and Macmillan in their book, *The Solution Revolution* (2013), explain how this is giving rise to the "Solution Economy" in which individuals, businesses, and sometimes governments work together to solve societal problems and also make a profit. The *solution revolution* can be seen as an interaction between three crucial factors: wave makers, technology and innovative business models, as described below. All three have to operate simultaneously as shown in Figure 1.

Sabeti (2011) writes that there is a blurring in boundaries between for-profit and non-profit models and a different model is emerging, called "for-benefit" corporations – "…that generate earned income but gives top priority to an explicit social mission." At heart of these models is sustainable behaviour and social innovation.

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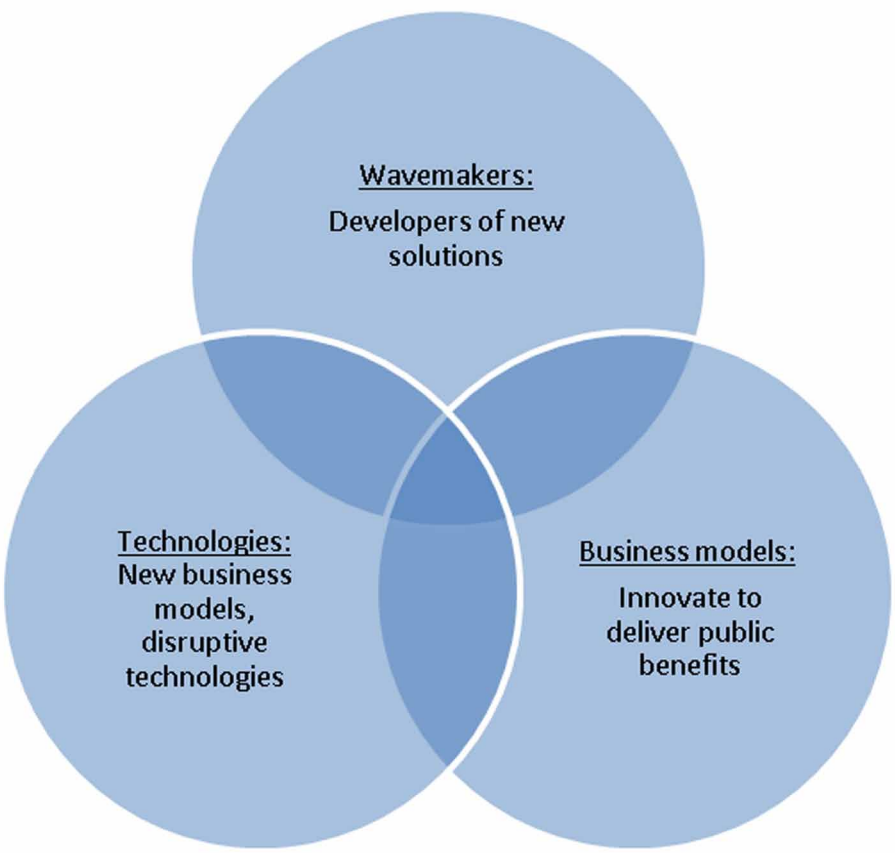
Figure 1. Crucial factors of the solution revolution



The earlier approach of business was focused on profits and shareholder returns, as made famous by Milton Friedman quote in *Capitalism and Freedom* (1962): "There is one and only one social responsibility of business — to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud."

However, it is increasingly becoming clear that companies must solve the problems of society in which they operate. Companies will be more inclusive if they serve social objectives. Indeed, companies that have incorporated social objectives in their missions have been more successful in finding new markets and growth.

The future thus depends on companies transforming themselves to serve rural consumers in some way. Ironically, it is going back Gandhian economics: "Recall the face of the poorest and the weakest man whom you may have seen, and ask yourself, if the step you contemplate is going to be of any use to him. Will he gain anything by it? Will it restore him to a control over his own life and destiny? In other words, will it lead to *swaraj* (self-rule) for the hungry and spiritually starving millions?"

This conventional wisdom sums up ethical behaviour of society – "the greatest overall good for everyone." This, ultimately, is ethical behaviour.

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Chapter 8
Transforming Crises into Opportunities to Generate Sustainable Business in Brazil

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ABSTRACT

Meeting the sustainable development complex requirements in a scenario, which involves multiple social actors, relationships, contexts, and interests, has demanded new business models. Thus, this chapter discusses how one of the largest companies in Latin America's chemical segment formed a network with 23 social actors and has built a Corporate Social Entrepreneurship model to deal with the dialectic between return on investments for its shareholders and benefits for its stakeholders. Research was conducted based on Boje's narrative analysis. The data was built through interviews, informal conversations, textual and audiovisual documents, and non-participant observation. The chapter describes the Corporate Social Entrepreneurship model's elements and in this manner contributes to the discussion of the role of Academia, Industry, and Government in entrepreneurship.

INTRODUCTION

Meeting the sustainable development complex requirements in a scenario, which involves multiple issues (economic, environmental, social, political, cultural and geographic dimensions; several social actors, conflicts of interests, contexts, interrelations, partnerships, and power relationships), has demanded new business models. Therefore, actors such as the Academia, Industry and Government along with

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its collaborative networks are striving to develop news ways to find viable solutions for complex social and environmental problems.

Several approaches, such as the social learning for sustainability in organizations have contributed to the resolution of these issues (D'Angelo & Brunstein, 2014). Corporate Social Entrepreneurship is another approach that can help understand how organizations not only support a problem resolution but also take advantage of such situations to lever its business and generate a societal change (Austin, Leonard, Reficco, & Wei-Skillern, 2006).

Corporate Social Entrepreneurship is a concept, which has emerged from other conceptual frameworks – entrepreneurship, corporate entrepreneurship and social entrepreneurship – to address societal issues, based on collaboration and partnerships by creating social and economic value (Reficco & Austin, 2009). However, this concept is still emerging as an area for academic inquiry with a few studies on this field (Hemingway, 2005; Kuratko, Hornsby, & Mcmullen, 2011; Wickert & Schaefer, 2011; Spitzeck, Boechat, & Leão, 2013) and its theoretical underpinnings has not been adequately explored, and needs more contributions to theory and practice.

Thus, this chapter will present a case study to discuss and analyse how a large organization –The Chemical Company – and its network of multiple social actors are engaged in a sustainable business web and building up a Corporate Social Entrepreneurship model in the town of Bebedouro, in the state of São Paulo, Brazil. This town is part of one of the most developed agriculture business regions in Brazil.[1]

It is about a case which has started 30 years ago, involving around 20 cities in states of São Paulo, Paraná, Santa Catarina and Mato Grosso; 122 agriculture properties; 43.000 hectares diagnosed; more than 70,000 people reached by environmental and education actions; 29 million students benefited by Theatre actions; 7.013 children on ecological trail; 35.000 students beneficiated by Environmental Atlas Book; and 300 teachers qualified (Foundation, 2011; The Chemical Company, 2013).

By the end of this chapter, we hope to contribute to address the issue about the role of Academia, Industry and Government collaborative networks in entrepreneurship, as well as, the role of the Government in Academia – Industry – Government (state or municipal) networks.

BACKGROUND

The Sustainable Development's Principles Operationalization by Organizations

The dynamics of the contemporary development process will be more or less sustainable as a function of the combination of human life different dimensions, such as economic, sociological, politic, cultural, technological, environmental etc., well grounded in distinct fields, but complementary: competitiveness, sustainability and flexibility (Becker, 2002).

Competitiveness is a result of the transformation process due to the economic globalization process, led by large corporations, whose objectives also become nation, regions, other organizations and institutions' objectives. Sustainability is the other side of competitiveness, giving it an organic character. In other words, each reality – local, region or nation – needs a different dialog and resources to get inserted in such transformational process. Finally, flexibility unfolds in participation, partnerships, networks, chains, consortiums, alliances, integration, common markets, and so on. It a way to approach groups, organizations, regions and nations to deal with common interests, including partnerships between competitor firms and nations (Becker, 2002).

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These authors understand that the development process should take into account the society's political, economic, social, structure and organization conditions. And this is possible due to the technological progress, which strengthened the humankind's analytical capacity to work with the increasing quantity of available information, and also to the modern society organization.

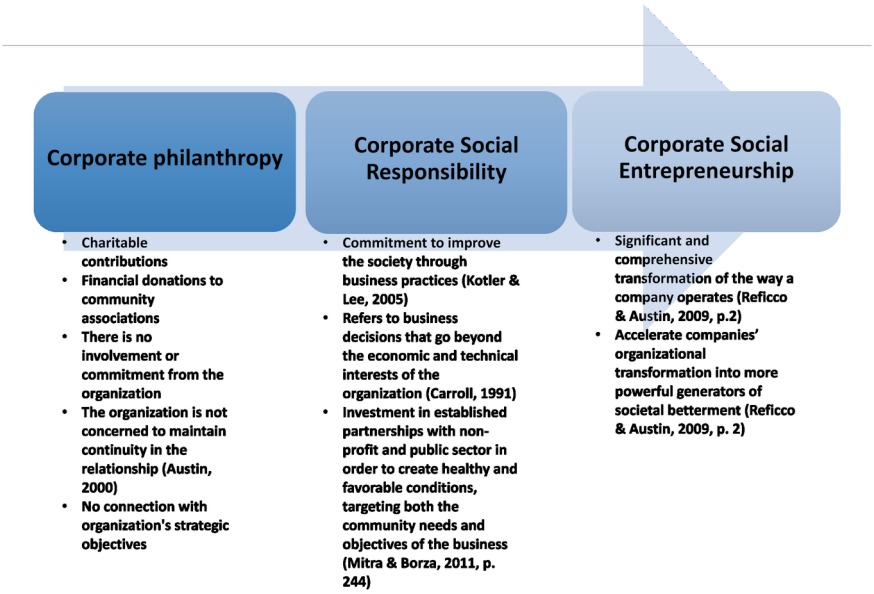
Since 2002, one of The United Nations World Summit on Sustainable Development's conclusions have been about the involvement of three fundamental social actors: organizations, governments and civil society, guided by the scientific knowledge (World Summit on Sustainable Development, 2002). However, according to Sachs (1981, p. 115), the civil society needs to find its own voice to help to rebalance the power relationship before state and public and private institutions. For him, viable solutions can only manifest where people live, which means, locally. Thus, for each place, each local, each community, each region, each state, each nation, each continent needs to produce its own mechanisms of participation. It means, learn how to develop sustainable solutions for local environmental, economic, social, politics, cultural and technological problems (Becker, 2002).

Some public and private organizations are really making a move and supporting the civil society's efforts. But, which way such organizations are assimilating the above concepts and ideas? How are they generating answers?

Among the initiatives which aim to operationalize the sustainable development's principles by organizations are: 1) the exercise of Corporate Social Responsibility (Carroll, 1991, 1999, 2000); Schwartz & Caroll, 2008); 2) Social Entrepreneurship (Dees, 1998; Mitra & Borza, 2010, 2011); and 3) Corporate Social Entrepreneurship (Austin et al., 2006); Reficco & Austin, 2009).

According to Reficco and Austin (2009, p. 2), 'Corporate Social Entrepreneurship (CSE) is a process aimed at enabling business to develop more advanced and powerful forms of Corporate Social Responsibility (CSR)', which in turn, is already a significant evolution of the traditional concept and practice of corporate philanthropy. The relationships among these concepts are shown in Figure 1.

Figure 1. Evolution of businesses' approach to societal responsibilities
Source: The authors



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As this chapter will discuss how one of the largest companies in Latin America's chemical segment, together with its 23 social actors network, is dealing with the dialectic between return on investments for its shareholders and benefits for its stakeholders, the focus of this literature review is on the Corporate Social Entrepreneurship concept.

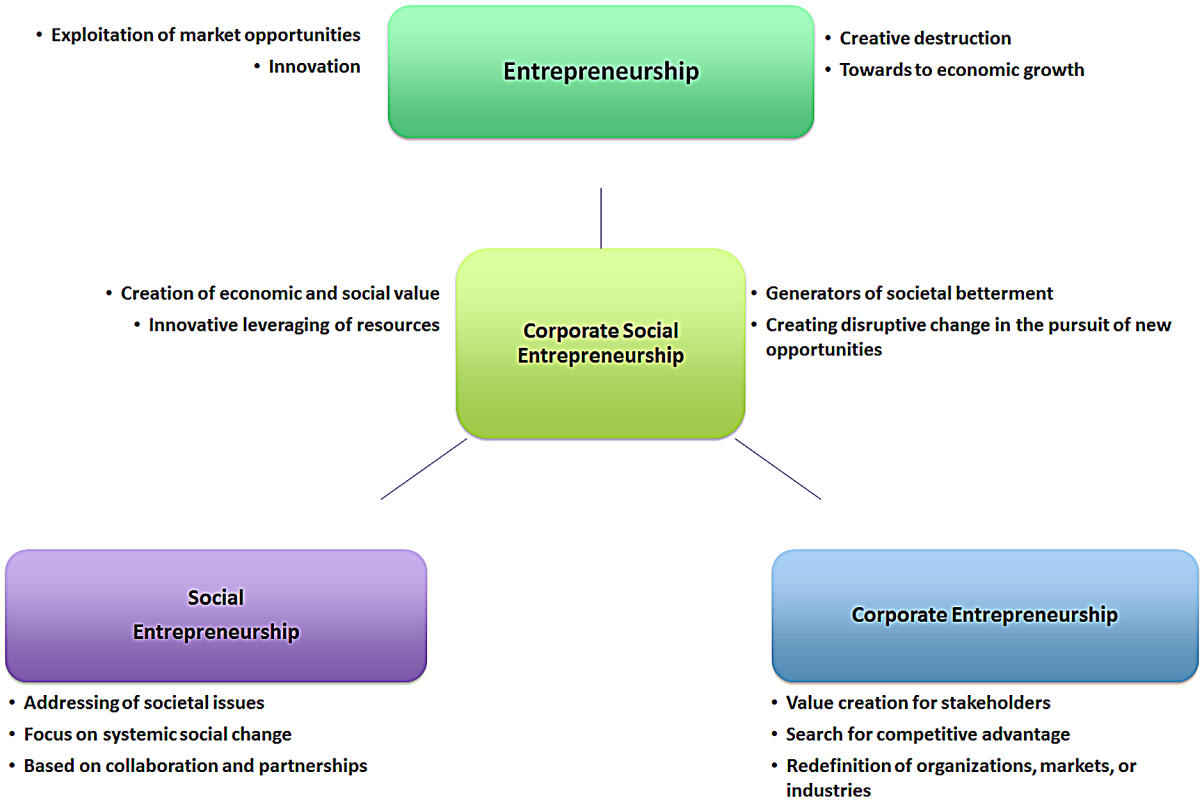
Corporate Social Entrepreneurship

For Reficco and Austin (2009), Corporate Social Entrepreneurship has emerged from and has built on three other conceptual frameworks: 1) entrepreneurship, 2) corporate entrepreneurship, and 3) social entrepreneurship. Figure 2 shows the main characteristics of this concept building.

Entrepreneurship means create a new enterprise (Low & MacMillan, 1988). Schumpeter (1934, 1942) defined entrepreneurs as individuals who exploit market opportunities, such as, the introduction of a new good or a new method of production, opening of a new market, conquest of a new source of supply of raw material, especially through entrepreneurial innovation. In general, this author advocates that entrepreneurs wish power and independence play a role as the key drivers of economic growth.

However, not all market opportunities are entrepreneurial opportunities – situations in which new goods, services, raw materials, and organizing methods are exploited to have superior organizational performance, generating economic value (McMullen, Plummer, & Acs, 2007; Companys & McMullen, 2006; Casson, 2003; Shane &Venkataraman, 2000).

Figure 2. Concept building characteristics of corporate social entrepreneurship
Source: The authors



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A preliminary typology of entrepreneurial opportunities by Companys and McMullen (2006) introduces the economic opportunities, which also encompasses the technological opportunities, and requires human, financial, technological, methodological and informational resources to create new markets, products, services, experiences and ideas to be commercialized for wealth creation. This type of opportunity requires discovery and exploitation by alert entrepreneurs.

In cultural cognitive opportunities, entrepreneurs engage in innovative interpretive processes by recombining existing beliefs and practices, in order to develop new ways to interpret the world, as to enact new social and economic realities. That´s why these situations are subjective. It encompasses producer opportunities (supply side of cultural cognitive opportunities) and consumer opportunities (demand side of these opportunities). A requirement for this opportunity is the development within cultural communities, once consumer opportunities include the attachment of value to new and existing goods and services to cultural innovations initiated by consumers (Companys & McMullen, 2006).

Sociopolitical opportunities, unlike cultural cognitive opportunities, are objective situations and grounded on network structures. There two subtypes: network opportunities and political opportunities. The former can results from existing social relations and there is a presence of knowledge heterogeneity and the latter requires that network participants leverage different ideological frames to interpret the world, as to enact such opportunities. Network opportunities, like the economic opportunities, also require discovery and exploitation by alert entrepreneurs (Companys & McMullen 2006).

Corporate entrepreneurship involves a combination of competition, competitiveness and the search for competitive advantage. For some scholars, corporate entrepreneurship have been understood as an approach in which organizations can adapt to dynamic competitive environments through innovative activities (Hornsby, Kuratko, Shepherd, & Bott, 2009; Ireland, Covin, & Kuratko, 2009; Kuratko, Hornsby, & Mcmullen, 2011). Covin & Miles (1999, p. 50) understand this concept as 'the presence of innovation with the objective of rejuvenating or redefining organizations, markets, or industries in order to create or sustain competitive superiority'. For other academics, commercial entrepreneurs take advantage of the given opportunities on capitalist markets to obtain a competitive advantage (Kirzner, 1982). For such entrepreneurs, the primary mission is based on financial independence value creation for stakeholders (Borza, 2008).

Covin and Miles (1999) present four forms of corporate entrepreneurship. The first is regeneration, in which organizations introduce new products and services or enter new markets in a continuous way to take advantage of market opportunities. Of course, organizations, which are involved in sustained regeneration, have an innovation culture and are able to respond very fast to market demands. When the organization needs to modify its management mechanisms like business processes and organizational structure, the organization is involved in organizational rejuvenation or organizational renewal to get a better competitive position. The third form is strategic renewal that has to with the environmental context, in particular, with the relationship with its markets or industry competitors. The objective is this case, is to define a strategy to launch of new products or to exploit new markets. This form of corporate entrepreneurship is adequate for organizations facing turnaround situations or seeking the maintenance of competitive superiority. The last form of corporate entrepreneurship, is domain redefinition, which embraces proactive actions to exploit new markets or new products and provoke a radical change in the competition. According to Covin and Miles (1999, p. 54),'firms that engage in domain redefinition are entrepreneurial by virtue of the fact that they exploit market opportunities in a preemptive fashion, redefining where and how the competitive game is played in the process'. The objective is to take the competition to the highest degree while establishing new bases for sustainable competitive advantage.

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Social entrepreneurship encompasses the addressing of societal issues, such as social needs, social problems, and social inclusions by creating social value and sharing resources among the different partners. For Borza, Mitra, Nistor, & Bordean (2009), social entrepreneurship is understood as a process to deal with such issues by providing viable solutions and improving access to socialservices, health, education and so on. Social entrepreneurs focus on systemic social change by sharing the necessary resources via partnerships (Nicholls, 2006). Mitra and Borza (2010) also understand this process is based on collaboration and partnerships, grounded on long term goals, projects and mechanisms to get participation and involvement from all stakeholders in this complex web of social issues. Social entrepreneurs accomplish their objectives by incorporating a high degree of innovation (Hatten, 2009). For Austin, Stevenson and Wei-Skillern (2006), social entrepreneurship also addresses social value through innovative ways and partnerships within government sectors and other profit and nonprofit organizations. Organizations engaged in addressing social issues, can do that through a social mission based model supported by collaborations and partnerships, in order to create social value (Mitra & Borza, 2011).

Therefore, **Corporate Social Entrepreneurship** (CSE) is an evolution of Corporate Social Responsibility once it is an approach, which encompasses a model for transforming crises into opportunities to generate sustainable business. Its primary objective goes beyond the traditional societal actions and programs. It is about how to provide the necessary actions and activities within a company and through collaborative networks to structure solid business models to face the challenges of the sustainable development while formulating strategies for superior organizational performance paradigm (Austin et al., 2006).

These authors have been conceptualized **Corporate Social Entrepreneurship** (CSE) as:

The process of extending the firm's domain of competence and corresponding opportunity set through innovative leveraging of resources, both within and outside its direct control, aimed at the simultaneous creation of economic and social value. The fundamental purpose of CSE is to accelerate companies' organizational transformation into more powerful generators of societal betterment (Austin et al., 2006, p. 6).

Like all entrepreneurship, is not about managing existing operations or Corporate Social Responsibility programs; it is about creating disruptive change in the pursuit of new opportunities. It combines the willingness and desire to create joint economic and social value with the entrepreneurial redesign, systems development, and action necessary to carry it out (Austin et al., 2006, p. 6).

Reficco and Austin (2009, p. 3) suggest five elements that they understand are central to the process of transformation of the way a company operates: 1) creating an enabling environment; 2) fostering corporate social intrapreneurs; 3) amplifying corporate purpose and values; iv) generating double value; and v) building strategic alliances.

The first element – **creating an enabling environment** – has to do with giving the organization means to adopt an entrepreneurial culture to move from Corporate Social Responsibility approach to the adoption of Corporate Social Entrepreneurship model. These means involve top management commitment to change the culture not only from focus on revenue generation but also to social value creation by formulating a vision and strategy according to these principles; forming cross-functional teams; and making the appropriate changes in the organization's structures and processes. These authors also recommend that 'must be performance measurement indicators for the economic and social value generated and the incentive and reward system must be aligned with these indicators' (Reficco and Austin 2009, p. 3).

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The **Corporate Social Intrapreneur** is the second element, once multiple change agents or intrapreneurs power Corporate Social Entrepreneurship process. In this case, there is a difference between the roles of the social or corporate entrepreneur from the role of managers. In general, corporations need to be entrepreneurial in order to innovate and go beyond their traditional managerial approaches when addressing issues, such as transforming crises into opportunities to generate sustainable products and services to attain competitive advantage. Some roles for CSIntrapreneurs, according to these authors, are:

- Champions: they defend the integration between social and business value creation;
- Communicators and listeners to articulate about the rationale and importance of the transformation to various stakeholders;
- Creators of innovative solutions;
- Catalysts to support the change and create synergies in the whole organization;
- Coordinators: they are able to reconcile interests to incentives;
- Contributors: they are team players;
- Calculators: they have knowledge of the whole corporate environment and aware of cost-conscious and bottom line.

The third element aim to **amplify corporate purpose and values**, which means the organizational values must mirror the organization's actions, for sure. According to Reficco and Austin (2009, p. 4), 'the goal is not just to comply with the law, or to be responsive tokey stakeholders: the agents seek to lead through example, to exceed expectations, and to set newstandards'.

Value creation and the double return, the fourth element, are about finding innovative ways to deal with the dialectic between return on investments for its shareholders and benefits for its stakeholders, by generating sustainable products and services, in a complementary and synergistic way rather than competing (Paine, 2003; Reficco & Austin, 2009).

Finally, **co-generating value** is about sharing resources through strong and strategic partnerships with businesses, civil society, or governmental. 'Strategic alliances that combine complementary core competencies can create new resource constellations that enable innovative solutions to long-standing social and economic problems' (Reficco & Austin, 2009, p. 5).

That's these elements which will be identified and discussed along of the Programme for Environmental Compliance and Education discuss and analyse how a large organization – The Chemical Company – and its network of multiple social actors are engaged in a sustainable business web and building up a Corporate Social Entrepreneurship model in the town of Bebedouro, in the state of São Paulo, Brazil.

Methodology

As the objective was to understand the Programme for Environmental Compliance and Educationas well as its whole context in-depth, it was conducted a single case study based on the narratives and stories of this Programme. Also it is about a phenomenon that is still in progress, and has been expanded to other towns, despite it started-up in 1984. Besides, it encompasses several elements, such as multiple issues (economic, environmental, social, political, cultural and geographic dimensions; several social actors, conflicts of interests, contexts, interrelations, partnerships, and power relationships) and the definition of strategy for supporting sustainable business.

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The data was collected through multiple procedures, like semi-structured interviews, informal conversations occurring in person or by telephone; documents provided by the social actors; and non-participant observation in activities with students and teachers. And to interpret and discuss the data, it was used antenarrative analysis of Boje's (2001).

BUILDING UP A CORPORATE SOCIAL ENTREPRENEURSHIP MODELIN BRAZIL TO GENERATE SUSTAINABLE BUSINESS IN A NETWORK OF SOCIAL ACTORS, RELATIONSHIPS AND INTERESTS

Implementing The Chemical Company's Corporate Social Entrepreneurship Model

The Chemical Company's Corporate Social Entrepreneurship model operates and presents some elements, which were critical for the implementation of this model, as suggested by Reficco and Austin (2009), as follows.

Creating Value and an Enabling Environment

The Chemical Company arrived in the town of Guaratinguetá, Brazil, in 1959, and since then, has become the one of the largest companies in Latin America's chemical segment. And by that time, has already acquired areas for its industrial installations around by devastated ciliary forests (native forest) on the banks of the Paraíba River, in this town. This environmental problem was the result of the sugarcane and coffee crops cycles since the eighteenth century and led to some negative consequences and conflicts of interest among landowners, government, Guaratinguetá communities, such as noncompliance with environmental legislation, floods, erosion.

To deal with these issues, in 1984, The Chemical Company launched a Ciliary Forest Recomposition Programme. Supported by the Municipal Urban Services and Agriculture Office of the Town of Guaratinguetá and IBAMA (Brazilian Institute of the Environment and Renewable Natural Resources), The Chemical Company, over the course of 23 years (1984−2007), has recovered the whole area. As a result, the area has been completely recovered and transformed into an open-air classroom for the environmental education in the town of Guaratinguetá and The Chemical Company has developed competences for recovering ciliary forests in degraded areas and interrupting loss of diversity. Since the beginning of the Programme, the government has played a determining role by defining the rules to guide the rural producers in how to adopt lasting environmental practices. It is about a coercive relationship since the farmers have to comply with the legislation to avoid penalties. Despite of this relationship, the government, at least, has provided standardized directions and procedures for all rural producers. However, it does not mean that all farmers are complying the environmental legislation.

In order to **create economic, social and environmental value**, in other words, return on investments for its shareholders and benefits for its stakeholders, since 2005, this successful experience has been strategically replicated to the Crop Protection Unit's clients. Along with The Chemical Company's Foundation support, the original programme was redesigned and renamed to Programme for Environmental Compliance and Education to operate in a complementary and synergistic way. From the environmental

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compliance perspective, winning the loyalty of large clients (the rural producers) by supporting them to comply with the Brazilian environmental legislation, as well as, showing them the benefits of biodiversity control for a good quality harvest, is one of the Programme strategic objectives. From the environmental education view, actions include activities in public schools, teacher training and raising young people's awareness of the importance of sustainability through Environmental Atlas Book, the ecological trail and the theatre activities, in the town of Bebedouro – SP.

So, from this moment on, The Chemical Company has started up to **create anenabling environment**to adopt an entrepreneurial culture to move from Corporate Social Responsibility approach to the adoption of Corporate Social Entrepreneurship modelwhen formulated and approved the strategy with focus not only on revenue generation but also on social and environmental value creation. It means, that the objective, besides complying with the law and responding to key stakeholders' demands, is to lead through example and to expand this successful experience to other agents (Reficco & Austin, 2009).

Amplifying The Chemical Company's Purpose and Values

Thus, besides complying with Brazilian environmental legislation and being responsive to the key stakeholders in the town of Guaratinguetá, The Chemical Company and its Foundation, since 2005, have launched the Program for Environmental Compliance and Education through its own example and experience. The experiencewas replicated for the clients along with the contribution to sustainable agriculture only after the development of competences – a body of knowledge, abilities and attitudes on recovering ciliary forests in degraded areas and interrupting loss of diversity.

At a certain point, it can say that The Chemical Company together with its Foundation went beyond and exceed expectations, by integrating the social education actions, environmental compliance and economic and strategic objectives. Therefore, it is possible to say that The Chemical Company is a **value-based organization, by amplifying its corporate purpose and values**. As the programme has been expanded to other cities, the social and environmental value creation has become a structural component, a cornerstone of The Chemical Company and Agro Crop Protection Unit's identities, as suggested by Reficco and Austin (2009).

To do that, it was necessary its top management involvement. The Agro Crop Protection Unit and the Foundation formed the first cross-functional teams. With the transfer of this programme's strategic management to the Foundation, the Crop Protection Unit does not lose its focus on developing new businesses and selling, and furthermore, has the Foundation as a strong ally, an extension of the unit itself to implement the programme with its clients.

Co-Generating Value

Since the Foundation is not structured to cover all the needs of the Programme, this initiative was implemented through human, financial, technological, methodological and informational resources shared among the different partners, but with no additional costs for the rural producers, students and teachers. These partnerships assume different roles and responsibilities, as shown in the Table 1. So, in the Program for Environmental Compliance and education, there is collaboration with otherorganizations – businesses, civil society, or governmental.

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However, as this complex implementation involves diverse issues, the Foundation hasto coordinate and articulate to integrate all multiple issues (economic, environmental, social, political, cultural and geographic dimensions; several social actors, conflicts of interests, contexts, interrelations, partnerships, power relationships), by finding innovative solutions and solving conflicts, at the same time, accomplishing with all proposed objectives. Therefore, it was necessary to structure a very specific implementation and management model.

So, besides the elements mentioned above, The Chemical Company's Corporate Social Entrepreneurship model present very specific elements when implementing this whole model. For example, it is necessary to raise the awareness of social actors whilst qualifying them, since it is important to provoke interest and convince them that sustainable results are achievable, as long as there is correct application and use of the methods and tools and that these are user-friendly instruments'. Also, this model is supported by giving support and guidance, in particular, to the rural producers and teachers, over the course of the cycle, since it is not based on methodologies and tools of the 'apply yourself to your local reality' types. It is about an experienced-oriented model to complete the qualification cycle (D'Angelo & Brunstein, 2014, p. 13).

The Corporate Social Intrapreneur

Since the Foundation is an extension of The Chemical Company, it assumes the position of company's main CSIntrapreneurs. These actors have the following roles:

- **Champions:** they defend the integration between social, environmental and business value creation: join the social (environmental education in a region whose income comes from agricultural production); environmental (guides and supports rural producers in the recovery and restoration of permanent preservation areas) and economic (strategy of winning the loyalty of large clients) dimensions;
- **Communicators and Coordinators:** To articulate the complex, involving various elements of the Program for Environmental Compliance and Education and reconcile interests: 23 social actors and their multiple interests; diverse contexts and interrelations; various power relations that permeate the participation and engagement of this programme's social actors;
- **Creatorsof Innovative Solutions**: The Chemical Company, supported by the Municipal Urban Services and Agriculture Office of the Town of Guaratinguetá and IBAMA (Brazilian Institute of the Environment and Renewable Natural Resources,) undertook actions to find a viable solution for the environmental problem of ciliary forest devastation.
- **Catalysts and Contributors:** To support the change and create synergies not only with The Agro Crop Protection Unit, but also with the partners, enabling other groups: the clients, such as the Cooperative; teachers, students, and Bebedouro's community.

The discussion above shows that The Chemical Company has been able to develop competencies of recovering ciliary forests in degraded areas and interrupting loss of diversity in such region, as well as, meeting the requirements of Brazilian environmental legislation. Therefore, it has also been able to extend its domain of such competencies through innovative leveraging of resources with strong and strategic partnerships to create economic and social value. Doing that, The Chemical Company has given a small

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Table 1. Some multiple issues of the Programme for Environmental Compliance and Education

The Social Actors in Bebedouro	Interests and Sources of Conflicts	The Contexts	The Power Relationships
The nature: • The lands in Guaratinguetá • Santa Julia Farm (the environment)	Be recovered in terms of fauna, flora, soil, hydric system etc.	• A profit organization • Non-governmental organization (The Foundation) • Schools for collective teaching • Rural properties, where the recovery of the protection and legal reservation area occur • The forest, where the Ecological Trail training is conducted • A stage (Program itinerant theatre and bus), for dissemination of socioeducational knowledge for the Bebedouro community • The University, responsible for providing the qualification in environmental recovery methodologies and creation of the Environmental Compliance Map for the rural properties)	• Consulting relationship and creative relationship among The Chemical Company, The Municipal Department of Agriculture and Urban Services of Guaratinguetá and IBAMA • Co-active relationship between the Foundation, GIZ and DEG • Attractive relationship between the rural landowners' Cooperative and rural landowners
The organization: • Crop Protection Business Unit + Guaratinguetá's Business Unit • The Chemical Company's Foundation	• Comply with environmental legislation • Support its clients also to comply with environmental legislation • Get the large clients' loyalty		
The clients: • The rural landowners' Cooperative • The rural landowners' financial institution • The rural and agricultural technicians and landowners – Santa Julia Farm • Bebedouro Experimental Station	• Comply with environmental legislation • Have high quality harvests		
The community: • Teachers from School: EMEF Yolanda Carolina Giglio Villela • Students from School: EMEF Yolanda Carolina Giglio Villela • Bebedouro community	Teach and learn how to contribute for the sustainability in a region, which depends on agriculture business income		
The partnerships: • Ecological trail coordinator in Bebedouro – SP • United Nations and Food and Agriculture Organization (FAO) • GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit) • DEG (Deutsche Investitions – und Entwicklungusgesellschaft mbH) • Geodinâmica – sustainable social entrepreneurship organization • Instituto Romã – organization of educational process of experiences with nature • Bellini Cultural – culture project organization • Agricultural High School Luiz de Queiroz (ESALQ/USP)	• Provide methodologies and tools of sustainable environmental and educational processes • Facilitate dialogue that act as impartial mediators, aiming to obtain the expected results or even conflict resolution • Have influential leadership, attracting more people to the programme through their example • Multiply to form and train other social actors • Standardise the guidelines to direct actions • Provide financial resources and generators of knowledge		
The Government: • Forest Code and Environmental Policy • Public employees – Culture Department (Rouanet Law) • Public employees – Brazilian Institute of the Environment and Renewable Natural Resources, IBAMA • Public employees – Municipal Department of Agriculture and Urban Services of Guaratinguetá - SP • Public employees – Municipal Department of Education and Culture of Bebedouro	• Provide guidelines for the standardisation of safe environmental practices and with lasting results • Ensure compliance with environmental legislation • Support the local schools with adequate	• Public bodies responsible for the regulatory aspect	• Coercive relationship between the rural landowners and the government, due to the imposition of environmental legislation

Source: The Authors

contribution while a generator of societal betterment, as suggested by Reficco and Austin (2009). In this case, help the rural farms to have a good quality harvests and raise Bebedouro community's awareness of the importance of sustainability and environmental education in a region whose income comes from agricultural production. With its Foundation, its partners, and its economic objectives, The Chemical Company has combined the willingness and desire to meet both its economic objectives and social value, through entrepreneurial redesign and action necessary to carry it out, as suggested by Austin et al. (2006, p. 6).

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FUTURE RESEARCH DIRECTIONS

Reficco and Austin (2009, pp. 7-8) said: 'The penetration of the social realm into corporate strategy has gathered momentum in the last years', and the 'Corporate Social Entrepreneurship process will contribute to our collective quest for superior organizational performance and societal betterment. This is the great opportunity and action imperative'.

In this sense, The Chemical Company's case study above has shown the viability of a Corporate Social Entrepreneurship model as a way for the creation of a competitive advantage by combining the environmental, economic, social, political, cultural and geographic dimensions. From the sustainability paradigm perspective, to meet the local and global challenges, business opportunities and business strategies also should address the societal needs.

However, given the model complexity, many resources and huge efforts are necessary to put it into action. For this reason, some organizations are willing to invest in Corporate Social Responsibility or the Social Entrepreneurship rather than in Corporate Social Entrepreneurship.Therefore, Advances in Business Strategy and Competitive Advantage (ABSCA) Book Series can inspire and support such organizations and scholars, in particular, in addressing regional development strategies with focus on:

- Local challenges, business opportunities and the needs of society;
- On the regional innovation concept is based on an interactive set of private and public interests, formal institutions and other entities that operate in accordance with organizational and institutional agreements and establish relationships leading to the generation and dissemination of knowledge.

Thus, as a suggestion for future research, it is recommended the study of Corporate Social Entrepreneurship in other profit-based organizations in different industries, like services, once the elements which composes the Corporate Social Entrepreneurship model will depend upon company's societal and economic objectives.

CONCLUSION

By the end of this chapter, we hope to have contributedto show that organizations can move from Corporate Social Responsibility approach to the adoption of Corporate Social Entrepreneurship model. Its implementation is viable but requires efforts and resources, as discussed above.

All organizations, which desire to create economic and social value, can achieve these objectives through a Corporate Social Entrepreneurship model. Its implementation is viable if have the right partners to support the model. Despite the elements which composes the Corporate Social Entrepreneurship model will depend upon company's societal and economic objectives, a key element is partnership to co-generate value by sharing human, financial, technological, informational and methodological resources. Of course, the power relationships vary among the social actors and partners, but which one has an important role in this model structuring.

We also hope to have contributed to discuss the Academia – Industry – Government collaborative networks' role in innovation and entrepreneurship, as well as, the role of the Government in Academia

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– (I) Industry – (G) Government networks, by examining the elements of the Corporate Social Entrepreneurship model from one of the largest companies in Latin America's chemical segment.

In general, in the Program for Environmental Compliance and Education, Government has had the role to provide a set of regulatory command and control instruments to direct and standardize the adoption of safe and long-lasting environmental practices (Brazilian legislation), as well as, methodologies and tools to make that (Ibama's role). Academia (Escola Superior de Agricultura Luiz de Queiroz – ESALQ/USP) was responsible for providing the qualification in environmental recovery methodologies and creation of the Environmental Compliance Map for the rural properties. And Industry, The Chemical Company, has the role of finding innovative ways to create social value by formulating, implementing a strategy to meet all the issues addressed by a Corporate Social Entrepreneurship model. Also Industry has the role to articulate and coordinate all the necessary issues, such as conflict of interests, several social actors to put into action viable solutions to solve the complex social and environmental problems surrounding the world.

But much remains to be done.

By enabling an appropriate environment to move from Corporate Social Responsibility approach to the adoption of Corporate Social Entrepreneurship model, Reficco and Austin (2009, p. 3) suggest 'there that must be performance measurement indicators for the economic and social value generated and the incentive and reward system must be aligned with these indicators. Furthermore, it is important to highlight the need to implement an approach for environmental and sustainability assessment in this Program, which embraces the Program's complexity and its several elements, as discussed above.

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KEY TERMS AND DEFINITIONS

Biodiversity: A variety of plants, animals and micro-organisms in different ecosystems - inter alia', terrestrial, marine, and other aquatic ecosystems.

Ciliary Forest: A native forest necessary to protect rivers, lakes and reservoir. The origin name comes from the fact that the eyelash is important to protect the eyes. Note: in Portuguese Language eyelash is "cílios" and ciliary is "ciliares".

Competencies: A body of knowledge, abilities and attitudes on recovering ciliary forests in degraded areas and interrupting loss of diversity.

Dimensions of the Sustainable Development Paradigm: These dimensions encompass mainly the economic, environmental, social, political, cultural and geographic issues.

Experienced-Oriented Model: A way to implement actions based learning by doing" and with support and guidance from experts.

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Multiple Issues: Issues that encompass the dimensions of the sustainable development paradigm; the social actors; the conflicts of interests; the contexts for interrelations; the partnerships and the power relationships.

Societal Issues: Issues that encompass social needs such as social equity, social responsibility, social support, social justice and so on.

Sustainable Business: Business that develops products, services, experiences and ideas to meet the sustainable development paradigm requirements: economically viable, socially accepted and environmentally appropriate.

ENDNOTE

[1] The analysis that follows is based first on an in-depth qualitative study from Marcia Juliana d'Angelo's Doctoral Thesis.

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Chapter 9
Social Entrepreneurship and Entrepreneurial Ecosystems:
An Empirical Examination

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ABSTRACT

Entrepreneurial ecosystems and social entrepreneurship are receiving increasing attention for their ability to foster economic and social development. This study adopts the entrepreneurial ecosystem approach to analyse the extent to which the perceived favourability of external environment promotes or deters the launch of new ventures by social entrepreneurs. The research was based on a survey that collected data through a questionnaire emailed to Portuguese social entrepreneurship ventures. The results show that a favourable entrepreneurial ecosystem has low importance in the decision to develop new social ventures. This result is particularly consistent in more innovative social ventures. This conclusion supports the idea that many social ventures are not based on social innovation, but derive from a traditional approach to social problems. Therefore, the development of new innovative social ventures has to be supported by institutional stakeholders in order to support social entrepreneurs, regardless of the level of favourability of the entrepreneurial context.

INTRODUCTION

Innovation is one of the main drivers of economic growth, while the entrepreneur is the main driver of innovation in modern economies. However, today's challenges have taken on an increasingly social dimension, and innovative responses to problems and needs should be conceived and initiated on the ground by social entrepreneurs (Hoogendoorn & Hartog, 2011).

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Some of the most prominent societal challenges are increasing unemployment, which is often linked to crime, and social exclusion, with its long-lasting consequences, not only for those who lose their jobs, but also for their children, who have fewer opportunities in society (European Communities, 2011). The emergence of social actors' initiatives to satisfy specific social needs and offer solutions to different problems derives mostly from the employment crisis and the reshaping of State interventions (Bouchard, 2011).

Social entrepreneurship has been recognized as a helpful instrument of social and economic policy, particularly when dealing with unemployment, social exclusion and sustainable regional and local economic development (Alvord, Brown & Letts, 2004; Borzaga & Galera, 2012; Friedman & Desivilya, 2010; Lambru, 2012; Parente, Barbosa & Vilhena, 2012a; Quintão, 2004). Azmat (2013) argues that social entrepreneurship could contribute to more sustainable growth in developing countries and regional development in divided societies (Friedman & Desivilya, 2010). Azmat (2013) recognizes the potential of social entrepreneurship to help in solving the more persistent social problems and to promote wealth in communities and societies through innovative strategies and creative solutions. According to Azmat (2013), social entrepreneurs usually adopt innovative approaches with the potential to take a positive and critical role in poverty reduction and to help with the promotion of sustainable growth in developing countries, even in hostile environments. In the same way, Yiu, Wan, Ng, Chen and Su (2014) argue that social entrepreneurship plays an important role in the community development of emerging economies, and Nega and Schneider (2014) highlight the significant role of social entrepreneurship in economic development. For McAnany (2012), social entrepreneurship has a great potential to contribute to: (i) social change; (ii) the development of local communities; (iii) the enhancement of economic growth; (iv) poverty reduction; and (v) environmental sustainability.

Social entrepreneurship and social innovation are interrelated concepts that explicitly aim to provide innovative solutions to unsolved social problems, putting social value creation at the heart of their mission in order to improve individuals' and communities' lives and increase their well-being. An increasing number of institutions and local entities have endorsed social innovation as an instrument of political action with respect to employment, intergenerational population stability, economic development and sustainability and other social issues. In the European Union's policy, social innovation is mentioned as a strategic element of a Europe that is more intelligent, sustainable and inclusive, and serves as a fitting response to the social challenges of the internal market (European Communities, 2011).

These new strategies are pursued at the local level, not only by domestic governments and local authorities (largely supported by European funds), but also by not-for-profit and private organizations through corporate social responsibility initiatives. The objective focuses largely on local problems, where proximity is a critical factor to identify and evaluate the problems and to improve efficiency in the actions taken. These actions relate to the dynamism of the entrepreneurial ecosystem, the vitality of the formal and informal social economy and the emergence of new forms of intervention local organizations embrace. Some of the more innovative responses to problems and needs have been published in the form of research reports by various international organizations (e.g. the European Commission) and foundations (e.g. the Young Foundation) (Choi & Majumdar, 2015).

To the best of our knowledge, academic research on the link between entrepreneurial ecosystems and social entrepreneurship is scant. Our purpose is to investigate how a particular entrepreneurial ecosystem in which social entrepreneurs are located is capable of promoting or inhibiting the development of social entrepreneurship initiatives. To achieve this objective, two secondary objectives were derived. Firstly, we intend to ascertain the extent to which the entrepreneurial context has the same importance

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for all types of organization, regardless of the level of innovation their activity requires. In addition, we aim to understand the role entrepreneurial ecosystems can play in supporting the innovation of different kinds of social ventures.

The chapter begins by presenting the background of the research and proceeds by reviewing the academic literature on the influence of the external environment on social entrepreneurship, grounded on the entrepreneurial ecosystems approach and related models. Next, we present the methodology, sample, results and implications derived for public policy. The paper ends with the conclusion.

BACKGROUND

The upsurge of social innovation among researchers has not been accompanied by a consensus in the literature regarding the scope and dimensionality of the concept. From an institutional point of view, social innovation is about "new ideas (products, services and models) that simultaneously meet social needs (more effectively than alternatives) and create new social relationships or collaborations" (European Communities, 2011, p. 9). According to OECD (2010), social innovation seeks new answers to social problems by: i) identifying and delivering new services that improve the quality of life of individuals and communities; and ii) identifying and implementing new labor market integration processes, new competencies, new jobs, and new forms of participation, as diverse elements that each contribute to improving the position of individuals in the workforce.

From an academic perspective, social innovation is a "creative process, mostly collective, driven by the purpose of social utility that tries to establish a link between knowledge and competences of various actors in order to obtain a certain level of well-being starting from a community that plays the role of disseminator" (Guida & Maiolini, 2014, p. 15). Clarence (2014, p. 47) defines social innovation as looking for "…new ideas and ways of working to meet unmet needs, involving concepts, products, and organizations to address social problems and challenges…". Social innovations usually happen by trial and error, learning-by-doing, and exchanging ideas within groups where exchange of opinions assures new ways of doing things.

The key distinction between social innovation and other types of innovation (i.e. commercial and technological) is that social innovation is oriented to the social and public good rather than to the market (Edwards-Schachter, Matti & Alcântara, 2012). Another difference occurs both in its outcomes and in its relationships, as well as in the new forms of cooperation and collaboration that it brings (Murray, Caulier-Grice & Mulgan, 2010). As Phills, Deiglmeier and Miller (2008) pointed out, social innovation refers to any novel and useful solution to a social need or problem, that is better (i.e., more effective, efficient, sustainable, or just) than existing approaches and for which the value created (benefits) accrues primarily to society as a whole rather than to private individuals. According to Phills et al. (2008) the microfinance and the fair-trade examples could illustrate the prior definition. Novy and Leubolt (2005) state that social innovation mainly steams from the satisfaction of basic human needs; an increased level of political participation from deprived groups; and the increased socio-political capacity and access to resources needed to enhance rights to enable the satisfaction of human needs and participation.

One important contribution for the study of social innovation derives from the review of 49 studies conducted by members of the *Centre de Recherche sur les Innovations Sociales* (CRISES) (Tardif & Harrison, 2005). The analysis found five common dimensions: transformations, innovative character, characteristics of innovation, actors involved, and process of developing the innovation (Klein, Fontan,

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Harrisson & Levesque, 2012; Maurer & Silva, 2014). The transformation dimension refers to the context in which the innovation is developed and includes three aspects: i) macro and micro contexts with the identification of crisis, ruptures, discontinuities and facts that force people to rethink their actions and develop new solutions for times of social and economic crises; ii) territorial contexts (local, regional and national) that are adapted or developed to promote change in production, consumption and work relations; and iii) social context with the identification of problematic contexts in social structures (e.g. marginalization, and socioeconomic exclusion). The second dimension refers to the innovative character that indicates the central role of social action as a source of innovation in a given territory, since actors are induced to search for innovative solutions to problems they identify in their context.

The third dimension comprises the types of innovation (technical, socio-technical, social, organizational and institutional), their scale (local or localized innovations) and purposes (individual, collective, general, or common good). The fourth dimension includes the actors (individuals, organizations, institutions and intermediaries) involved in the social innovation process. The individuals comprise civil society, cooperative movements, associations and unions. The organizations can be companies, social economy organizations, collective organizations or beneficiaries. Institutions are understood as the state as well as established norms, values and identity. Lastly, the intermediaries emerge from the interaction among the different actors, and committees, social networks, alliances and innovation networks. The fifth dimension relates to processes and involves three elements: i) methods of coordination that indicate the way in which the actors interact and structure the process of social innovation, as well as how they share and disseminate information, knowledge and practices as they develop social innovations; ii) modes of implementation which encompass cooperation, partnerships, integration, negotiation, and diffusion, among others; and iii) constraints including complexity, resistance, tensions and uncertainties among the actors when faced with something new.

Social innovation is accelerated by the pressures caused by societal changes (Moulaert, MacCallum & Hiller, 2013). In the words of the same authors (2013, p. 14) social innovations can be understood as "reformist 'solutions' for the scarcity of the resources in the welfare state" and as a "reformist approach to solve social problems". Thus, social innovation increases the satisfaction of social needs such as exclusion, deprivation, alienation, and lack of wellbeing and allows for the attainment of significantly higher wellbeing and human progress, as well as development. In this sense, social innovation is seen as a kind of innovation, characterized by its intentionality, which evolves by reshaping the society and aspiring to bring more effective and efficient solutions to social problems (Franz, Hochgerner & Howaldt, 2012).

Klein (2013, p. 9) argues that social innovation is seen as a "tool box that could provide rapid solutions to pressing problems", of the most vulnerable segments of society. But it is also considered to be a way to foster the social cohesion of territories. Social innovation is further seen as being able to positively contribute to social, spatial and ecological development, at the same time that recognize the principle of social justice (Dyck & Broeck, 2013). As stated by OECD (2014, p. 148) "innovation can make a substantial contribution to dealing with social challenges such as poverty, ageing, social exclusion and health". Therefore, innovation is considered to be an important driver of growth, while it plays a key role in shaping inequalities and in helping to support well-being (OECD, 2014). As stressed by Cosseta and Palumbo (2014) innovation is considered as the unique antidote to the crisis and to the inequality that exists in the society.

Opportunities for social innovation are shaped by historical circumstances (Mulgan, 2012). Social innovation is highly contextual and path dependent, since it is strongly embedded in the social-cultural and social-political context (Moulaert et al., 2013). Also, it is socio-spatially embedded and time-bound

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as it is closely interlinked with the stakeholder ecosystem and embedded in local systems and territorial networks (Cosseta & Plumbo, 2014; Moulaert et al., 2013). Therefore, as stressed by Dyck and Broeck (2013), innovation should be conceived under its spatial-historical context, taking into account the material territoriality, as well as the social dimension of territories. Furthermore, social innovation can emerge from the actions taken by communities in order to alleviate social, political and/or material issues (Moulaert et al., 2013).

Social entrepreneurship is related to social innovation, as it is the social entrepreneur who carries out the innovation. In a somewhat simplistic or reductionist way of seeing things, without the commitment of the social entrepreneur to put the idea into practice, there would "only" be inventions to solve social problems and challenges.

A comprehensive definition of social entrepreneur stresses efficiency in the management of resources (people, buildings, equipment), the mission (to satisfy unmet social needs) and innovation in delivering welfare services (Leadbeater, 1997). Furthermore, social entrepreneurs are innovative and changing agents seeking to accomplish their vision and use their entrepreneurial talent to solve social problems (Drayton, 2002). Dees (1998) argues that a successful social entrepreneur will: (i) adopt a mission to create and sustain social value (not only private value); (ii) recognize and search actively for new opportunities to accomplish the mission; (iii) engage in a process of continuous innovation, adaptation and learning; (iv) act energetically without being limited to the resources held at a moment in time; and (v) demonstrate high accountability to stakeholders regarding the results of the activity.

As a social construction the entrepreneurial activities influence and are influenced by the environment, which comprises all the external influences that affect the entrepreneur's behaviour and performance (Friedman & Desivilya, 2010; Cajaiba-Santana, 2010; Covin & Slevin, 1991; Mair, 2010; Welter, 2011).

Environmental influences can be classified as economic, technological, demographic, social, cultural, and governmental/institutional (Hill & Jones, 2013). Indeed, social innovation and new social ventures are not developed in a vacuum (CASE, 2008) but are constrained by a particular environment (Weerawardena & Mort, 2006).

As stated by Katz and Kahn (1966) in the Open System Theory, the emergence of organizations (mainly private companies) derives from the interaction between agents and environment, which suggest a strong influence of the environment on the creation of organizations. The same applies to social innovation and social entrepreneurship, as the environmental forces could incite or deter the launching of new social ventures (Mair, 2010; Urbano & Ferri, 2011; Ziegler, 2009).

THEORETICAL PERSPECTIVES

The external environment matters for success in innovative activity and is at least as important as internal factors (Porter, 2001). A set of innovation models highlight the critical importance of the characteristics of the external environment that surrounds the social entrepreneur in fostering the development of new social ventures. The entrepreneurial ecosystems approach provides a valuable conceptual tool to link the social entrepreneur to the external environment, namely the role of governmental and non-governmental institutions in creating and adjusting the regulatory framework and support system for facilitating the activities of social entrepreneurs. In both approaches it is argue that an attractive external environment for social entrepreneurship depends markedly from the components of the entrepreneurial ecosystem. The contributions that follow help to explain the role of environment in the promotion of new social ventures.

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Territorial Innovation Models

A wide variety of territorial innovation models have emphasized the characteristics of the territory as a place for innovation. The basic idea is that the geographical space links the "software" of the entrepreneur to their "hardware" – made up of the social community, the formal and informal institutions, and the tangible and intangible infrastructures that exists on its territory (Leoncini & Montresor, 2008).

The innovative milieu approach argued that firms have a support space constituted around three types of relations: i) qualified or privileged relations with regard to the organization of productive factors; ii) strategic relations between the firm, its partners, suppliers and clients; iii) strategic relations with agents belonging to the territorial environment (Aydalot, 1986; Moulaert & Sekia, 2003; Camagni & Maillat, 2006; Santos & Simões, 2014). The GREMI (Groupe de Recherche sur les Milieux Innovateurs) studies have empirically demonstrated the existence of a dynamic and embedded productive system in different regions and countries (Camagni, 1991; Maillat & Perrin, 1992).

Building on a new interpretation of Marshall's work, Becattini (1990; 2015) develops the industrial district concept as a socio-territorial entity characterized by the active presence of both a community of people and a population of firms in one naturally and historically bounded area (Becattini, 1990; Sforzi, 2015). The concept postulates that economic change emerges concretely within and between places, and so economic change is a socio-economic place-based process (Santos & Simões, 2014; Sforzi & Boix, 2015). The concept of industrial district has been supported empirically indicating the importance of the place within various types of localities, including countries, regions, big cities and rural areas (Pyke, Becattini & Sengenberger, 1990; Sengenberger, Loveman & Piore, 1990; Pyke & Sengenberger, 1992; Benko & Lipietz, 1992; Bellandi & Propis, 2015).

The local innovation system is a generalization of the industrial district view of local economic development (Moulaert & Sekia, 2003). It is characterized by the territorial proximity of productive units (firms, plants, service suppliers, R&D centers, training institutions) interlinked in different forms (formal and informal, material and immaterial, market and non-market). Industrialization is perceived as a process occurring in urban or rural areas with an explicit artisan tradition (Courlet, 2008). The results of the empirical evidence emphasize the factors on which local productive systems based their reproduction and renovation, such as external economies, non-transferable knowledge, specific forms of regulation, and strong local identity (Courlet & Pecquer, 1992; Moulaert & Sekia, 2003; European Union, 2014; Ferreti & Parmentola, 2015).

The new industrial spaces paradigm goes beyond the agglomerated production systems by encompassing: i) the coordination of inter-firm transactions and the dynamics of entrepreneurial activity; ii) the organization of local labor markets and social reproduction of workers; and iii) the dynamics of community formation and social reproduction (Moulaert & Sekia, 2003; Gathfield & Yang, 2006). The research of Scott (1988, 2014) leads to the identification of new industrial spaces in North America, Western Europe and Norway (Isaksen, 1994).

The cluster of innovation approach reinforces the role of local institutions and culture as well as industrial structure and corporate organization for economic performance (Moulaert & Sekia, 2003). According to Porter (1998) a cluster is a geographic concentration of interconnected companies, specialized suppliers, service providers, firms in related industries, and associated institutions (for example, universities, standards agencies, and trade associations) in particular fields that compete but also cooperate. A large number of studies have identified clusters all over the world in different industries (Enright &

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Roberts, 2001; Feser, 2002; European Communities, 2008, Potter & Miranda, 2009; Chatterji, Glaeser & Kerr, 2013).

The regional innovation system perspective is usually understood as a set of interacting private and public interests, formal institutions and other organizations that function according to organizational and institutional arrangements and relationships conducive to the generation, use and dissemination of knowledge (Doloreux, 2003). The theory of regional innovation system stresses the role of collective learning based on deep cooperative relationships between members of the system (Moulaert & Sekia, 2003). This learning process combined with firm-specific competences can lead to regional competitive advantages if the learning is based on localized capabilities such as specialized resources, skills, institutions and shared common social and cultural values (Braczyk, Cooke & Heidenreich, 1998; Doloreux, 2002; Santos & Simões, 2014). Cooke and Morgan (1994) identify a regional innovation system in Baden-Württemberg; Diez (2002) in the metropolitan areas of Barcelona, Stockholm, and Vienna; and Doloreux (2003) in Beauce in Québec (Canada).

Drawing on the work of evolutionary political economy, learning regions provide the crucial inputs required for knowledge-intensive economic organization to flourish: a manufacturing infrastructure of interconnected vendors and suppliers; a human infrastructure that can produce knowledge workers, that facilitates the development of a team orientation, and that is organized around life-long learning; a physical and communication infrastructure that facilitates and supports constant sharing of information, electronic exchange of data and information, just-in-time delivery of goods and services, and integration into the global economy; and capital allocation and industrial governance systems attuned to the needs of knowledge-intensive organizations (Florida, 1995; Morgan, 1997; Santos & Simões, 2014). Some empirical evidence of learning regions can be found in the technology districts of France, Italy and the United States (Storper, 2007).

Entrepreneurial Ecosystems Approach

Territorial innovation models show that economic activity has a 'natural' tendency to cluster in specific geographical locations. A related concept to the territorial innovation models is the entrepreneurial ecosystems approach (Feld, 2012; Isenberg, 2011; Kantis & Federico, 2012; Mason & Brown, 2014; Napier & Hansen, 2011). The word entrepreneurial, in Schumpeter's view, refers to entrepreneurship, a process by which individuals exploit opportunities for innovation. The second word is ecosystem, which has been derived from biology and emphasizes a community of interdependent actors where entrepreneurship takes place. The entrepreneurial ecosystem approach often claims that entrepreneurship is an important source of innovation, productivity growth and employment (Mason & Brown, 2014).

The literature on entrepreneurial ecosystems focuses on the role of the context in allowing or restricting entrepreneurship (Stam, 2015).

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The literature on entrepreneurial ecosystems focuses on the role of the context in allowing or restricting entrepreneurship (Stam, 2015). According to Vogel (2013, p. 446) an entrepreneurial ecosystem is "an interactive community within a geographic region, composed of varied and inter--dependent actors (e.g. entrepreneurs, institutions and organizations) and factors (e.g. markets, regulatory framework, support setting, entrepreneurial culture), which evolves over time and whose actors and factors coexist and interact to promote new venture creation". Mason and Brown (2014, p. 5) presented a definition of entrepreneurial ecosystem as "a set of interconnected entrepreneurial actors (both potential and existing), entrepreneurial organizations (e.g., firms, venture capitalists, business angels, banks), institutions (universities, public sector agencies, financial bodies) and entrepreneurial processes (e.g., the business birth rate, numbers of high growth firms, levels of 'blockbuster entrepreneurship', number of serial entrepreneurs, degree of sell-out mentality within firms and levels of entrepreneurial ambition) which formally and informally coalesce to connect, mediate and govern the performance within the local entrepreneurial environment". In a constructive synthesis of the concept Stam (2015) defines the entrepreneurial ecosystem as a set of interdependent actors and factors coordinated in such a way that they enable productive entrepreneurship.

The approach developed by Isenberg (2010, 2016) provides the identification of six domains within the entrepreneurial system: culture (success stories and societal norms); finance (financial capital); policy (government and leadership); markets (early customers and networks); human capital (labour and educational institutions); and supports (infrastructure, support professions and non-governmental institutions). Every ecosystem is unique, as many of the components will differ from one ecosystem to another. Local cultural attitudes, the structure of local banking systems and educational policies will all affect the nature of these local ecosystems (Isenberg, 2010, 2016). Another popular conceptualization (World Economic Forum, 2013) lists eight factors that contribute to the success of an entrepreneurial ecosystem, each with a number of components. The listed pillars and components focus on the presence of accessible markets (domestic and foreign), resources (human capital and workforce), support systems and mentors, funding and finance, government and regulatory framework, education and training, major universities as catalysts and cultural support (Table 1).

Table 1. Sample characteristics (World Economic Forum, 2013, 6-7)

Pillars	Components
Accessible Markets	Domestic market - Large/medium/small companies as customers, governments as customer Foreign market - Large/medium/small companies as customers, governments as customer
Human Capital Workforce	Management talent, technical talent, entrepreneurial company experience, outsourcing availability, access to immigrant workforce
Funding and Finance	Friends and family, angel investors, private equity, venture capital, access to debt
Support Systems/Mentors	Mentors/advisors, professional services, incubators/accelerators, networks of entrepreneurial peers
Government & Regulatory Framework	Ease of starting a business, tax incentives, business-friendly legislation/policies, access to basic infrastructure, access to telecommunications/broadband, access to transport
Education & Training	Available workforce with pre-university education, available workforce with university education, entrepreneur-specific training
Major Universities as catalysts	Promoting a culture of respect for entrepreneurship, playing a key role in idea-formation for new companies, playing a key role in providing graduates to new companies
Cultural Support	Tolerance for risk and failure, preference for self-employment, success stories/role models, research culture, positive image of entrepreneurship, celebration of innovation

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In an effort to unify social entrepreneurship and entrepreneurial ecosystems literatures, Roundy (2017) suggests that social entrepreneurs are likely to be affected by many of the same factors in entrepreneurial ecosystems as conventional entrepreneurs, such as the amount of early stage investment capital available (Breznitz & Taylor, 2014) and the ecosystem's transportation and telecommunications infrastructure (Isenberg, 2011). However, some characteristics of the ecosystem have to be fulfilled, such as diversity of resource providers (e.g. funding options), sufficient support organizations (business-oriented human capital), the culture of the ecosystem (pro-social and altruistic) and opportunities for vicarious entrepreneurial learning (entrepreneurial human capital). On the other side, the activities of the social entrepreneur can also influence the ecosystem's diversity, attractiveness and attention to an entrepreneurial ecosystem (Roundy, 2017).

In general, the development of an entrepreneurial ecosystems requires a blend of top-down and bottom-up approaches. The first category includes appropriate supporting conditions by non-government institutions (entrepreneurship promotion in non-profit organizations, business plan contests, conferences, entrepreneur-friendly associations); the essential role of government (institutions, financial support, regulatory framework incentives, research institutes, venture-friendly legislation); and the excellence of educational institutions (professional and academic general degrees, specific entrepreneurship training). However, there is also a need for bottom-up initiatives to improve the environment, such as the active role of social entrepreneurs (social legitimacy, entrepreneurial networks, etc.). The social entrepreneurship policy is concerned with supporting entrepreneurs that require relational rather than transactional assistance and are likely to benefit most from peer-based support for experiential learning and tacit knowledge sharing (Mason & Brown, 2014). In this case entrepreneurial activity is considered the process by which individuals create opportunities for social innovation. This innovation will eventually lead to new value in society, and this is therefore the ultimate outcome of an entrepreneurial ecosystem, while entrepreneurial activity would be more an intermediary output of the system. This entrepreneurial activity has many manifestations, such as innovative start-ups, high-growth start-ups, and entrepreneurial employees (Stam, 2014).

This section has presented two different approaches to study the influence of the external environment on social entrepreneurship. The entrepreneurial ecosystem emphasizes the role of governmental and non-governmental institutions in promoting a regulatory framework and support system that encourage social entrepreneurs. Additionally, we provide a set of related models of innovation based on the territory that go beyond the institutional framework and focus on different components of the innovation system.

METHODOLOGY

Based on the entrepreneurial ecosystem approach and innovation models based on territory, we argue that the external environment is essential for understanding how new social ventures are created, defined and limited in their actions. Thus, the adoption of these two perspectives could enhance our understanding of how an entrepreneurial ecosystem can promote or deter the emergence of new social ventures in Portugal.

As noted earlier in the literature review, external variables can trigger social entrepreneurs to create social ventures. By analysing the external environment, an individual can build on the initial perception of the favourability of the entrepreneurial ecosystem.

Consequently, we considered the two following hypotheses:

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H1: The launching of new social ventures is positively associated with the presence of a favourable entrepreneurial environment;

H2: The launching of all types of new social ventures is independent of the favourability of the entrepreneurial environment;

In other words, we analyse the social ventures that have been created in Portugal and, from there, inquiring on the significance of the entrepreneurial environment assessment in the decision of someone endowed with entrepreneurial spirit to proceed with a social venture. Although recognition of social entrepreneurship is growing, there are not yet sufficient instruments for identifying and quantifying this phenomenon (Parente, Costa, Santos & Amador, 2011; Perista & Nogueira, 2009; Quintão, 2004).

Following the European tradition, in Portugal social and solidarity economy has been considered the appropriate area for the integration of social entrepreneurship (Parente, Santos, Marcos, Costa & Veloso, 2012b; Quintão, 2011; Ramos, 2004). However, the Portuguese third sector is a very diverse and heterogeneous field (Ramos, 2004), which enclose sub-segments of organizations having different entrepreneurial levels (Namorado, 2006).

Therefore, for our sample we have considered the branch(es) of the social and solidarity economy that we understand to be closest to the spirit of social entrepreneurship and to select those organizations endowed with the status of non-governmental organizations for development and cooperation (NGOs). Additionally, we have also included in our sample projects listed on the Portuguese Social Stock Exchange (PSSE), due to its innovative character. Our sample, therefore, was built on the basis of the typical features of these organizations. The sample is random as previous procedures of randomness (two stage sampling) were adopted during the process of collecting the data.

The contacts of NGOs and projects listed on the PSSE were gathered by consulting the web site of the Portuguese Institute for Development Assistance and the web site of the Social Stock Exchange, respectively. In order to understand, from an independent perspective, the factors that lead civil society to develop new social ventures, we excluded from the sample organizations with religious, political or partisan connections or held by other organizations of corporate character. This selection was based on information collected in institutional web sites, blogs and other available internet sources. This screening resulted in a sample consisting of 99 NGOs and 29 projects listed on the PSSE.

A quantitative research method was used, in the form of an online survey. As the unit of analysis, we considered the entrepreneurs behind the creation of the socially entrepreneurial organizations existing at the time the investigation was undertaken. By using filtering questions, we ensured that only those individuals that had taken the initiative of creating the organizations would answer the survey.

The research questionnaire began with a group of questions aimed at obtaining a general characterization of the organization and of the respondent. The next group of questions asked, by means of a five-point Likert scale (1 = very low importance; 5 = very high importance), the influence of various external factors on the decision to create a new social venture. To attain a more comprehensive insight on the topic, a few other questions aiming to analyse relevance of personal skills in the decision-making process was also included. We ensured the anonymity of all respondents in order to encourage honesty and to avoid distortion in the answers (Vissak, 2010).

Before sending the questionnaire, we contacted the selected organizations by telephone in order to present the research project, to confirm the e-mail contacts and to make the organization aware of the schedule for submitting the survey replies. Telephone contact was also used to follow up with reminders for those failing to fill in the questionnaire on the established schedule.

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The data collection process was carried out between September 19, 2012, and January 2, 2013. At the end of the process, 68 replies were collected, 24 provided by projects listed on PSSE and 44 by NGOs. The total response rate was 82.8% among projects listed on PSSE and 44.9% among the NGOs.

For data analysis, we first used descriptive statistics to characterize and describe the data collected. Then, in order to test our research hypothesis, we used student's *t* test (one-sample t test). We also conducted principal components analysis, using the statistical software SPSS, version 20, in order to simplify the analysis and better understand the results obtained.

Sample

Through the process of data collection, we got 68 replies, 24 (35.3%) provided by projects listed on PSSE and the remaining 44 (64.7%) referred to NGOs. In this section, we will describe the general features of social entrepreneurial ventures and the profile of the entrepreneurs that made the decision to undertake them.

Regarding seniority, as Table 2 shows, almost half of the organizations under observation (45.6%) are 10 or more years old, and only 5 are less than 3 years old. The low representation of younger organizations can be explained by the sampling method used – specifically, by the time required by organizations for acquiring NGOs status or for taking the steps necessary to be listed on the Portuguese Social Stock Exchange.

Regarding geographical location, we have opted to classify the answers according to level two of the common classification of territorial units for statistical aims (NUTS II). The respondent organizations are distributed among the various regions of the country, although there is a noticeable concentration in the greater Lisbon area (52.9%), followed by the northern and central areas (each with 14.7%) and Alentejo (7.4%). The Algarve and Islands regions contained only one initiative each.

A few organizations (5) reported a simultaneous presence in various geographical locations, and a few indicated having an international presence. Regarding scope, about half of the organizations (54.4%) reported operating internationally, while roughly a quarter (23.5%) operate nationally. The remaining organizations indicated operating regionally (10.3%) or locally (11.8%). Contributing to this result is the international activity focus of NGOs (77.3%), whilst the projects listed on the PSSE indicated a national (41.7%) or local (29.2%) base.

Regarding the public(s) whom the organizations seek to serve, we observed that the responding institutions cover almost all social areas. As Table 2 indicates, the most cited segment deals with socially excluded people (44.1%), followed by people with financial needs (32.4%) and other organizations or associations (30.9%). To a lesser extent, we found that organizations devote their activity to the elderly (23.5%), ethnic minorities (19.1%), or people with physical disabilities or special needs (16.2%). There are not significant variances among the organization types (PSSE or NGOs) regarding the target audience.

The item 'other' was reported by a significant number of organizations, where work with children and/or young people (12 organizations) or the entire population (5) stands out.

Organizations tend to concentrate their activity on a limited number of social issues, whereas almost half of them (45.6%) indicated working exclusively in one of the categories surveyed, while only around a quarter operated in more than three.

Regarding the aims of the activities developed, it is worth noting that only one third of the organizations (32.4%) acted in areas that were not served by the public or the business sector. The vast majority (79.4%) performed activities in areas in which there was already some intervention, complementing the

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Table 2. Sample characteristics (authors` own survey)

Characteristics	Total		NGOs		PSSE	
	N (68)	%	N (44)	%	N (24)	%
Age						
1-3 years	5	7,4%	3	6,8%	2	8,3%
3-10 years	32	47,1%	25	56,8%	7	29,2%
>10 years	31	45,6%	16	36,4%	15	62,5%
Geographical Location						
North	10	14,7%	8	18,2%	2	8,3%
Center	10	14,7%	8	18,2%	2	8,3%
Lisbon	36	52,9%	22	50,0%	14	58,3%
Alentejo	5	7,4%	2	4,5%	3	12,5%
Algarve	1	1,5%	1	2,3%	0	0,0%
Islands	1	1,5%	0	0,0%	1	4,2%
Various	5	7,4%	3	6,8%	2	8,3%
Activity Scope						
Local	8	11,8%	1	2,3%	7	29,2%
Regional	7	10,3%	3	6,8%	4	16,7%
National	16	23,5%	6	13,6%	10	41,7%
International	37	54,4%	34	77,3%	3	12,5%
Target Audience						
Older people	16	23,5%	11	25,0%	5	20,8%
People with physical disabilities and/or special needs	11	16,2%	4	9,1%	7	29,2%
People from minority ethnic communities	13	19,1%	9	20,5%	4	16,7%
People with particular financial needs	22	32,4%	17	38,6%	5	20,8%
Refugees	6	8,8%	6	13,6%	0	0,0%
People suffering from addictions	4	5,9%	2	4,5%	2	8,3%
Socially excluded/vulnerable people	30	44,1%	21	47,7%	9	37,5%
Animals	0	0,0%	0	0,0%	0	0,0%
Local organizations and associations	21	30,9%	17	38,6%	4	16,7%
Others	33	48,5%	22	50,0%	11	45,8%
Aims						
To complete services supplied by the markets	21	30.9%	11	25.0%	10	41.7%
To complete services supplied by the public sector	33	48.5%	21	47.7%	12	50.0%
To compete with other providers	7	10.3%	4	9.1%	3	12.5%
To compete with the public sector	2	2.9%	2	4.5%	0	0.0%
To perform an activity that is not provided by the public or the private sectors	22	32.4%	16	36.4%	6	25.0%

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services supplied by the public sector (48.5%) or by other organizations (30.9%). Only a small proportion of them (10.3%) indicated competing with other social organizations.

The online questionnaires included a filter question, which allowed us to identify the responses provided by persons involved in the launching of the social ventures (45 cases, out of a total of 68). Only these respondents were asked about the influence of the external context in the process of initiating the social venture.

Results

The main goal of this research is to assess the extent to which individuals' perception of the favourability of the entrepreneurial context has an influence on the launching of a new social venture (Table 3).

From the variables in the analysis, the one found to have the greatest importance in the decision-making process was the existence of support and advice in this type of organization (average of 2.7 on a scale of 1 to 5), identified as having a high or very high importance by 24.4% of the respondents. The following most important variables, with an average of 2.6, *ex-aequo*, were: the existence of a favourable legal regime; the existence of a favourable tax regime; and facility in obtaining information to start the project. Finally, the variable identified as less valued was the facility and simplicity of administrative procedures for launching the project, with an average of 2.5.

Table 3 also shows that the average score of each variable is always below the neutral point of the scale (point 3 in the graphic scale of 5 points). This suggests that these factors are considered in the decision-making process for the creation of a new social venture, even though they are not assigned as critical for the implementation of the entrepreneurial intention.

To capture the structure of the data collected, we used principal components analysis (PCA), applying an orthogonal rotation through the varimax method (Table 4). The evaluation of the determinant of the

Table 3. The relevance of different external variables (authors` own survey)

	(1) [a]	**(2) [a]**	**(3) [a]**	**(4) [a]**	**(5) [a]**	**Average**	**Standard Deviation**	**25 Percentile**	**50 Percentile**	**75 Percentile**
Existence of support and advice on this type of organizations.	17,8%	26,7%	31,1%	13,3%	11,1%	2,7	1,232	1,2	2,0	3,0
Existence of a favourable legal regime for this type of organizations.	26,7%	22,2%	26,7%	11,1%	13,3%	2,6	1,353	1,4	1,0	3,0
Existence of a favourable tax regime for this type of organizations.	31,1%	17,8%	24,4%	13,3%	13,3%	2,6	1,405	1,4	1,0	3,0
Facility in obtaining information to start the project.	22,2%	24,4%	31,1%	13,3%	8,9%	2,6	1,23	1,2	2,0	3,0
Facility and simplicity of administrative procedures for launching the project.	28,9%	22,2%	28,9%	11,1%	8,9%	2,5	1,272	1,3	1,0	2,0

Notes: N = 45; Scale: (1) Very low importance; (2) Low importance; (3) Null importance; (4); High importance; (5) Very high importance.

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Table 4. The relevance of a favourable external context (authors` own survey)

Component	Principal Components Analysis							Student's t-Test [b]	
	Factor Loading t [a]	Average	Standard Deviation	Eigenvalues	% Var.	Cumul. %	Cronbach's Alpha	t	p-Value
Component 1: Favourability of the entrepreneurial ecosystem		**2,6**	**1,11**	**4,0**	**37,7**	**37,7**	**0,91**	-2,321	0,025
Existence of a favourable tax regime	0,895	2,6	1,4						
Existence of a favourable legal regime	0,893	2,6	1,4						
Facility of obtaining information to start the project	0,862	2,6	1,2						
Existence of support and advice	0,808	2,7	1,2						
Facility and simplicity of administrative procedures for launching the project	0,761	2,5	1,3						
Component 2: Perception of personal capabilities		**3,8**	**0,95**	**2,5**	**27,0**	**64,7**	**0,79**	5,709	0,000
To have the ability to view risks as opportunities	0,856	3,6	1,2						
To be able of identifying a social necessity	0,829	3,8	1,1						
To have competence and experience needed to start the project	0,736	4,0	1,0						

Extraction method: principal component analysis; Rotation method: varimax, with Kaiser normalization; KMO measure = 0,756;
Bartlett's sphericity test: p= 0,000.
a. Rotation converged after 3 iterations.
b. Test value =3, α=0,05;

matrix of correlations, the Bartlett's test of sphericity and Kaiser-Meyer-Olkin measure of sampling adequacy (KMO) confirmed that the data were suitable for implementing PCA (Field, 2005; Maroco, 2007).

In order to ensure statistical significance (for $\alpha = 0.05$) for building the principal components, we only considered variables with factor loading equal to or above 0.7 (Hair, Anderson, Tatham & Black, 1998). Following Kaiser criteria (Hair et al., 1998; Field, 2005), we extracted two factors. The first component accounts for 37.7% of the variability of the total original variables and comprises those concerning the relevance of the favourability of the external ecosystem and received the designation of "favourability of the entrepreneurial context". The data reduction process also led to the extraction of a component related to the perception of ownership of personal skills. This latter factor will not be analysed in this paper, although from a theoretical point of view the relevance of the entrepreneurial context should be considered within the framework of the individual's perception of ownership of personal skills and feasibility of the social venture.

The questionnaire shows a very good internal consistency, since Cronbach's alpha (α) equals 0.91 and 0.79, respectively, suggesting a very good reliability of test scores (Field, 2005; Hair et al., 1998). Next, we constructed factor scores based on the weighted sum score method, in order to ensure that items with the highest loadings on the factor would have the largest effect on the factor score (DiStefano, Zhu & Mîndrilă, 2009; Field, 2005) (Table 4). As the individual variables analysis suggested, the presence of a favourable entrepreneurial ecosystem has a low relevance in the individuals' decision-making process (average of 2.6, lower than the scale neutral point).

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By using upper quartile analysis, we found that three quarters of the respondents attached an importance of 3.2 or below to the entrepreneurial environment. In addition, frequency analysis (Table 5) reveals that the presence of a favourable entrepreneurial context is considered important or very important in the decision-making process only by a small proportion of the respondents (35%). The majority of the respondents (60%) considered this factor to have a low or very low importance (negative point of the scale) in the launching of a new social venture.

When analysing the activities social organizations pursue, we have considered three types of organizations: (i) organizations that complete services supplied by other providers; (ii) organizations that compete with other providers; and (iii) organizations that perform activities in areas not addressed at all by other entities. We observe that individuals who have founded organizations that compete with other entities similarly rate the relevance of having a favourable entrepreneurial context and possessing appropriate personal skills, since both are considered important (average of 3.4 and 3.5, respectively). For the other two types of organizations in the analysis, we observe a very different scenario. In these cases, respondents attach a high relevance to possessing the required personal competences when deciding to start a social venture of low importance (below the neutral point of the scale) to the entrepreneurial ecosystem.

These findings suggest that organizations acting in areas where there are already other social organizations are more sensitive than others are to the level of favourability of the external environment. Differently, social entrepreneurs who have decided to start a venture in a new area (not served by other entities), support their decision mainly on the feeling they have the required personal skills to launch the new social venture. The same result is observed in individuals who were responsible for starting a social organization aiming to complete services supplied by other institutions.

To test the hypothesis that the presence of a favourable entrepreneurial ecosystem influences positively the establishment of a social venture in Portugal (H1), we used the student's *t* test (one-sample t test). Based on the Central Limit Theorem ($n \geq 30$), it is not necessary to verify the normal distribution of data to use this t test (Martinez & Ferreira, 2008).

By testing the neutral value of 3 (in a scale of 1 to 5) (presented in Table 3), the *t* test indicates that the entrepreneur's perception of the favourability of the external context has a low effect on the adoption of a social entrepreneurial behaviour. The test also shows that the decision to launch the social venture was not made as a result of the individual's perception that the entrepreneurial environment was favourable for the development of the organization. Taking a significance level of 5%, the statistical test does not reject the null hypothesis that the existence of a favourable entrepreneurial ecosystem has a neutral influence on the creation of a social venture. Therefore, the available empirical evidence allows us to conclude that the hypothesis that the presence of a favourable entrepreneurial environment positively influences the establishment of a new social venture in Portugal (H1) was not validated.

Table 5. The relevance attached to a favourable external context in accordance with the activities pursued by social organization (authors` own survey)

	Favourability of the External Entrepreneurial Ecosystem	**Perception of Personal Capabilities**
To complete services supplied by other providers	2,4	3,9
To compete with other providers	3,4	3,5
perform activities in areas not addressed by other entities	2,6	3,7

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The data analysis revealed that the (favourable) entrepreneurial ecosystem has very little weight in the decision-making process related to the launching of a new social venture. Further, the results suggest that the social entrepreneur is not deterred from acting because he or she considers the ecosystem to be unfavourable. As such, our results are consistent with the institutional void theory and with the approaches of those researchers who claim that new social ventures are created in response to the weakness or inability of existing institutions in meeting current social needs (Estrin et al., 2011, 2013; Mair, 2010; Terjesen et al., 2012).

The empirical results obtained also are in line with the pattern found by Leahy and Villeneuve-Smith (2009) and by Villeneuve-Smith and Chung (2013) with regards to a strong concentration of social entrepreneurship ventures in disadvantaged communities, since it is not because social entrepreneurs perceive the institutional environment as inhospitable that they are discouraged to go ahead with the venture.

With regard to the other dimensions that constitute the perception of feasibility of the social venture, it should be noted that these are considered more important in the decision-making process than the perception of the existence of a favourable entrepreneurial ecosystem (Table 5). The student's t-test analysis indicates that, unlike what occurs in the presence of a favourable entrepreneurial environment, the perception of desirability of the venture and the ownership of specific personal skills have a statistically significant positive effect on the creation of new social ventures.

Meanwhile, the results regarding the neutral influence of the presence of an entrepreneurial context (favourable or unfavourable) on the decision to create a new social venture are, apparently, inconsistent with those of other researchers, who have identified a negative relationship between the perception of risk and the decision to start a new social project (Harding & Cowling, 2006; Hoogendoorn, Pennings & Thurik, 2010; Hoogendoorn, Zwan & Thurik, 2011, Smith, Stevens & Barr, 2010). In addition to the financial risks associated with the failure, social entrepreneurs are concerned with the stigma resulting from their personal failure, namely the risks in terms of reputation, honesty and loss of credibility in their personal relational networks, which are, according to Hoogendoorn et al. (2011), important elements for social entrepreneurs. One possible explanation for this apparent paradox is related to the (relevant) role of the perception of desirability of the venture and the ownership of personal capacities in the decision-making process.

The analysis undertaken indicates that the perception of feasibility is positively related to the creation of social organizations. This fact is clearly influenced by the perception of desirability of the venture and by the possession of personal capacities, as both have a positive effect on the implementation of new social projects. Also, the perception of the presence of a favourable entrepreneurial ecosystem has a reduced moderator effect on the launch of new social entrepreneurial initiatives.

The findings suggest that when we are analysing the decision to start a social venture, what really matters is individuals' entrepreneurial empowerment, rather than the favourability of the entrepreneurial ecosystem. Thus, even in the presence of an adverse entrepreneurial context, if they perceive they have appropriate competences, they will not be deterred from acting. Another critical enabler is the perceived social impact their actions will generate on the target audience.

To test the hypothesis that the launching of all types of new social ventures is independent of the favourability of the entrepreneurial environment (H2), we have used the Mann-Whitney U-test (Table 6). The test results do not allow us to reject the hypothesis that social entrepreneurs score factors affecting the decision to start a venture differently, in accordance with the activities pursued by a social organization.

The only exception is observed in social ventures that complete the services supplied by other providers, which rank the relevance attached to the favourability of the entrepreneurial context in a very

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Table 6. Mann–Whitney U test for comparing the relevance attached to a favourable entrepreneurial context in different kinds of social ventures (authors` own survey)

Organization Type	Favourability of the External Entrepreneurial Ecosystem		Perception of Personal Capabilities	
	U Statistic	Sig.	U Statistic	Sig.
To complete services supplied by other providers	328.000	0,049	193.500	0,250
To compete with other providers	32.000	0,158	72.000	0,681
Perform activities in areas not addressed by other entities	234.000	0,844	284.500	0,335

different way. In fact, as descriptive statistics have already suggested, such social entrepreneurs have assigned a lower relevance to this variable (favourability of the entrepreneurial ecosystem) when they have decided to implement social entrepreneurial intention.

This result reveals that for the creation of more innovative social ventures, which escape from the traditional logic pursued by other providers, the personal characteristics of social entrepreneurs are critical. For the launch of organizations characterized by greater competitive intensity, in turn, the favourability of the entrepreneurial ecosystem is seen as equally relevant in the decision-making process. Since the organization will develop its activities in areas already exploited by other players, entrepreneurs' creativity and innovation will not be enough to encourage them to start a new venture. In this case, the perception that a favourable entrepreneurial ecosystem exists will also be important as they could carry on social activities in a sustainable way, partly because other organizations might already have a competitive advantage.

Hence, we can argue that social entrepreneurs need to be particularly innovative in order to be encouraged to act, regardless of the degree of favourability of the entrepreneurial ecosystem and the unfavourable entrepreneurial context. However, from the angle of territorial innovation models, it is critical to understand the extent to which territory could foster and strengthen social innovation, promoting the development of social entrepreneurship initiatives even in ecosystems considered hostile.

The empirical results support the importance of territory for social entrepreneurship. Specifically, as underlined by Porter (1998), the development of clusters in the social area, comprising closely interconnected entities and long-term strategic partnerships, could be fundamental to the flourishing of the sector. Beyond that, collective learning, advocated by the concept of regional innovation systems and learning regions, will be important for the development of entrepreneurial skills and appropriate competences for such an idiosyncratic field as social entrepreneurship. As Moulaert et al. (2013) argued, social innovation is leveraged by the pressures provoked by social changes. Hence, regions endowed with a less favourable ecosystem could be more conducive to social innovation, even if pursued on a local scale.

SOLUTIONS AND RECOMMENDATIONS

Social entrepreneurship is a way of providing an answer to social problems based on searching for an innovative solution to well-known complex social problems, aiming to give them a sustainable answer. Various researchers have underscore the potential of social entrepreneurship in terms of employment creation (Alvord et al., 2004), social inclusion (Friedman & Desivilya, 2010) and sustainable regional

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development (Azmat, 2013; Borzaga & Galera, 2012; Friedman & Desivilya, 2010; Lambru, 2012; McAnany, 2012; Parente et al., 2012a; Quintão, 2004).

Most countries have a range of policies to promote the creation of new social ventures. The key forms of support are typically information and advice for new entrepreneurs (Bennett, 2012). According to our empirical results, it is worthwhile to question whether these are the most effective responses to the Portuguese case. The results obtained show that they are not powerful drivers, since the presence of a favourable entrepreneurial environment is not confirmed to have a positive effect on individuals' decisions.

The neutrality of the entrepreneurial ecosystem means that individuals are prone to develop an entrepreneurial activity regardless of entrepreneurial ecosystem characteristics.

The investigation pursued revealed that to make individuals feel they are capable of engaging in an entrepreneurial activity, they need to possess a range of specific expertise, rather than a perceived level of favourability of the entrepreneurial context. Thus, the research has a very important practical implication. Public entities will be more effective in conceiving policies aimed at supporting social entrepreneurship if they are focused on the development of citizens' entrepreneurial competences.

Capacity building, through the provision of specific training courses in schools, colleges and universities, could play a critical role in stimulating social entrepreneurship.

Universities are also scarce in their offerings of specific programs in these areas. We also suggest the relevance of public institutions accurately mapping the competences individuals possess, and their perceptions about holding the required skills, to pursue social initiatives. These programs will enable individuals concerned with social causes to develop appropriate skills and support the implementation of their social entrepreneurial intentions. After training these key skills, people will feel more confident to start a social venture and manage the social venture more efficiently.

The empirical work indicates that this fact will be particularly critical for the constitution of more innovative social ventures. Complex social problems societies are currently facing demand the development of particularly innovative intervention models. Social entrepreneurs could perform a key role in the development of an innovative ecosystem, suggesting the relevance of bottom-up processes in the social entrepreneurship field.

On the other hand, stimuli the government provides to drive innovation could enhance the development of new social ventures, since this will reinforce the entrepreneurial ecosystem, which means individuals will be even more prone to act as social entrepreneurs. In this sense, the role of public entities will contribute to the structure of an innovative local system, compatible with the interests of the social sector. In addition, the public's role should also optimize the way territory is managed to stimulate the behaviour of individuals who intend to be social entrepreneurs.

Even if, in a certain sense, public authorities admit their incapacity to deal with the social problems that need to be solved, promoting empowerment programs, fostering the development of entrepreneurial competences and strengthening innovation networking. Nonetheless, this could be a first move to engage civil society in conceiving new responses to persistent social problems. Since social innovation is closely interlinked with the stakeholder ecosystem, public entities when working to promote the reinforcement of territorial networks could contributing to foster the development of social ventures initiatives.

Governments can also promote the emergence of new social ventures by removing legal barriers and encouraging social entrepreneurs to take an active role in addressing social problems or actively pursuing broader reforms to develop a friendly environment for social entrepreneurship. In this regard, government interventions should maintain minimum thresholds for the social organization to achieve efficiency and scale.

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Moreover, social entrepreneurship is an effective instrument for stimulating regions' entrepreneurial ecosystems, primarily because social entrepreneurs often work in dysfunctional areas in which business ventures have no economic interest in starting their activities (Hart, Laville & Cattani, 2010). As claimed by institutional void theory, social entrepreneurship initiatives arise as a response to the incapacity of institutions to solve existing (social) problems (Estrin, Mickiewicz & Stephan, 2011; Nissan, Castaño & Carrasco, 2012; Roy, Brumagim & Goll, 2014). In addition, appropriate public policies designed to support social entrepreneurship could achieve a broader impact on the reinforcement of the entrepreneurial ecosystem, due to the spill over effects social entrepreneurship could produce on (economic) entrepreneurial activity (Estrin et al., 2011; 2013).

We could also mention that even assuming the favourability of the entrepreneurial ecosystem has no effect on the motivation to constitute a social organization, it could shape the day-to-day challenges they have to overcome and, accordingly, individuals' perceptions about the competences needed for facing social challenges.

FUTURE RESEARCH DIRECTIONS

This study allowed us to capture the way the external context acts on the decision to go ahead with a social venture. However, more research is needed, specifically research addressing a deeper analysis of the external constraints associated with the motivations towards the social venture. Also, some efforts could be made to evaluate the impact of the entrepreneurial ecosystem on the performance of social organizations emerging from new social ventures.

This paper suffers from some limitations, which derive from the nature of the investigation (quantitative), the sample used, and the number of questionnaires collected. However, it represents closely the emergent phenomena of the entrepreneurial social sector in Portugal. Also, qualitative research methods (such as focus groups or depth interviews) are needed as values, reasons and motivations residing at the subconscious level of the social entrepreneur could be disguised from the outer world by rationalization and other ego defences. Since the focus of the study was on actual social entrepreneurs, it could be interesting to interview potential entrepreneurs that never established a social venture to discern their reasons for not doing so.

CONCLUSION

Social entrepreneurship is an area that has been developed recently and experienced a fast growth, responding to deficits found in the provision of certain social services, either by public or private entities. Following its development, it has succeeded in capturing the interest of more and more researchers aiming to better understand the motivations behind the launching of social ventures and the capacity of organizations to give efficient answers to the social problems they try to solve.

The empirical research in this study sought to understand the influence of the external social environment on the emergence of new social ventures in Portugal. The analysis undertaken allowed us to conclude that a favourable entrepreneurial ecosystem seems to have little influence on the decision-making process related to the creation of new social ventures. Conversely, the sense individuals hold about the skills required to develop the new venture and the previous knowledge that their action will produce a

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desirable outcome have a significant weight in their decision. Therefore, the question that can be raised is whether public authorities or any kind of social institutions can drive individuals to take entrepreneurial initiatives of a social nature that allow for attacking existing problems, particularly in territories where that initiative is more scarce and therefore more needed.

The investigation reveals that the relative importance attached to a favourable entrepreneurial context is not the same for all kinds of social ventures. This relates closely to the individual factors impacting the decision to launch a social organization.

The results also confirm the critical role innovative ecosystems can play in encouraging the development of a greater number of social entrepreneurship ventures. The establishment of new social ventures, even when confronted with a hostile environment, is most probable, since social entrepreneurs perceive they have the appropriate skills to act and are dealing with more innovative social organizations.

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KEY TERMS AND DEFINITIONS

Entrepreneurial Ecosystem Approach: Approach that emphasizes the role of governmental and non-governmental institutions in creating a regulatory framework and support system for improving the activities of social entrepreneurs.

Social and Solidarity Economy: Autonomous branch of economic activity included between the public and the private sphere, composed of entities or organisations aimed at promoting the general interest of the society.

Social Entrepreneurs: Individuals inspired by a desire for social change who focus their efforts on designing, conceiving and developing an entrepreneurially social organization whose main purpose is the resolution of a social problem.

Social Entrepreneurship: Field of activity dedicated to the identification and exploration of social value-creating opportunities. This field employs innovative models and entrepreneurial practices in order to create social value in a sustainable and lasting way.

Social Innovation: Process of doing things differently in order to be able to produce higher social value.

Territorial Innovation Models: Set of theoretical approaches that discuss the role territory could perform in encouraging innovation.

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Chapter 10
On the Configuration of Crowdsourcing Projects

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ABSTRACT

Crowdsourcing is an emerging paradigm, facilitated by the ease and scale of online connectivity, which harnesses the power of the crowds to solve problems and contribute knowledge. Crowdsourcing has been tried in practice and there are several commercial general-purpose crowdsourcing platforms on the web. Although the paradigm feasibility and impact have become evident, we still lack engineering methods and principles which aid the construction of quality crowdsourcing-based solutions. One of these aspects is the compatibility between the various configuration choices of the elements of a crowdsourcing project. In a previous work, the authors surveyed the literature and extracted a taxonomy of the various features which describes each of the four pillars of crowdsourcing: the crowd, the crowdsourcer, the crowdsourced task and the crowdsourcing platform. In this paper, the authors study the inter-relations between these features when configuring a crowdsourcing project. They start with an initial template and then confirm and enhance it by an expert study which involves 37 experts who applied crowdsourcing in practice and published research results. Their study helps crowdsourcers and crowdsourcing platform developers to better understand the several peculiarities that may arise by combining these features and thus assist them in the configuration of crowdsourcing projects with more awareness.

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1. INTRODUCTION

Crowdsourcing harnesses the power, wisdom, or financial resources of usually a large, diverse group of people to solve problems that are usually impossible, difficult or time-consuming to be solved by computers. . While the crowdsourcers benefit from the typically fast and cheap solutions that crowdsourcing promises them, the crowd also gets incentivised, usually by being paid a nominal amount of money or a sort of intangible reward such as social recognition. Consequently, crowdsourcing has become available as an alternative to outsourcing and several commercial crowdsourcing platforms are now available on the web. Amazon Mechanical Turk (Buhrmester et al. 2011, Kittur et al. 2008) and Threadless (Brabham 2010, Wu et al. 2010) are examples of such platforms.

By utilising the diverse knowledge, scale and speed of the crowd, crowdsourcing has attracted several domains of study. Crowdsourcing has been used in environmental sciences (Fraternali et al. 2012, Gao et al. 2011), in medicine (Foncubierta Rodrguez & Müller 2012, Yu et al. 2012), in business and marketing (Chanal et al. 2008, Whitla 2009), in sociology (Heinzelman et al. 2011, Wexler 2011), in astronomy (Gay et al. 2014, Harvey et al. 2014), and in computer sciences (Hosseini et al. 2014b, Sherief et al. 2014). In spite of this popularity, there is still a lack of engineering approaches for crowdsourcing projects. One of the engineering challenges is the configuration of a crowdsourcing project in terms of the choices made for each of the pillars: the crowd, the crowdsourcer, the task to be solved and the platform which accommodates the project (Hosseini et al. 2014a).

In (Hosseini et al. 2014a), we proposed a taxonomy for crowdsourcing. The taxonomy was elicited by analysing 113 papers on the crowdsourcing topic which clearly defined the concept. The taxonomy discussed the four main pillars of crowdsourcing and proposed a set of inter-relations between various crowdsourcing features. These relations are mainly about the compatibility (*excludes* and *hinders*) and dependencies (*requires* and *supports*) between features. The exploration of these relations and when they apply will guide the configuration of crowdsourcing projects. That is, similar to a configuration of a software product line (Clements & Northrop 2002), they will guide the choice between features when setting up a crowdsourcing project.

The beneficiaries of the analysis and specification of these relations between features are various. The platform developers could use that as a baseline for their configuration wizard or recommendation system. Crowdsourcers will be aware of the inter-dependencies and obstacles while taking certain options. Ultimately, the quality of the crowdsourced task and the crowd experience could also improve when setting up a crowdsourcing project is informed by best practice experience.

In this paper and to get that best practice, we consolidate our initial template of the inter-relations between features proposed in (Hosseini et al. 2014a) by consulting with experts through an expert opinion study. The study included 36 experts in crowdsourcing who applied it in practice and published research results. Our analysis led to discover further relations and different views on the relations between the different pairs of features. The diversity in views and arguments is expected, given the nature of many of the features which relate to the behaviour and perception of individuals and crowds. We report on those arguments and explain the various views. Our study enriches the body of knowledge on crowdsourcing with a guide to configure and set up a crowdsourcing project. It also encourages further research to refine and extend our findings.

The rest of the paper is structured as follows. In Section 2, we provide the background of our study and provide the crowdsourcing taxonomy. In Section 3, we explain the methodology we have used to

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conduct our study. In Section 4, we present the results of this study and reflect on these obtained results. In Section 5, we present our discussion and also discuss the threats to the validity of our paper. In Section 6, we conclude our paper and describe the future work.

2. BACKGROUND: CROWDSOURCING TAXONOMY

In our previous paper (Hosseini et al. 2014a), we proposed a taxonomy for crowdsourcing. The taxonomy was extracted by analysing 113 papers which gave clear definitions of the concept since it was first coined in 2006 until 2014. We built the taxonomy around four pillars which should be described in a typical crowdsourcing project:

- The crowdsourcer which represents the entity which owns the business task and would like to get the job or the solution done by the crowd
- The crowd which represents the people who participate in the problem solving and doing the tasks for the crowdsourcer, and typically get certain incentives
- The crowdsourced task which is the piece of work to be done by the crowd for the crowdsourcer
- The crowdsourcing platform which provides a medium for the interactions between the crowd and the crowdsourcer and for setting up the task and providing the solution.

For every pillar, we identified a set of features, which we extracted from the literature on crowdsourcing, namely from the definitions given to the concept. A full description of this taxonomy can be found on (Hosseini et al. 2014a). Table 1 summarises the features of the first pillar, the *crowd* to be recruited, and short descriptions for every feature. The crowd is typically described through five main features: diversity, anonymity or unknown-ness, largeness, randomness or undefined-ness, and suitability. These features can have their own sub-features as shown in the table.

Table 2 summarises the features of the second pillar of crowdsourcing, the *crowdsourcer*, and short descriptions for every feature. The crowdsourcers are characterised through four main features: the incentives provision mechanism they adopt, whether they recruit the crowd through open call provision, ethicality provision and privacy provision. These features can have their own sub-features, which are also summarised in the table.

Table 3 summarises the features of the third pillar of crowdsourcing, the crowdsourced *task*, and short descriptions for every feature. A task can be characterised through eight main features: having a traditional operation alternative, being an outsourcing task, modularity of the task, complexity of the task, solvability of the task, automation characteristics of the task, being mainly user-driven, and contribution type of the task. These features can have their own sub-features, which are also extracted from the literature.

Table 4 summarises the characteristics of the fourth pillar of crowdsourcing, the crowdsourcing *platform*, and short descriptions for every characteristic. A crowdsourcing platform would typically need to offer four main facilities; facilities that deal with the crowd, facilities that deal with the crowdsourcer, facilities that deal with the crowdsourced task, and facilities that are related to the platform, itself. The sub-features of these four main features are also listed in the same table.

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Table 1. Features of the crowd

The Crowd Features	Short Descriptions
1. Diversity	*The state or quality of being different or varied*
1.1. Spatial Diversity	*Diversity in location (geographical, department, etc.)*
1.2. Gender Diversity	*Diversity in gender (male or female)*
1.3. Age Diversity	*Diversity in age*
1.4. Expertise Diversity	*Diversity in skills, knowledge, or proficiency*
2. Unknown-ness	*The condition or fact of being anonymous*
2.1. Not Known to Crowdsourcer	*Being anonymous to the crowdsourcer*
2.2. Not Known to Each Other	*Being anonymous to other individuals in the crowd*
3. Largeness	*Consisting of big numbers*
3.1. Number Fulfils the Task	*Enough individuals to solve the problem*
3.2. Number Not Abundant	*Enough individuals to avoid confusion or management issues*
4. Undefined-ness	*Not being determined, random*
5. Suitability	*Suiting a given purpose, occasion, or condition*
5.1. Competence	*Ability and expertise in performing a task*
5.2. Collaboration	*Working together with other individuals*
5.3. Volunteering	*Offering capabilities to perform a task*
5.4. Motivation	*The inspiration to perform a task*
5.4.1. Mental Satisfaction	*Joy of performing a task*
5.4.2. Self-Esteem	*Feeling proud and confident*
5.4.3. Personal Skill Development	*Developing individual's abilities*
5.4.4. Knowledge Sharing	*Distributing the personal information*
5.4.5. Love of Community	*Caring about one's community*

Table 2. Features of the crowdsourcer

The Crowdsourcer Features	Short Descriptions
1. Incentives Provision	*Providing stimulation for the participants*
1.1. Financial Incentives	*Providing monetary incentives*
1.2. Social Incentives	*Providing community recognition*
1.3. Entertainment Incentives	*Providing gamified and enjoyable experience*
2. Open Call	*Providing an open audition for participation*
3. Ethicality Provision	*Providing and following ethical practices*
3.1. Opt-out Procedure	*Providing a method for participants to opt out*
3.2. Feedback to Crowd	*Providing feedback about participants' performance and results*
3.3. No Harm to Crowd	*Providing a physically and mentally safe environment*
4. Privacy Provision	*Providing privacy options for participants*

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Table 3. Features of the crowdsourcing task

The Crowdsourced Task	Short Descriptions
1. Traditional operation	*How the crowdsourcing task is conventionally performed*
1.1. In-house	*Task performed by employees*
1.2. Outsourced	*Task performed by outside organisations*
2. Outsourcing Task	*The true nature of a crowdsourced task is that it can be outsourced*
3. Modularity	*How task can be broken up into smaller tasks*
3.1. Atomic Tasks	*Task is indivisible*
3.2. Divisible to Micro Tasks	*Task can be divided into micro tasks*
4. Complexity	*The complexity measurements of the task*
4.1. Simple Tasks	*Task is simple and straightforward*
4.2. Complex Tasks	*Task is difficult and not straightforward*
5. Solvability	*How task is solved*
5.1. Simple for Humans	*Task is simple enough to be solved by individuals*
5.2. Complex for Computers	*Task is too complicated to be solved by computers*
6. Automation Characteristics	*How task can be automated*
6.1. Difficult to Automate	*Task is difficult (if not impossible) to automate*
6.2. Expensive to Automate	*Task is expensive to automate*
7. User-driven	*The individuals' perception of the task*
7.1. Problem Solving	*Task is a problem to be solved*
7.2. Innovation	*Task needs individual's innovation*
7.3.Co-creation	*Task needs individuals collaboration in production*
8. Contribution Type	*How task can be performed*
8.1. Individual Contribution	*Individuals perform on their own to reach a solution*
8.2. Collaborative Contribution	*Individuals need to collaborate to reach a solution*

3. CONFIGURING CROWDSOURCING PROJECTS: METHODOLOGY

In Section 2, we listed the various features which describe the four pillars of a crowdsourcing project. All these features may not exist in one project, and sometimes it is not even possible to have some of them together in the same project due to incompatibility reasons. The configuration problem, mainly reliant on the interdependencies between features, is well-known in the software product lines engineering literature (van der Linden et al. 2007). The extracted taxonomy is a form of feature model (Lee et al. 2002) without those inter-relations between the features. We observe the choice of certain features could exclude other features or, instead, it may make them required. For example, *Privacy Provision*, a crowdsourcer feature, requires *Hide Results from Others*, which is a platform facility. In another example, *Provide Authentication*, a platform facility, excludes *Not Known to Crowdsourcer*, which is a crowd feature. This paper is to identify these inter-dependencies so that it aids the design of future recommendations tools for configuring crowdsourcing projects.

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Table 4. Facilities of the crowdsourcing platform

The Crowdsourcing Platform Facilities	Short Descriptions
1. Crowd-related Interactions	*Facilities in the platform that relate to the crowd*
1.1. Provide Enrolment	*Means to enrol the individuals*
1.2. Provide Authentication	*Means to authenticate the individuals*
1.3. Provide Skill Declaration	*Means to help the individuals declare their skills*
1.4. Provide Task Assignment	*Means to assign tasks to the right individuals*
1.5. Provide Assistance	*Means to help the individuals during the performing of the task*
1.6. Provide Result Submission	*Means to help the individuals to send their results*
1.7. Coordinate Crowd	*Means to coordinate performers in a certain task*
1.8. Supervise Crowd	*Means to supervise individuals during their performance*
1.9. Provide Feedback Loops	*Means to give feedback to individuals about their performance and about the results*
2. Crowdsourcer-related Interactions	*Facilities in the platform that relate to the crowdsourcer*
2.1. Provide Enrolment	*Means to enrol the crowdsourcers*
2.2. Provide Authentication	*Means to authenticate the crowdsourcers*
2.3. Provide Task Broadcast	*Means to broadcast the task to the right individuals*
2.4. Provide Assistance	*Means to help the crowdsourcers for announcing the task*
2.5. Provide Time Negotiation	*Means to help crowdsourcers negotiate time requirements with the individuals*
2.6. Provide Price Negotiation	*Means to help crowdsourcers negotiate performance prices with the individuals*
2.7. Provide Result Verification	*Means to verify whether submitted results meet the needs of crowdsourcers*
2.8. Provide Feedback Loops	*Means to give feedback to crowdsourcers about individuals' performances*
3. Task-related Facilities	*Facilities in the platform that relate to the task*
3.1. Aggregate Results	*Means to collect and unify submitted results*
3.2. Hide Results from Others	*Means to hide individuals' results from each other for privacy reasons*
3.3. Store History of Completed Tasks	*Means to keep a history of the completed tasks and related information (such as who completed them, the spent time, etc.)*
3.4. Provide Quality Threshold	*Means to guarantee the required quality of results*
3.5. Provide Quantity Threshold	*Means to guarantee the required number of responses*
4. Platform-related Facilities	*Facilities in the platform that relate to the platform itself*
4.1. Online Environment	*Means to keep the platform online and accessible to individuals*
4.2. Manage Platform Misuse	*Means to report if there are instances of platform misuse*
4.3. Provide Ease of Use	*Means to keep the platform simple to use*
4.4. Provide Attraction	*Means to keep the platform attractive to use*
4.5. Provide Interaction	*Means to keep the platform interactive*
4.6. Provide Payment Mechanism	*Means to enable crowdsourcers to pay individuals in their preferred way*

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3.1. Inter-relations Ontology

Our specification of the inter-relations between crowdsourcing features is meant to help crowdsourcing platform developers in setting crowdsourcing projects correctly. This does not only mean the quality of outcome and the technical correctness but also the sustainability and reputability of the project given the heavy human-related elements in crowdsourcing projects.

The two popular relations in Feature Models (Kang et al. 1990, Kang et al. 1998) which express these inter-dependencies are *requires* and *excludes*. This does not suffice in our case. Since crowdsourcing, analysed via the taxonomy proposed in Section 2, includes social features which typically have a fuzzy nature and relates to human perception and judgement, we need a softer version of each of these two deterministic relations. To accommodate this need and make the configuration process even more informed, we also introduced two more relations to describe these inter-dependencies, *supports* and *hinders*. The semantics of our set of inter-relations between features are as follows:

- **X Requires Y:** X cannot exist or function without Y.
- **X Excludes Y:** X can only exist or function if the Y does not exist.
- **X Supports Y:** The existence of X facilitates the functionality or quality of Y.
- **X Hinders Y:** The existence of X obstructs the functionality or quality of Y.

We also define two more combined relations, the *inverse* relation where experts choose both *hinders* and *excludes*, and the *coexist* relation where they choose both *supports* and *requires*.

3.2. Inter-relations Initial Template

We analysed the four taxonomies of features described in Section 2 to identify inter-relations between them. This identification was informed by the literature from which we extracted the taxonomy. Typically, each paper in the collection of 113 papers had certain assumptions about the core features of crowdsourcing and the optional and alternative features. When applying the definition on case studies, the choice amongst those optional and alternative features was based on a sort of argument and then discussed in light of the results. We also used factual dependencies to identify those relations, i.e., dependencies which are based on sound argument. In all cases, we considered our identification as an initial template and sought to confirm and enhance it through another phase by asking experts in crowdsourcing as we describe in Section 3. Our initial template can be found in (Hosseini et al. 2014a).

3.3. Expert Opinion Study

Our next step was to consult with experts on the list of inter-relations which we identified in our initial template. This is to judge the extent to which our identified relations reflect those experts' experience with crowdsourcing. To this end, we prepared an expert survey which consisted of five different crowdsourcing scenarios and a set of forty pairs of features and the possible relation between each pair. The five scenarios helped to stimulate the experts' thoughts in variations that exist among crowdsourcing tasks, and also to attract their attention to the need for careful configuration of crowdsourcing under diverse circumstances and in various settings. In this paper, we report and reflect on such crowdsourcing settings which explore the possible relations between each pair of crowdsourcing features.

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The initial set of relations between different pairs of crowdsourcing features was discussed in the previous section. This phase was introduced to further confirm or otherwise refine the relation set. To do so, we needed to consult with the experts in the field of crowdsourcing.

After the preparation of the survey questions, we started the identification of crowdsourcing experts to participate in our study. To achieve this, we used Google Scholar to track experts in crowdsourcing. We listed people who had at least three related quality publications in the field of crowdsourcing. To ensure that our survey has premium quality, we designed it as an invitation-only survey, and invited the experts by sending an invitation email.

A total of 139 experts were invited to the survey through email. The experts came from different backgrounds and domain expertise to ensure diversity. 50 experts partially completed the survey, and 36 experts completed the survey. In this paper, we only report and reflect on the opinions of those experts who completed the survey. The experts' affiliation and type of expertise in crowdsourcing are summarised in Table 5.

4. CONFIGURING CROWDSOURCING PROJECTS: RESULTS

In this section, we report and reflect on the results of the experts' opinion survey on the relations between the various features of the four pillars of crowdsourcing. We note here that this study relates only to one-to-one relations, while there could be still some grouping to discover in future studies. The analysis is based on the experts' choices of the relations and also the comments they gave to explain that. We emphasise here that we have reported on experts' opinions, believing that all experts' opinions are valid, and we advocate that even minorities could reflect particular cases which still need to be considered. Thus, we do not interpret that as a disagreement among experts but rather as an indicator of the peculiarity of that relation. We asked the experts to choose the relation which could be stronger in their opinion. So their disagreements with other experts show their differences in their evaluation of the strength of the relation.

Obviously, each of the concepts and features studied in this paper could be further refined to more subtle concepts and facets. Our paper took a pragmatic approach to that from the beginning, i.e. we extracted our taxonomy from the literature, and researchers and studies in crowdsourcing seem to have developed a common understanding of the meanings of these concepts. Our review of 113 papers on crowdsourcing to come up with the features and choosing participants who researched the topic in the survey enabled such consistency with the common interpretation even though some features are fuzzy by nature and hard to quantify and define in a crisp manner.

Table 5. Summary of experts' information

Types of Expertise in Crowdsourcing		Major Expertise in Crowdsourcing
Academia Industry Both	86.5% 2.7% 10.8%	Social sensing, Crowdfunding, Citizen Science Project, Crowdsourcing for multimedia quality assessment, Trust and privacy in crowd-enhanced systems, Structured volunteer crowdsourcing, Quality assurance in crowdsourcing, Micro tasking platforms

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4.1. Relations of Crowd Features with Other Features

In this section, we report and reflect on the relations which are driven by the crowd features. The crowd features depict what choices in the crowd are preferred in their interaction with the crowdsourcer, how these features influence the crowdsourced task, and how they may change or alter platform facilities. Mainly, these features are supposed to entail other features in the other three pillars and reduce the space of variability of their possible configurations. The list of relations between crowd features and other features are as follows:

- **Crowd Unknown-ness Versus Social Incentives (Inverse, No Relation):** The first view advocated an inverse relation between anonymity of the crowd and social incentives. The obvious reason is that social incentives are based on recognition by the community, and providing such incentives will be impossible when an individual's real identity is not revealed. The other view saw no relation between the two features. This was motivated by the fact that some people enjoy being helpful to the community and being recognised by their usernames instead of their real identities. Within the same view, some experts did not even believe in social incentives all together, as crowdsourcing is usually seen as a business model which should utilise tangible and monetary incentives.
- **Crowd Unknown-ness Versus Crowd Collaboration and Collaborative Contribution (Inverse, No Relation, Supports):** The first view supported that the anonymity of the crowd excludes crowd collaboration and collaborative contribution. The reason for such an assumption was that an individual's identity is needed to establish a trust relation which is a baseline for collaboration. The second view identified no relation between these features. This view was assumed because some experts believed that unlike real, offline environments, individuals in the crowd can remain anonymous and still cooperate with each other to solve a problem or crowdfund a business. Interestingly, some of the experts also identified a *supports* relation between these features. It can be argued that anonymity does not always reversely affect the collaboration. In other words, collaboration may decrease if you know who you are collaborating with, since you may not want to collaborate with certain people, and that anonymity may ease you of some pressures that you would feel otherwise (Chester & Gwynne 1998). Indeed, when collaborating for sensitive tasks which require revealing personal views anonymity may be a requirement of the crowd.
- **Crowd Largeness Versus Crowd Coordination (Hinders, Requires, No Relation):** The first view advocated that crowd largeness hinders the coordination of the crowd in the sense it adds complexity and extra overhead to the process. Experts also saw a *requires* relation between these two features, which could mean that when the crowd is large, it requires to be coordinated. These two views are consistent and ultimately mean that coordination becomes a requirement when the crowd is large. However, this is not always necessary as some tasks, e.g. filling in a survey, could require a large crowd but no coordination. This was the main reason why other experts could not find a direct relation between the two features as this heavily depends on the task being crowdsourced. This also shows an obvious instance of how relations between crowdsourcing features can be complicated, context-dependant, and task-dependant. Consequently, it illustrates the need for a crowdsourcing configurator which can address all these peculiarities.

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- **Crowd Largeness Versus Crowd Diversity (Supports, No Relation):** The first view was that largeness in the crowd supports crowd diversity. This was confirmed by the majority of experts. The second view advocated that there are no relations between the two, possibly because largeness does not necessarily bring diversity, especially when the crowd is homogeneous and similar-minded.
- **Crowd Competence Versus Task Complexity (The Choice of a Complex Task) And Task Solvability (Supports, No Relation):** The first view was that crowd competence supports the inclusion of complex tasks and their solvability in a crowdsourcing project. That is, a competent crowd can more efficiently address and solve complex tasks, and therefore the crowdsourcing project can include such tasks. The second view saw no relation between them, explaining that the incompetence of the crowd in the domain of the crowdsourced task may also yield an overall good solution. For example, suppose that there is a task for designing a web interface for the staff of an organisation to organise meetings on the fly. Asking those who are experts in organising meetings may result in a system that works well for them, but not necessarily for those who have not developed an advanced mind-set in how this should be done yet.
- **Crowd Competence Versus Co-Creation, Innovation and Problem Solving as Crowdsourcing Task Types (Supports, No Relation):** The first view was that crowd competence supports such crowdsourcing task types. This was obviously the case as competence is usually seen as a desirable feature in the crowd. The second view saw no relation between these features, with a similar argument to the previous one in the point above. That is, there are certain crowdsourcing co-creation or innovation tasks where competence does not play a pivotal role, and thus can be neglected as a crowd feature. This is indeed true in certain crowdsourced tasks. For example, when the choice of the new design of a certain product is crowdsourced, we might also need to know how those who are non-experts in that certain product would think of it, as they may later become potential users of that product.
- **Crowd Volunteering Versus Crowd Motivation (Coexist, No Relation):** The first view observed a coexistence relation between crowd volunteering and their motivation. This means that the experts identified a *requires* relation where motivation is needed to lead to volunteering (i.e., motivation is seen preliminary to volunteering because if you are not motivated, you will not volunteer in an activity), and a *supports* relation where motivation benefits from volunteering (i.e., volunteering is seen preliminary to motivation because volunteering encourages motivation). Other experts saw no relation between the two features, which could be because volunteering, as explained, may or may not lead to motivation after all.
- **Crowd Suitability Versus Crowd Undefined-ness (No Relation, Inverse, Supports):** The first view advocated that suitability has no relation with undefined-ness. This could be the case when a random selection of individuals would still make them appropriate for certain crowdsourced tasks, such as identifying the number of stones in a photo, or CAPTCHA solutions. The second view was that suitability of the crowd inversely affects the ability to keep them randomly chosen, since random selection of the individuals in the crowd may not lead to a group of apt individuals who are fit to the crowdsourcing activity. On the other hand, some experts stated that crowd suitability supports undefined-ness. Their interesting vision might be due to the fact that to achieve suitability, the individuals should better be randomly selected to remove any bias and preconception on the activity.

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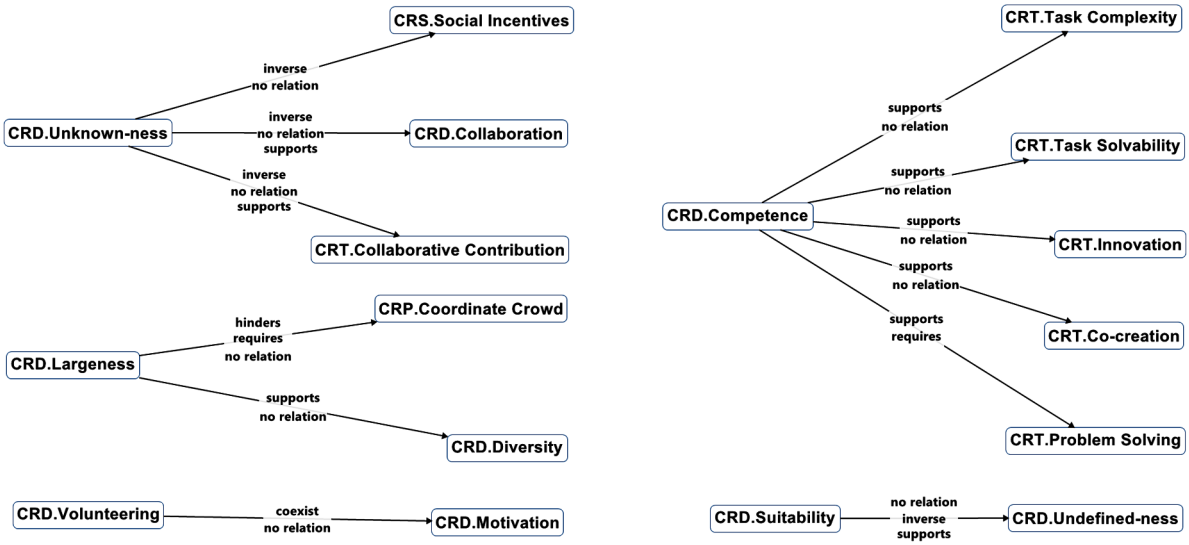
Figure 1 shows the relations between crowd features and other crowdsourcing features. We list only the top two relations voted by the experts for every pair of features, including the "no relation". Furthermore, in this figure and in the upcoming figures, we have used the following contractions: CRD for the crowd features, CRS for the crowdsourcer features, CRT for the crowdsourcing task features, and CRP for the crowdsourcing platform facilities.

4.2. Relations of Crowdsourcer Features with Other Features

In this section, we report and reflect on the relations which are driven by the crowdsourcer features. The crowdsourcer features depict what choices the crowdsourcer might take in their interaction with the crowd, how these features influence the crowdsourced task, and how they may change or alter platform facilities. Mainly, these features are supposed to entail other features in the other three pillars and reduce the space of variability of their possible configurations. The list of relations between crowdsourcer features and other features are as follows:

- **Incentives Provision Versus Crowd Motivation (Coexist):** The prominent view was that providing incentives to the crowd will motivate them. This relation has been the source of many studies (Goel et al. 2013, Kaufmann et al. 2011), does not necessarily refer to financial incentives. However, financial incentives are studied to be very strong motivation factors in crowdsourcing projects (Mason & Watts 2010, Pilz & Gewald 2013).
- **Incentives Provision Versus Crowd Largeness (Supports, No Relation):** The first view was that providing incentives to the crowd will increase the number of participants. This relation was supported by the fact that incentives attract more participants to any task, including crowdsourced tasks. The second view saw no relation between these features. This could be true in non-profit crowdsourcing platforms, where people are usually motivated intrinsically and do not place any

Figure 1. Crowd features and their relations with other crowdsourcing features



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value on extrinsic motivations and incentives. In these platforms, providing incentives would have no effect on the number of participants. One expert also stated that providing incentives will hinder the largeness of the crowd. This, in part, could happen in certain cases where incentives are limited to the best performers and the crowd may feel the possibility to gain no incentives as it is a competition, as also noticed in (Brown 2011).

- **Open Call Versus Crowd Largeness, Crowd Undefined-ness and Crowd Diversity (Coexist, No Relation):** The first view was that providing an open call by the crowdsourcer supports these crowd features and also requires these features to be present in the crowd. This means that by providing open call, the crowdsourcer will have a higher chance of recruiting more diverse, random participants. The second view was that there are no relations between these features. This might arise as providing an open call still does not guarantee any of these features. That is, a crowdsourcer may still find a low number of participants or a non-diverse group of participants, for example as a result of requiring solutions for a very complex task, and that the crowdsourcer will still have the opportunity to select certain individuals and therefore obliterate the notion of undefined-ness.
- **Open Call Versus Providing Task Broadcast Facilities (Coexist, No Relation):** One view was that providing an open call by the crowdsourcer to recruit the crowd requires and supports the crowdsourcing platform to provide task broadcast facilities. This means that crowdsourcers can broadcast their tasks in the platform for potential participants to see. It also means that open calls benefit from broadcast facilities in the platform. The rest who saw no relation believed that the broadcasting facility is an intrinsic part of any crowdsourcing platform and would not be linked to other features.
- **Opt-Out Provision Versus Crowd Motivation, Crowd Volunteering and Crowd Largeness (No Relation, Supports, Hinders):** Some experts identified no relation between opt-out provision and these crowd features. Some experts believed that providing an opt-out procedure by the crowdsourcer supports these features. Interestingly, some of the experts also identified a *hinders* relation between these pairs of features, respectively. The experts believed that providing an opt-out procedure offers a method of getting out of the crowdsourcing activity and therefore the crowd may lose their motivation to continue to the end, the crowd may no longer volunteer if they lose motivation and eagerness, and that the number of individuals in the crowd will decrease over time when they opt out and therefore crowd largeness will be negatively affected.
- **Privacy Provision Versus Crowd Unknown-ness (Coexist, Inverse, No Relation):** Some experts stated that providing privacy by the crowdsourcer supports and requires anonymity in the crowd and to the crowdsourcer. However, other experts identified an *inverse* relation between them, either choosing a *hinders* or an *excludes* relation. The reason could be that being unknown makes little sense of having privacy. Privacy concerns start when someone participates with some sort of real identity. The rest of the experts identified no relation between them, probably due to the complex nature of online privacy and online presence using nicknames, usernames, etc.
- **Privacy Provision Versus Hiding Results from Others (Coexist, No Relation):** The first view was that providing privacy by the crowdsourcer requires the platform to hide results from crowdsourcing activities of one individual from another, and also supports the platform in providing this facility. Other experts did not see a significant relation between the two, mainly because hiding results from others could make privacy provision irrelevant.
- **Feedback to Crowd Versus Crowd Motivation (Supports):** The prominent view of the experts was that providing feedback to the crowd will support their motivation. This illustrates the im-

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portance of keeping in touch with the crowd though feedback, as they will feel more valued and therefore more motivated.

Figure 2 shows the relations between crowdsourcer features and other crowdsourcing features. We list only the top two relations voted by the experts for every pair of features, including the "no relation".

4.3. Relations of Crowdsourcing Task Features with Other Features

In this section, we report and reflect on the relations which are driven by the crowdsourced task features. It depicts how the selection of certain task features can influence some features of the crowd and the crowdsourcer, and how it may change or alter platform facilities. Mainly, these features are supposed to entail other features in the other three pillars and reduce the space of variability of their possible configurations. The list of relations between crowdsourced task features and other features are as follows:

- **Complex Tasks Versus Divisible to Micro Tasks (Coexist, Inverse, No Relation):** Some of the experts specified that complex tasks support and require divisibility to micro tasks. This means that complex tasks in a crowdsourcing platform are usually broken down into micro tasks for the crowd to perform. However, some experts also identified an *inverse* relation between these features as *excludes* or *hinders* relations. This is justified by the fact that the complexity of some tasks is because they cannot be actually divided into micro tasks and they should be performed in whole. The rest of the experts saw no relation between them. Consequently, the relation between these features remains highly controversial.
- **Complex for Computer Tasks Versus Difficult to Automate Tasks (Coexist, No Relation):** One viewpoint of the experts was that tasks that are complex for computers require being difficult to automate, while these tasks also support tasks which are difficult to automate. Other experts identified no relations between these features. The reason for this divergence is that the kind of complexity which requires cognition is hard to automate, while the kind of complexity which

Figure 2. Crowdsourcer features and their relations with other crowdsourcing features

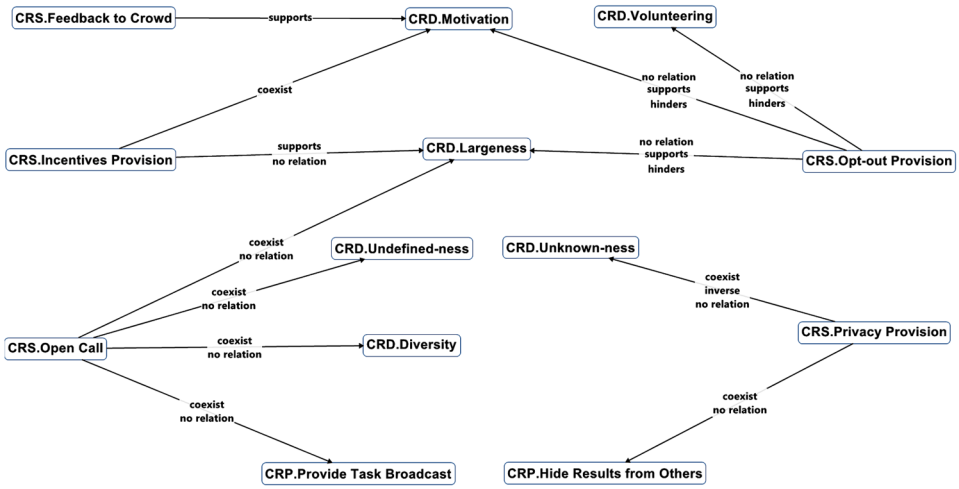

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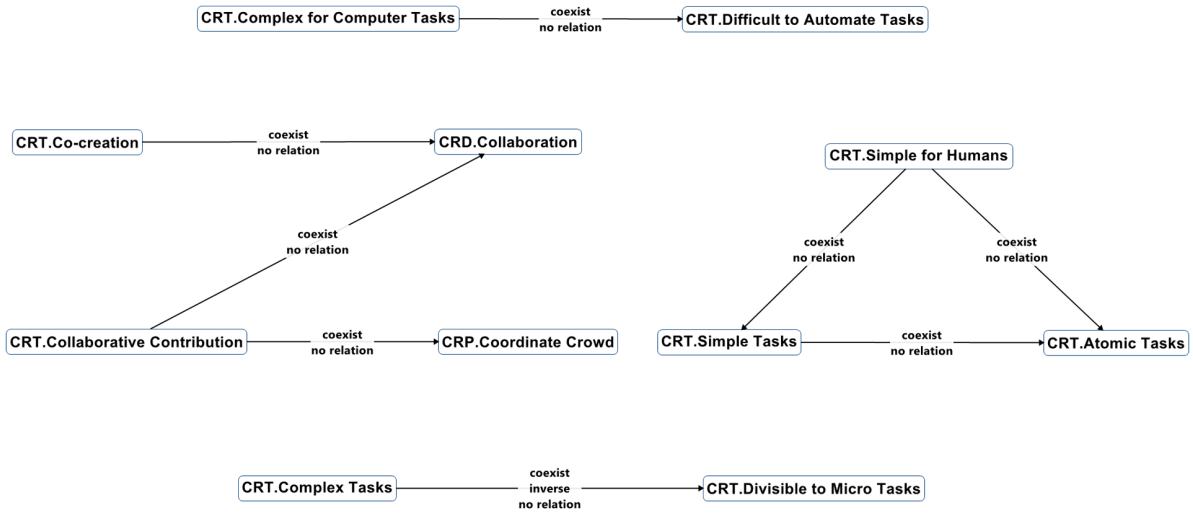
Figure 3. Crowdsourcing task features and their relations with other crowdsourcing features



could be translated to discrete problems could become easy to automate. This is consistent with the main usage of crowdsourcing which typically relates to tasks which are difficult for computers and simple for humans.

- **Co-Creation Versus Crowd Collaboration (Coexist, No Relation):** Some experts discussed that co-creation in a crowdsourcing task requires and supports collaboration within individual members of the crowd. This view advocates that people start to collaborate when the task intrinsically requires co-creation, while it also advocates the desire for collaboration is preliminary to starting performing of co-creative tasks. Other experts identified no relation between these features.
- **Collaborative Contribution Versus Crowd Collaboration and Crowd Coordination (Coexist, No Relation):** Some experts stated that tasks which are based on collaborative contribution require and support an established collaboration within the crowd and coordination mechanisms of the crowd. Their argument is similar to the previous point, where the nature of the task motivates the crowd to adopt certain behaviour, i.e., to collaborate and adopt certain coordination methods.
- **Simple for Humans Tasks Versus Atomic Tasks and Simple Tasks (Coexist, No Relation):** Some of the experts indicated that tasks which are simple for humans require and support atomic tasks and simple tasks. In this particular case, these two opinions are essentially the same and relate to those cognitive abilities of humans who are able to solve problems which are not computationally easy to solve but are still of small scale.
- **Simple Tasks Versus Atomic Tasks (Coexist, No Relation):** Some experts stated that simple tasks require and support atomic tasks. The explanation here is similar to that in the previous point.

Figure 3 shows the relations between crowdsourcing task features and other crowdsourcing features. We list only the top two relations voted by the experts for every pair of features, including the "no relation".

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4.4. Relations of Crowdsourcing Platform Facilities with Other Features

In this section, we report and reflect on the relations which are driven by the crowdsourcing platform facilities. It depicts how choosing some platform facilities can influence the crowd features and the crowdsourcer abilities, and how they can affect the crowdsourced task. Mainly, these facilities are supposed to entail other features in the other three pillars and reduce the space of variability of their possible configurations. The list of relations between crowdsourcing platform facilities and other features are as follows:

- **Provide Attraction Versus Crowd Largeness (Support, No Relation):** Several experts believed that an attractive crowdsourcing platform supports the largeness in the crowd. The rest who saw no relation advocated that the decision to participate typically happens before the crowd engage with the platform to see the attractive features it provides in a particular crowdsourcing project.
- **Provide Ease of Use Versus Crowd Largeness (Support, No Relation):** Experts generally agreed that an easy to use crowdsourcing platform supports the largeness in the crowd. The rest saw no relation for a reason similar to that in the previous point.
- **Provide Authentication Versus Manage Platform Misuse (Coexist, Inverse, No Relation):** Some experts argued that a crowdsourcing platform with authentication facilities for individuals in the crowd supports and requires managing platform misuse. Some other experts saw an *inverse* relation, meaning that authentication could make such management difficult. It could only be the case when authentication procedures could only add to the complexity of misuse management, for example in cases where registration is open to anyone and malicious users systematically misuse the platform through multiple IDs and fake profiles. The rest who specified no relation commented that authentication is a very basic feature which contributes only moderately to the management of platform misuse. In their opinion, managing platform misuse is a big challenge and requires more advances mechanisms.
- **Provide Authentication Versus Not Being Known to Crowdsourcer (Inverse, No Relation, Supports):** Experts stated that a crowdsourcing platform with authentication facilities for individuals in the crowd excludes or hinders their anonymity to the crowdsourcer. Some other experts identified no relation between these features, which could mean crowdsourcers may have other ways of identifying the crowd, e.g. through demographics and personal questions inside a survey which is independent of the crowdsourcing platform. The rest of the experts also identified it as a *supports* relation. This might mean that authentication procedures could enforce even more the choice of an individual to be deliberately hidden from the crowdsourcer. This is similar to the case when some online survey systems offer the registered and trusted users the right to hide their IP addresses which is typically used to check blacklisted locations and participants.
- **Provide Feedback Loops Versus Feedback to Crowd (Coexist):** Experts almost unanimously agreed that providing feedback loops as a crowdsourcing platform facility supports and requires feedback to the crowd by the crowdsourcer. Both views are consistent and identify mutual dependencies between the two features of these two pillars of crowdsourcing.
- **Provide Quality Threshold Versus Crowd Competence (Coexist, No Relation):** One view stated that providing quality threshold as a crowdsourcing platform facility requires and supports competence in the crowd. Both views mean there is a correlation between the potential compe-

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tence in the crowd and the activation of a quality threshold feature in the platform. The rest of the experts identified no relation between these features.

- **Provide Quantity Threshold Versus Crowd Largeness (Coexist, No Relation, Hinders):** Some experts said that the activation of the feature of a quantity threshold in a crowdsourcing platform requires and supports potential largeness in the crowd. The same explanation as the previous relation applies here. However, some of the experts expressed that providing a quantity threshold hinders crowd largeness. This can be explained as these experts saw the threshold as a barrier for further participation of the crowd. The rest of the experts identified no relation between these features.
- **Provide Skills Declaration Versus Provide Task Assignment (Coexist, No Relation, Hinders):** Several experts reported that declaring skills in the crowdsourcing platform by the crowd supports and requires task assignment to them. This could be seen as the more obvious relation, as the platform can more efficiently assign tasks to the crowd when their skills are declared in the platform beforehand. However, some other experts saw no relation between these features. This is especially the case when crowdsourcers are dealing with tasks which require common sense and not specific skills, such as finding a specific colour, which implies a certain deficiency, in medical imagery. The rest of the experts thought skills declaration can actually hinder task assignment, as this could mean that the platform will have more difficulty in finding the right crowd.
- **Provide Skills Declaration Versus Not Being Known to the Crowdsourcer (No Relation, Hinders):** Some of the experts identified no relation between these features. This is mainly because they did not consider skills as a sensitive identifier to a person. Other experts stated that declaring skills in the crowdsourcing platform hinders anonymity of the crowd to the crowdsourcer. Their viewpoint is basically opposite the previous group, as they think people cannot remain anonymous when their skills are declared and exposed to crowdsourcers.

Figure 4 shows the relations between crowdsourcing platform facilities and other crowdsourcing features. We list only the top two relations voted by the experts for every pair of features, including the "no relation".

To conclude this section, it is interesting to observe how diverse the experts' opinions can sometimes be, and how subjective and contextual some relations between certain features can become. This makes the configuration of crowdsourcing projects even harder and calls for more cautious approaches, which are to some extent missing in current crowdsourcing platforms.

5. DISCUSSION AND THREATS TO VALIDITY

While analysing the results of the survey, we identified several instances of disagreement among experts. Such disagreements partially occurred due to the nature of such surveys, where experts may have different opinions about a given topic. However, part of the disagreement was due to the fuzzy nature of some features. Some of the concepts in question, such as competency or anonymity, could be interpreted as binary concepts where the person either is competent or not, but could be also interpreted as non-binary concepts where the person may have different levels of competency or anonymity.

Given the different possible interpretations of the same concept, we were interested in gathering all explanations about the possible relations between those concepts. Thus, even when a small number of

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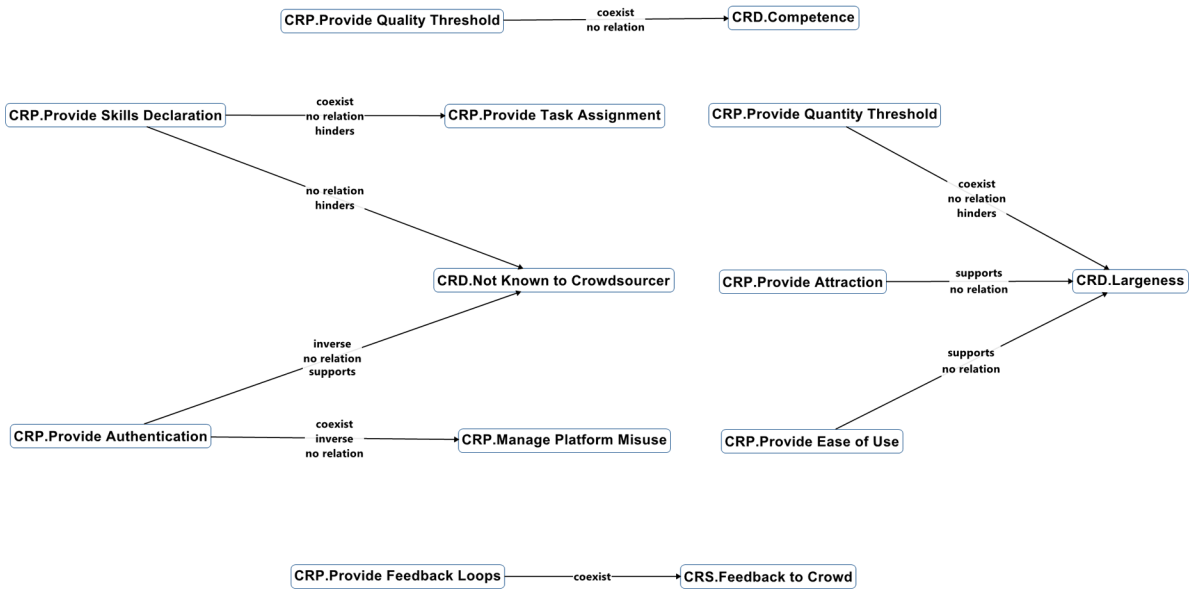
Figure 4. Crowdsourcing platform facilities and their relations with other crowdsourcing features



experts advocated a relation as a first relation, we reported that in the paper as long as they gave a valid explanation in the text entry boxes.

Our empirical expert survey involved a relatively wide number of experts, namely 36, which is a good number for expert opinions studies (Cooke & Probst 2006). The survey questions were followed by comment boxes to allow experts to add their further insights, which also helped us interpret the reasons of their choices. Furthermore, the survey was conducted in an invitation-only manner to allow only experts with a proven track record in the field, manifested by research papers and projects applied in practice, to express their opinions. However, our study still has few threats to validity:

- Our work studied the relations of crowdsourcing features for the purpose of configuring crowdsourcing projects. As the results reveal in a few cases, such configuration may be incomplete or partial if the context and the crowdsourcing project types are not fully considered. On the other hand, several relations are also independent of the context in which the crowdsourcing project is performed, or the project itself. The high percentage of agreement among experts for several relations under study confirms this.
- Our work is based on the initial template that we proposed in (Hosseini et al. 2014a). Even though we tried to consider all possible relations between crowdsourcing features, there might still be other relations that we did not detect, or relations that may arise as the consequence of running a certain crowdsourcing project in a certain context. However, while not claiming completeness, our study allowed the discovery of a significant number of relations which were not trivial. For example, for certain pairs of features, the final results identified more than one relation while some individual experts provided only one of them.
- Our work is based on pair relations, i.e., relations between two crowdsourcing features. However, there might exist some relations that connect three or more features together. For example, the two

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crowd features of largeness and diversity may collectively hinder managing platform misuse. The complexity of such relations would require a further study and we would probably need multiple studies to cover all possible combinations.

6. CONCLUSION AND FUTURE WORK

In this paper, we advocated the need for engineering approaches on setting up a crowdsourcing project. Systematic approaches informed by best practice experience will help get a more efficient platform, higher participation rates, and better, more quality results. To inform such configuration settings, we identified a set of inter-relations between crowdsourcing features which, when neglected, could lead to conflicts between crowdsourcers and crowd, to problems in the design of the platform and finally to adverse effects on the crowdsourcing project. These inter-relations were initially hypothesised, and were confirmed or otherwise rejected by the experts in the field of crowdsourcing.

For future work, we plan to develop a crowdsourcing platform configurator, which is an online tool that uses the experts' opinions in this study to aid the crowdsourcing configuration for a given crowdsourcing project. The tool will provide help to both crowdsourcers in the selection of the right crowd and platform developers in the selection of the right configuration. We also propose that some work be done on inter-relations among three or more features as part of a future study. The configurator, being open to all, will also enable the users to provide knowledge and experience on further enriching the best ways on configuring and setting up crowdsourcing projects.

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Chapter 11
Entrepreneurial Process and Financial Well-Being Generated by a Colombian Association of Vulnerable Individuals

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ABSTRACT

Entrepreneurship is considered relevant in the economic growth of nations because of its impact in the creation of new jobs and innovations in the social and economic fields. Thus, governments and academia worldwide have shown interest on how to leverage on entrepreneurship in order to develop strategies that improve the quality of life of individuals. Entrepreneurship as a development strategy is extensive; it goes from the creation of new enterprises born as a result of a high market potential to those that arise as the only income-generating alternative. This chapter addresses the study of the entrepreneurial process in organizations created by associations of vulnerable individuals engendered by the income generation need, and using as reference the case of AGROSEC, located in Colombia. Data were collected from primary and secondary sources. Five interviews were completed using pre-established protocols that were applied to 3 members of the association.

INTRODUCTION

The study of entrepreneurship has focused more on the analysis of innovative companies that arise due to market needs than on those arising from the income generating need of entrepreneurs. The existing cases in the latter have been anecdotal, leaving behind the fundamental aspects of entrepreneurship, like the distinctive features of the entrepreneurial process from entrepreneurs living in highly supportive environments and the differences of such process when it is performed by individuals in less supportive

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ones, as well as the impact in each surrounding community. This has been the case despite the power and importance of entrepreneurship in the reactivation of highly vulnerable regions and economies, from the point of view of employment generation (Audretsch & Fritsch, 2003; Wennekers, Van Stel, Thurik & Reynolds, 2005).

Given the lack of literature mentioned above, this chapter addresses the analysis of the entrepreneurial process in organizations created by vulnerable individuals grouped in associations, emphasizing its characteristic aspects and the way in which it impacts their communities. It is based on the concepts of social and collective entrepreneurship and the theoretical models proposed by Gartner (1985) and Timmons (1999), using as empiric reference the case of a Colombian organization created by individuals displaced by the armed violence which took place from the mid-twentieth century until almost the second decade of the twenty-first century.

The chapter begins with a concise presentation of basic entrepreneurship concepts such as: entrepreneurship, types of entrepreneurial initiatives, individual features that distinguish entrepreneurs from non-entrepreneurs and the entrepreneurial process. Other concepts such as social entrepreneurship, collective entrepreneurship and financial well-being are then presented given their relevance for the case that was analysed. These concepts are then used to analyse the case of an associative initiative of a vulnerable community in Colombia. The chapter concludes with issues, solutions and future avenues of research regarding the entrepreneurial process of vulnerable communities in Latin America.

BACKGROUND

1. Entrepreneurship and Economic Development

Entrepreneurship is a socioeconomic phenomenon of unquestionable importance. Motivations to study this field include the need of countries and regions to boost their economies through job creation and the impact of entrepreneurship dynamics (Wennekers & Thurik, 1999; Verheul, Wennekers, Audretsch & Thurik, 2002; Thurik, 2003; Audretsch & Fritsch, 2003; Wennekers, Van Stel, Thurik & Reynolds, 2005; Carree, Van Stel, Thurik & Wennekers, 2007). Additionally, Baumol (2004) considered that entrepreneurship is crucial for economies to flourish.

More than a large-scale economic development, new venture creation is based on pull and push factors that motivate individuals to improve first their personal economic development and then that of their families, neighbourhood, regions and countries.

The pull factor drives individuals who are interested in starting a new venture because of high expectations on the benefit that a new business can generate in the future; this is considered entrepreneurship driven by an opportunity. On the other hand, push factors motivate individuals to become entrepreneurs when conflict and negative situations surround them; in that case, entrepreneurship is motivated by necessity.

Entrepreneurship is not a new term. It was derived from the French term “entrepreneur” which has been used since the mid-1700s. The earliest reference to the term entrepreneurship has been traced to Richard Cantillon in 1734, who defined it as self-employment with an uncertain return (McMullan & Long, 1990, as cited in Sharma & Chrisman, 1999). Conceptually, there are plenty definitions for entrepreneurship; the most cited definitions were introduced by Cole (1953), Timmons (1990) and Gartner (1985). Cole (1953) defined entrepreneurship as several productive factors being used by one productive

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factor to create economic goods. Gartner (1985) defined entrepreneurship as a process that is executed by one or more individuals in a particular environment that results in a new business. A similar standpoint was adopted by Timmons (1990), who defined entrepreneurship as a creative act that leads to the creation of a new enterprise right from the start, requiring only energy and initiative.

Later on, Sharma & Chrisman (1999) identified two different schools of thought regarding the meaning of entrepreneurship: One focusing on entrepreneurship characteristics (i.e. innovation, growth, uniqueness) led by Schumpeter (1934), and a combination of these and another that emphasizing the outcome of entrepreneurship (creating a new venture) led by Gartner (1985). According to Sharma & Chrisman (1999), both approaches are valuable and overlap even though they are distinct. It is important to note that coming up with new combinations may lead or not to the creation of a new company. Likewise, the creation of a new company may involve new combinations that may result in radical innovative activities. They consider that entrepreneurship refers to renewal/creation acts within existing or new organizations, led individually or within existing corporations.

Low & MacMillan (1988) defined entrepreneurship as creating a new enterprise, considering it is a multidimensional phenomenon. Finally, Shane & Venkataram (2000) considered problematic associating entrepreneurship solely with the creation of a company, as such standpoint provides a limited view regarding the variation in the quality of opportunities and leads researchers to neglect measuring them. They defined entrepreneurship as a thorough examination of opportunities to create goods and services (Venkataraman, 1997; Shane & Venkataram, 2000).

For the purpose of this chapter, entrepreneurship refers to the activities an individual goes through from the development of an idea until the creation of an enterprise, following the standpoint of Gartner (1985), who considers in a broad and precise way the different elements involved in the process of creating a company or organization. Also, Timmons (1999) was considered as he proposed a complementary model to that of Gartner (1985). Both authors are mandatory theoretical referents to analyse the entrepreneurial process.

Because of the development of entrepreneurship as an academic, field, other types of entrepreneurship beyond the individual have emerged. These include corporate entrepreneurship and social entrepreneurship. The former refers to new initiatives undertaken by established businesses; the latter includes the creation of business organizations aiming to benefit the welfare of the most vulnerable members of society. These types of entrepreneurship are further explained in Table 1, based on three features: (1) Who performs the entrepreneurial activity? (2) Is the objective to generate profits? and (3) Will the business pay dividends?

Individual entrepreneurship refers to those businesses created by individuals based on an income generation need or based on a market opportunity. In this case, the main purpose is to generate profits that are distributed among the entrepreneurs as dividends or income.

Table 1. Types of entrepreneurship

Type	Who	Profit		Dividends
Usual	Individual(s)	Yes		Yes
Corporate	Established enterprise	Yes		Yes
Social	Individual(s) / Established enterprise	Yes	No	No

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Corporate entrepreneurship refers to an established enterprise that decides to create a new business as a means to diversify or extend their existing business activities (Burgelman, 1983; Covin & Slevin, 1991; Guth & Ginsberg, 1990; Schendel, 1990; Zahra, 1995). Similar to individual entrepreneurship, the aim is to enhance the profits of the company and pay dividends (Spann, Adams & Wortman, 1988).

Social entrepreneurship differs significantly from individual and corporate entrepreneurship. It can be an initiative from either individual(s) or an established enterprise. Even though the focus is not to generate profits and there are some that do not do it, a new enterprise should generate profits for it to be sustainable and mainly to provide economic wellbeing to the community in which it is based. Given the specific features of associative entrepreneurial initiatives, special emphasis is given to social entrepreneurship. This type of entrepreneurship is further explained in the following section.

Regardless of the type of factor (pull or push) or entrepreneurship (individual, corporate or social), any business generates employment and should increase per capita income. Carre, Van Stel, Thurik & Wenneker (2007), GEM (2004) and Wennekers, Van Stel, Thurik & Reynolds (2005), showed that as the income per capita raises, so does the rate of new ventures creation, hence boosting the economy. This is particularly relevant for social development and entrepreneurship at the Base of the Pyramid (BoP).

2. Social Entrepreneurship

Social entrepreneurship usually refers to organizations that aim to supply basic human needs that are not fulfilled by existing economic or social institutions. It combines elements of traditional entrepreneurship with a social mission (Seelos & Mair, 2005).

Some authors define social entrepreneurship considering different aspects of its social mission. According to Mort, Weerawardena & Carnegie (2003), it is a multidimensional construct that uses entrepreneurship as a means to achieve a social mission; Alvord, Brown, & Letts (2004) define it as a series of innovative solutions to immediate social problems which results in a long-term sustainable and social transformation; Roberts & Woods (2005) define social entrepreneurship as the design, assessment and pursuit of social change opportunities led by visionary, passionately dedicated individuals. A similar approach was adopted by Austin, Stevenson, & Wei-Skillern (2006) who classified any entrepreneurial activity with an embedded social purpose as social entrepreneurship.

Alternatively, Martin & Osberg (2007) consider social entrepreneurship should include three components: a marginalized segment of humanity lacking financial or political help to achieve any transformative benefit, an opportunity to create added social value challenging the stable hegemony, and the forging of a new stable equilibrium that alleviates the suffering of a targeted group.

In terms of profits, unlike regular individual or corporate entrepreneurship, social entrepreneurship has a social mission rather than wealth creation. The purpose is to improve living conditions of communities through the generation of sustainable and dignified income. Value created by these initiatives is measured via survival and growth instead of the revenues (Dees, 1998). Yet social entrepreneurship can result in businesses that generate profits, this is relevant for sustainability purposes. Lepoutre, Rachida, Siri & Bosma (2011) identified different types of social entrepreneurship in terms of the social mission of the company, revenue model, and innovativeness, as explained below.

Non-for-profit organizations state explicitly their social mission and less than 5% of their revenue relies on market-based income (Lepoutre, Rachida, Siri & Bosma, 2011). In lack of profits, third parties, donors or volunteers financially cover the deficit (Dees, 1998); usually wealthy individuals support this type of social entrepreneurship with philanthropic interests.

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The hybrid category encompasses businesses that are both market and social based. These social organizations either derive at least 5% of their revenue from sales or realize their social objective mainly by attending those in the bottom line (Dees, 1998; Austin, Stevenson, & Wei-Skillern, 2006; Lepoutre, Rachida, Siri & Bosma, 2011). In their initial stage, these organizations are mainly non-for-profit oriented and hence rely financially on third parties; as profits increase, they become self-sustainable.

Finally, profit-oriented enterprises mainly rely on profits but pay good attention to social and environmental objectives in connection with their mission, even though their identity is not social per se (Dees, 1998; Seelos & Mair, 2005; Lepoutre, Rachida, Siri & Bosma, 2011).

It is important to note, however, that strictly speaking, social entrepreneurship ventures usually do not pay dividends as profits are reinvested in the community and the business itself. Reinvestment strategies include salaries, creating social areas, providing training or any other initiative that benefits the community and its wellbeing. Thus, regardless of the category they belong to, a distinctive feature of social enterprises is their social mission in contrast to usual organizations. (Dees, 1998; Seelos & Mair, 2005; Lepoutre, Rachida, Siri & Bosma, 2011; Metelka, 2014;)

Social entrepreneurship refers to improving the wellbeing of a community or a group of individuals. Creating jobs and wealth and solving social problems at a collective rather than individual level, achieve this. Therefore, collective entrepreneurship becomes a relevant concept. This is further explained in the following section.

3. Collective Entrepreneurship

Social and collective entrepreneurship are substantially interrelated. In terms of social identity, Lounsbury (1998) identified collective entrepreneurship as a means for groups of individuals that share similar roles across various organizational contexts to professionalize their activity. This is achieved through the construction of a new occupational identity and the mobilization of resources to improve the status of their occupation. It is the result of a shared sense of social marginality and linkage to a wider social movement.

According to Johannisson (2003), collective entrepreneurship can be interpreted as a category of entrepreneurship, a distinctive feature of entrepreneurship and as a paradigm. The first interpretation was further supported by Ribeiro-Soriano & Urbano (2010) that consider collectiveness at the core of businesses created as a collective entrepreneurship initiative. The second interpretation states that entrepreneurship is a collective phenomenon in which various actors interact; this agrees with understanding entrepreneurship as a process involving interactions between individuals, the environment and the organization (Gartner, 1985). The third interpretation considers understanding entrepreneurship as the outcome of individual imagination and social interaction.

Johannisson (2003) presented a taxonomy of entrepreneurship in terms of calculative or social commitment and level of collectivism; such taxonomy exhibits clearly the interrelation between collective and social entrepreneurship. As it is shown by Johannisson (2003), cooperatives exhibit the maximum level of social commitment and collectivism. Values are shared among members, crisis are solved through joining forces and such alternative offers both ownership and control (Johannisson, 2003).

Finally, Montgomery, Dacin & Dacin (2012) highlighted the collective aspect of social entrepreneurship as actors collaborating to solve social problems through the application of business principles. They identified three main types of collective actions: social movements, community cooperatives and cross-sectional collaboration. Social movements refer to various businesses that support a social cause; community cooperatives that include consumers, organizations and movements to enhance social and

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economic welfare of citizens and cross-sectorial collaboration that includes businesses from different sectors to solve complex social problems.

Financial well-being should therefore result from collective entrepreneurships, particularly in those involving vulnerable communities. It refers to overall satisfaction with financial circumstances and having enough money to cover one's financial needs (Vlaev & Elliot, 2014).

4. Entrepreneurial Process

New businesses are not created by accident. The creation of an enterprise is a result of a deliberate act driven by necessity or personal fulfilment needs. Initial studies on new venture creation assumed that entrepreneurs and their new ventures were a single subject. Gartner (1985) contributed to raise awareness of the differences between entrepreneurs and their ventures; this was the result of understanding new venture creation as a complex and multidimensional phenomenon that links two concepts: entrepreneurship and process. He identified four dimensions that interact for new venture creation: individual(s), the stages required to start a new venture (process), the organization he/they aim to create and the environment.

McClelland (1961) identified human motivations that are distinctive among entrepreneurs such as: the need for achievement, locus of control, a desire for independence, having a vision and passion, being a risk taker and self-efficacy. Brockhaus (1982) also identified among entrepreneurs the need for achievement, locus of control and risk-taking propensity. Other individual features such as: job satisfaction, previous work experience, entrepreneurial parents, age and education have also been identified (Gartner, 1985), together with planning capacity, contact management, effective communication, information search, creativity, teamwork, decision making and leadership (Paredes & Flores, 2015).

An essential feature identified in previous studies is hence the need for achievement which is reflected in personality traits, background or psychological profile of the entrepreneur (Gartner, 1985; Paredes & Flores, 2015). As mentioned by McClelland (1961), such need for achievement is directly related with economic growth and ultimately should result in the economic development of nations.

The entrepreneurial process can be understood through different standpoints. This section presents the views of Gartner (1985), GEM (2016) and Timmons (1999), which refer to actions, stages and forces as components of the entrepreneurial process respectively. Gartner (1985) defined process based on common behaviours an entrepreneur completes to create a new venture, such as identifying a business opportunity, accumulating resources, marketing products and services, manufacturing a product, creating an organization and responding to government and society needs. Similarly, it has been proposed that opportunity identification is the starting point of entrepreneurship and then an idea is developed (Shane, Locke & Collins (2003) as cited in Metelka, 2014).

According to Timmons (1999), 4 forces drive the entrepreneurial process: opportunity, resources, entrepreneurial team and fit and balance between these components. This author considers the entrepreneurial process a market opportunity that is used by an entrepreneurial team through the conjunction of certain resources. Moreover, he states that the entrepreneur designs a strategy, builds networks, prepares the business plan and gathers a team. The opportunity depends on market demand, structure and size, as well as on margin analysis (this feature is useful to differentiate an opportunity from an idea) (Timmons, 1999).

Resources or firm assets are required to establish a new business. However, owning assets does not guarantee success. Conversely, an entrepreneur may lack resources initially, but as time goes on, he/she

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might develop a new business. This is because resources mainly rely on the entrepreneur´s knowledge, existing connections and ideas to develop the business (Timmons, 1999).

The team includes the leading entrepreneur and those selected to become part of the business. This is a crucial element of the entrepreneurial process and should not be underestimated. The team leader should train and learn from his/her team; be honest and dependable; foster entrepreneurial culture and an adequate working environment within the organization. Team members should be experienced, motivated to excel, committed, determined, persistent, creative and flexible; they should tolerate risk, ambiguity and uncertainty; finally, they should focus constantly on the opportunity. The aspects mentioned above are considered key success elements (Timmons, 1999).

Under a holistic perspective, fit and balance between the previous three driving forces is required. This implies permanent assessment and revision of strategies and tactics (Timmons, 1999).

Finally, the Global Entrepreneurship Monitor (GEM, 2016) defines the entrepreneurial process using a timeline with three clear stages. The first stage starts when a potential entrepreneur with specific knowledge and skills identifies a business opportunity until its conception. The following stage refers to setting up the new business (nascent entrepreneur) until the creation of the firm. The firm then becomes a new business that has been growing for approximately 42 months. Once the early stage is completed, the firm is considered an established business.

On the other hand, Gartner (1985) defined organizations as firms started by individuals who followed the entrepreneurial process. Individuals are key for the entrepreneurial process, as without them a new entrepreneurship cannot take place. Decisions regarding strategic choices should be made to characterize organizations and how they will compete, taking into consideration their business environment in order to be successful. The literature review on strategic choices is extensive and is beyond the scope of this chapter.

Finally, entrepreneurs do not create isolated businesses; they respond to an existing environment. Such environment can be understood as a set of given conditions to which the organization must adapt or as a reality created by the perceptions of organizations; Gartner (1985) referred to them as environmental variables. A high supportive entrepreneurial environment will lead individuals to the creations of new ventures, while a less supporting one can create social exclusion (Gartner, 1985). This social exclusion can be both internal and external; when it is internal, it is related to the acknowledgment of the resources and opportunities and how to use them properly (entrepreneurial profile); while the external one, depends on the environment and the territory to which the person is linked (social prejudice, labor practices or public policies) (Rodriguez & Borge, 2014). In this case, vulnerability is both associated to the profile of the person or their implicit qualities (education, gender, race, etc.) and the environment that surrounds them.

Existing literature has not approached the entrepreneurial processes followed by vulnerable communities and, in general, by social entrepreneurs; previous studies are rather anecdotal. Therefore, the research questions approached in this chapter were:

What are the distinctive features of the entrepreneurial process of new businesses conducted by a specific vulnerable community?

How does such process differ from that followed by individuals living in highly supportive environments?

What is the impact of the social entrepreneurship under analysis on its environment and the financial well-being of individuals that belong to it?

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In order to answer these questions, the next section explores the case of an entrepreneurial initiative started by a vulnerable community in Colombia, *AGROSEC, Asociacion de Agricultores de Productos Organicos de la Secreta*, from idea inception until its current situation.

Data were collected from primary and secondary sources. Five interviews were completed using pre-established protocols that were applied to 3 members of the association (1 manager and 2 employees/ regular members), 1 community member and 1 government officer. The objective was to triangulate versions and hence obtain an enriched picture of the topics that were analyzed (i.e.: the entrepreneurial process followed by vulnerable communities and the impact on financial well-being and the community). Thematic analysis was used to analyze data collected from interviews and secondary sources.

ENTREPRENEURIAL PROCESS AND FINANCIAL WELL-BEING GENERATED BY *AGROSEC*

1. The Origins of *AGROSEC*

Conditions and entrepreneurial process vary depending on the context where the business is developed. This section presents context conditions within which *AGROSEC* was created.

AGROSEC was established in 2005 in Cienaga, a municipality located in the Magdalena Department. It took its name from an existing village called "La Secreta". The Magdalena Department is located in the north of the Colombian Caribbean region with a total area of 24.188km^2 (SOGEO, 2011) and a population of 1.259.822 inhabitants (DANE, 2015).

Economy in Magdalena revolves around farming, ranching, tourism and port activities. In general, in 2014 it contributed with 1.3% of the national GDP, which is equivalent of COP 9.547 million (DANE, 2015). Just as the Sierra Nevada snow peak is popular tourist attraction for local and international visitors, it is also a site for illegal economic activities (e.g. illicit crops and illegal mining), which are sources of income for armed groups.

This scenario fosters the existence of a vulnerable population who suffers the consequences of illegality: the Magdalena Department recorded 337.168 victims of some kind of violence (RNI, 2016). Between 1985 and 2012 approximately there were 330,000 victims of forced displacement, making it the third department in Colombia with the highest rates in this category. Additionally, it came up fourth in terms of resettled displaced people. Another social indicator related with vulnerability is poverty. In the Department, 48% of the population is poor, and 15.6% live in extreme poverty; in average, monthly income per capita is approximately COP 328,000, which is significantly below the national average of COP 200,000 (DANE, 2015).

Entrepreneurs of this study live in *La Secreta* and were victims of armed violence from paramilitary groups. After killing many people in October 1998, paramilitaries took by force possession of lands; surviving inhabitants had to abandon the village. Some families were able to return two years after the tragedy, while others could only return after the Colombian demobilization process started in 2006. One of the founding members of *AGROSEC* stated:

AGROSEC brought us back to life. Thanks to it we could return to our homes and provide a better future to our children. Currently my three children are educated at university level, are employed and have happy families.

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When farmers returned to their land they found nothing. However, thanks to the support of organizations that provide assistance and comprehensive victim reparation, the village slowly revitalized and inhabitants re-claimed their territory. Such organizations include Unidad de Restitucion de Tierras- Land Recovery Unit, Departamento para la Prosperidad Social- Social Prosperity Department (DPS) and Instituto Colombiano de Bienestar Familiar- Colombian Institute for Family Wellbeing (ICBF), among others.

AGROSEC was established under specific context conditions as any other entrepreneurship. However, it is unique as it was an alternative to individuals that were hit by violence and wanted to make a fresh start as regular people. When inhabitants of *La Secreta* returned home, *AGROSEC´s* founder and 11 other individuals realized they needed to generate income to survive. After analyzing context conditions and individual capabilities, they identified an economic activity with which they and their families were familiar with: growing coffee. Moreover, land and weather conditions were appropriate to grow organic coffee.

Entrepreneurs face similar difficulties, such as: identifying an adequate opportunity and gathering resources to launch the business. Yet *AGROSEC* entrepreneurs faced two additional obstacles: mistrust between potential members and disbelief in governmental institutions as a result of the tragedy they suffered and constant threats against their lives as a result of the armed conflict, as stated by the leading founder, Mr Polo:

"Believing in institutions was the greatest challenge, because of all the suffering we had to go through. We were uncertain about the effectiveness of Law 1448, released by the Government".

2. The Bravery of the Entrepreneurial Leader and his Entrepreneurial Team

Prior to creating *AGROSEC*, Mr Polo belonged to a family of coffee growers. He was born in Cienaga but relocated to Cartagena to avoid being kidnapped by illegal armed forces. He started high school studies there and then returned to Cienaga to finish his studies in the late 80s. As soon as he finished his studies he started working in coffee farms owned by his family. He was willing to enter Law School but it was not possible; nowadays he wants to pursue a degree in Business Management degree. Mr Polo and his team were persistent in the creation of an organization that would allow them work together in the growing and commercialization of Colombian coffee for the luxury market, which is currently sold in Japan and the United States.

The development of *AGROSEC* pushed him away from the farm to an administrative role in which he dealt with customers and other commercial issues. Nowadays he has several roles in the association and the community: He is the legal representative and manager of AGROSEC and leads other associations and various community action boards. He represents victims of the township of *Cienaga* at a national level and is a member of the departmental board. Individual features of Mr. Polo confirm several theories behind the behavior of entrepreneurs, which state that they pursue dreams regardless of circumstances (McClelland, 1961, Gartner, 1985, Paredes & Flores, 2015). Before leading the association, he was an employee for 20 years. In that period of time he was not able to achieve what he has achieved in 2 years at *AGROSEC.* This includes economic and personal satisfaction from helping his community. He states:

The key to entrepreneurship is associating, trying to achieve something alone is very hard, but when you are working together it is possible to achieve greater things.

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As a team, *AGROSEC* started with 12 members. The team expanded after success was evident. Currently there are 56 owners/active members certified as organic farmers; the waiting list includes approximately 70 individuals. Applicants need to meet specific requirements and to be certified for organic coffee production; this is verified through *in situ* visits and audits. In case requirements are not met, they enter a transition stage to receive advice and make the expected changes.

AGROSEC has been a channel through which inhabitants of La Secreta have taken back their lives. They were evicted from their own lands and migrated to other places where they were not able to find a job. As stated by Mr Zamora, a member of the association:

Leaving behind our source of income made it impossible to pay our children education, but we had to do it just to stay alive. Once the demobilization process began, many decided to return to their homeland in search of a better future. Today, members of the association they are able to provide their children a better future; they have strengthened community ties and even united in spiritual matters…

This confirms the impact of social entrepreneurship as stated by Mort, Weerawardena & Carnegie (2003).

3. The Entrepreneurial Process

Identifying the business opportunity was a group initiative of some community leaders such as Mr. Polo and Mr. Zamora. They gathered to grow and sell organic coffee, motivated by world and national trends to consume it. Initially, the association sold coffee through intermediaries at a very low price compared to that in the market; this scheme was aborted. Nowadays the association produces and sells most of the coffee it grows; the aim is to sell the whole production directly and completely avoid intermediaries.

AGROSEC was founded in 2005; however, it took 7 years to consolidate organizational, productive, commercial and administrative processes. In 2012 farmers were able to return to their lands and could work together in an organized way.

The association started its operations in a small house as a collection center owned by the community in the town center. This premise was used to receive and process the coffee before sending it to Santa Marta, the capital city of Magdalena Department. Land and machinery used for production and shipment of coffee were rented from third parties and paid by members.

The success behind their product was based on a usual practice among them: not using additives to grow their crops. They were also aware of growing demand for organic products; which further motivated them to follow their dream. Clearly, value added by the association is producing export type coffee grains that are 100% organic to domestic and international markets. This provides the association with a competitive advantage versus its competitors.

Next step was being internationally certified to guarantee that coffee is 100% organic. The association was also advised in terms of processes and organizational topics. As much as it was a complex transition, it was worthwhile. *AGROSEC* is an entrepreneurial initiative motivated by necessity, according to the theoretical framework of the Global Entrepreneurship Monitor (GEM, 2014), as entrepreneurs need to generate income for them and their families. This is the Colombian case, in which even though opportunity entrepreneurship has gained importance throughout time, necessity entrepreneurship is still major (GEM, 2014).

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The association has made relevant progress; intermediaries were excluded from the value chain. Yet the only process they are not able to complete by themselves is exporting. Because of this, coffee is sold to toasters who then sell the coffee under their own brands and not as a product of the association. On the other hand, local commercialization is in person; coffee is also consumed at events organized by the Colombian Ministry of Agriculture, which results in further sales to new customers.

Initial capital invested per member (12 in total) was half of the minimum wage in Colombia; total amount invested was approximately COP 6 million (less than USD 2,000 nowadays). This amount was enough to complete initial stages. Yet further resources were needed to expand production and sell to international markets; this was the motivation to use bank loans. They were also supported by international organizations, and as stated by Mr. Polo:

The founding stone of this association was provided by United Nations through a program to strengthen beekeeping and renew coffee growers.

Afterwards, they were recognized by other organizations that were curious about La Secreta. Once lands were restituted, further aid was obtained from DPS, the Ministry of Housing and the Ministry of Agriculture.

The Colombian government has encouraged several projects started by *AGROSEC* based on the willingness of partners to advance in the promotion of their products and the desire to improve the quality of life of their families and the environment. To cite some, DPS has provided approximately COP 30,000,000 (USD 10,000) to acquire specialized machinery to process and manufacture roasted and ground coffee; this improves the commercialization of their main product and diversifies their portfolio. They believe that without this support they would have not been able to enter the roast and ground coffee market. Thanks to the acquisition of new equipment and workforce increase they were able to boost their production up to 60%, processing and selling 350.000 kg of coffee beans. Mr. Polo stated:

I would like to be visited by the Director of DPS, Tatyana Orozco, so she can see what they have done of us. They gave meaning to our lives.

4. The Organization

Currently *AGROSEC* is an association of small farmers that manage their businesses individually and follow farming guidelines defined by the organization. The association is a collection centre in which the product is selected, packaged and sold. Its main product is organic coffee, which is exported to Japan, the United States and potentially, Korea. They also produce other organic products such as: avocados, mangos, honey and some vegetables for local sale. The association was born in La Secreta but has expanded to other municipalities; therefore they are looking to change the company name to a more inclusive one, as stated by one the founders:

La Secreta is not a secret anymore. It is being recognized for what it is doing at an organizational level and is an example for other communities.

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A distinctive feature is camaraderie among members. For instance, if soil needs to be treated and coffee plantations need to be renewed, all members work together in a single farm and perform such tasks quicker. Associates are deeply fond of *AGROSEC.* A member stated:

We as members consider AGROSEC our own child. We love the organization the same way we love our family or kids, because we have been through tough times and have fought like a family to keep moving forward.

This agrees with collective entrepreneurship being a channel through which individuals with similar characteristics associate to launch an entrepreneurial project with its core mission is to benefit the community and achieve better results (Lounsbury, 1998; Johannisson, 2003; Ribeiro-Soriano & Urbano, 2010).

As a result of constant and sustainable growth of the association, employees have received their salaries on time. It has generated 12 direct positions and many more through its members, which provide in average 10 positions including family members. Nevertheless, the effect of the association in its members goes beyond an increased income; it significantly improves their quality of life through permanent investment in their farms and houses. The association has built self-confidence and hope among members. They are willing to continue working for the development of the association. A founder stated:

I stopped being just a farmer and started to be a businessman in the farming industry.

Currently, farmers have renewed coffee plantations and are able to increase production every year. Before the association was created, there was no electric power in the village; today every farmer has a solar plant, bathrooms, septic tanks and other basic elements that have improved their quality of life.

5. Financial Wellbeing

The association had an important social impact on a community that was recovered after being affected by armed violence. It brought hope to people and demonstrated them that there are alternative solutions to violence and that through collective work it is possible to achieve ambitious goals. AGROSEC is seen as a role model of perseverance for those who have returned as well as for those who are still displaced. According to Mr. Polo:

The main characteristic of AGROSEC is that is focuses on helping producers. No efforts or resources are spared when it comes to the wellbeing of partners.

Previously, farmers had to sell their products in advance at a price below 40% of the actual price in order to count with funds to survive until the next harvest. Nowadays, the association has a revolving fund to provide associates with loans to solve monetary issues, eliminating the need to use third parties or financial institutions. This benefits their financial situation, as they do not have to pay high interest rates that deteriorate their quality of life.

The association has also affected positively the community. Thanks to the Social Fair Trade Award it received, the village benefitted via road improvements and housing projects. This has also been possible because Mr. Polo is also a community leader. His recognition among community members has presented alternatives to access resources and collective projects.

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AGROSEC has driven community progress. In 2017 they plan to embark on an ambitious project that will provide water to the village and other neighboring villages. This initiative is being supported by the Municipality and the Unit for Integral Attention of Victims. The association is also leading an initiative to form a second level association of coffee producers in the Magdalena Department. According to Mr. Polo:

What has always motivated me is what we have achieved in the community. We have raised awareness among the inhabitants; they moved forward without relying on someone else. An independent business with a clear vision is able to change the lives of founders and their surrounding community.

ISSUES, CONTROVERSIES, PROBLEMS

The analysis presented before in terms of entrepreneurial process and financial well-being generated by an association of vulnerable individuals was useful to identify distinctive features of this type of entrepreneurship. This needs to be highlighted to contribute to entrepreneurship as a field. First, it was found that the entrepreneurial process includes elements defined by Gartner (1985): the entrepreneur, the organization, the process and environment. Yet the main differences between entrepreneurships from vulnerable individuals and those living in highly supportive environments is its origin, time taken to become an established business and financing sources.

The main challenge vulnerable entrepreneurs face is being understood in terms of their context, their values and circumstances that surround the entrepreneurship. Lifecycle stages of these initiatives need to be understood in terms of elements of the entrepreneurial process and of the financial wellbeing provided to them. This approach is more convenient than focusing merely on the opportunity behind the entrepreneurship.

SOLUTIONS AND RECOMMENDATIONS

New ventures started by vulnerable individuals are more feasible if they associate. This means they should organize associations, as the organization is created to tackle a need shared by the community. This transcends joint work, an individual need or an opportunity. Individuals associate and then identify joint productive activities they might be familiar with prior to or after the organization is created.

Regarding the time required to become an established business, associative entrepreneurships may take more than 7 years to achieve this. This contrasts with a time period of 42 months as defined by GEM (2016). *AGROSEC* was created in 2005 and only until 2014 it sold regularly organic coffee. This occurred because its only goal was not just developing a product that would appeal consumers; it mainly aims to generate income for the survival of vulnerable individuals. This contrasts with entrepreneurships in highly supportive environments, which mainly focus on gathering the team required to serve the market. This is a long-term objective for vulnerable communities. These distinctive features have been understood by some but still more awareness needs to be raised among other stakeholders.

Funding available for associative vulnerable initiatives differs substantially from those living in highly supportive environments. Even though the latter also face difficulties to gather seed capital, business angels might provide funding; in contrast, the former only count on them initially. After they demonstrate the ability to manufacture a product, they can benefit from NGO's or the Government. Business angels

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and venture capital funds are not available to them. Access to formal loans also takes longer. Because of the reasons mentioned before, governments should implement effective programs to support this type of entrepreneurship guided by social drivers, as is the case of investment in education and health programs.

The case analysed shed light on how associative initiatives of vulnerable communities embrace as a main goal impacting positively members and their communities. These entrepreneurships belong more to the community rather than individuals, which results in immediate and tangible benefits. In the long term the aim is that such initiatives include the whole community, which guides the diversification strategies. Collateral benefits related with *AGROSEC* such as: improvement of roads, housing and building schools demonstrate that it is possible to tackle vulnerability through the support of entrepreneurial initiatives.

FUTURE RESEARCH DIRECTIONS

Future research in entrepreneurship of vulnerable communities and individuals is very pertinent, especially in economies in which the majority of individuals are vulnerable. Research in this field should analyse theoretical or central aspects of entrepreneurship such as: the entrepreneurial process and the multidimensional role of context, which includes other features in addition to it being highly supportive or restraining.

Re-defining opportunities in this type of entrepreneurship is a novel topic. This could include identifying opportunities in the creation of entrepreneurial teams, which contrasts with the usual belief that such teams are only created to react to market needs. Regarding the environment, there are circumstances that impact entrepreneurship positively or negatively; in particular, causes behind vulnerability need to be studied to inform academics and decision makers when designing programs and policies that impact positively these communities.

Finally, studying vulnerable individuals will shed light on understanding how necessity-guided entrepreneurships grow throughout time and impact positively communities even though the original drive motivation was not a market opportunity.

CONCLUSION

A distinctive feature of associative entrepreneurships of vulnerable individuals is their impact on communities. They benefit not only members but also the community to which they belong; it is hence a powerful tool for economic and social development. This entrepreneurship is deeply embedded in the heritage of the community. In the case analyzed, it was found that AGROSEC is more than organization; it is the village itself, that is, La Secreta. Inhabitants that are not members of the association consider it theirs. A member of the community stated:

The secret behind La Secreta is AGROSEC; similar to the Coca-Cola recipe.

Another distinctive feature of the case analyzed is the ability to start a new venture with more than 3 individuals. This is not usual in entrepreneurships started by individuals under normal circumstances. *AGROSEC* was created by 12 individuals and nowadays it has 56 members; there are more than 70 applicants waiting to become members. Mr. Polo stated:

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At the initial stages, we were worried about gathering more than 20 members; nowadays we are concerned about how to include so many people that are willing to become members.

Finally, given that this type of entrepreneurship originates from a collective need to overcome vulnerability and provide a better future for entrepreneurs, their families and communities, it is them and not an external party who suffer adverse conditions and motivate the new venture creation. They are aware that the entrepreneurial process takes longer than individual initiatives; however, they embrace such challenge and feel fulfilled once they succeed.

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Chapter 12
Nascent Social Entrepreneurship:
Economic, Legal, and Financial Framework

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ABSTRACT

In the past few decades a new way of responding to social and environmental problems has emerge: the social entrepreneurship. It is presented as a special type of venture, in which the creation of social value prevails over the maximization of profits. Thus, the main objective of these type of venture is to serve the community and to search for a positive social change. In this chapter, in addition to presenting the concept of social entrepreneurship within the so-called third sector and its various approaches, the main legal forms are also presented, from the cooperatives to the newest initiatives carried out in different countries. Likewise, the different sources of funding that can used by social entrepreneurs, especially business angels and crowdfunding, are detailed. Finally, new trends such as the bottom of the pyramid and the positive social change are addressed within social entrepreneurship.

INTRODUCTION

Given the current economic climate, it is increasingly difficult for governments to supply the goods and services of so-called welfare state, and generally to serve a society that gradually demands more support, thereby increasing public spending. In this context, the social enterprise emerges as an organization capable of providing innovative and efficient solutions to social and environmental problems, as a starting point for the creation and consolidation of a more sustainable and balanced social and economic order. Due

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to the growth of social enterprises around the world in many different sectors of the economy, research and article publication has grown substantially in recent years (Santos, 2012; Zahra & Wright, 2016).

The social entrepreneur, by generating ideas and investing resources, effort and personal commitment, can find solutions to issues such as: fair access to housing, inclusion of vulnerable groups, equal access to employment and training, managing the dependence, etc. Thus, social enterprises allow a different form of development; this is, innovative, inclusive and sustainable; highly necessary for today´s global market. In this economic context, the role of these types of businesses is growing, even considered by the European Commission of great importance, which has led to the implementation of many initiatives and research projects, offering different ways of development. In this regard, the European Commission published in 2011 the Social Business Initiative, in which eleven key actions to promote the development of social enterprises are presented, grouped around three main intentions: to increase the visibility of social entrepreneurship, to improve the legal environment and to facilitate access to financing (European Commission [COM], 2011).

The issue is clearly of some importance, as these social entrepreneurship ventures may vary in their business models, ownership structures, legal forms and financing (Zahra & Wright, 2016); it is therefore very appropriate to expand the existing knowledge in order to contribute to a better understanding of the concept and to delve into the differentiating aspects of this particular organization. Indeed, we consider this work particularly timely as different countries are developing initiatives in terms of legal forms and new financing sources to foster the development of nascent social entrepreneurship.

The objectives of this chapter are:

- To know the dimensions of the third sector as a framework for social entrepreneurship.
- To understand the concept of social entrepreneurship and social enterprise.
- To recognize the legal framework for the nascent social enterprise.
- To identify the financial alternatives available for nascent social entrepreneurs.
- To understand the bottom of the pyramid model and the positive social change approach.

To achieve these objectives, the chapter is organized as follows: first, the concept of the third sector is presented, distinguishing between the different approaches according to the entities that comprise it. Next, the concepts of social entrepreneurship and social enterprise are presented; the legal and financial frameworks are exposed, and related to the concepts of Bottom of the Pyramid and Positive Social Change. We finish the chapter including solutions and recommendations, future research directions and the main conclusions.

THE THIRD SECTOR

Throughout history, in all ages and cultures there have been individuals and organizations who have acted on behalf of vulnerable and disadvantaged groups. Directing solidarity, altruism and own and others efforts, they have identified the needs of these groups and have carried out various actions to address them. However, from the last third of the twentieth century a significant growth about these issues has been developed worldwide and is shaping as an important part of the economic system. Therefore, is a matter of increasing attention by both politicians and academic literature (Monzón, 2006; Defourny, Hulgård & Pestoff, 2014).

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Social entrepreneurship can be developed in the third, commercial and government sectors. Indeed, most definitions in the academic literature focus largely on social entrepreneurship within the non-profit and business sectors (Austin, Stevenson & Wei-Skillern, 2006). Nevertheless, it is certainly a new concept different from classical business and traditional non-profit activity, linking the social aim with a market focus and following standards of financial and economic performance (Galera & Borzaga, 2009).

The term third sector comes from the reference to the other two institutional sectors of the economy: the public sector and the private sector. Hence, it is presented as an option other than public bodies and traditional capitalist enterprises, in order to meet needs or fill gaps that neither others are able to address, or do it poorly (Monzón & Chaves, 2008).

From this general concept, it is possible to distinguish different approaches. Following Monzón (2006), Sajardo and Chaves (2006) and Monzón and Chaves (2008), in this section the main features of each of these perspectives are set, noting the similarities and differences between them.

Non-Profit Approach

The non-profit approach of Anglo-Saxon origin, according to which third sector organizations are those that meet the following characteristics (Salamon & Anheier, 1992):

- Private organizations (although they may have public funding).
- Formal structure, i.e. they must have some degree of institutionalization.
- Autonomous and self-government; that is, these entities have their own governing bodies and are not controlled by external entities.
- With job and other voluntary resources.
- Entities that are subject to the principle of non-distribution of profits among its members.
- Not focused on market competition.

Under this approach, the non-profit entities have a main social purpose and in any case the profit is going to be distributed between the people who is controlling the business; instead is intended precisely to fulfill its social aim or to help people -which cannot exercise any control over the organization-. It is based on philanthropic and charitable traditions, and the most representative entities of the same are foundations and charities.

Social Economy Approach

The focus of the social economy, with a French origin, has also spread to other European countries, including Belgium, Portugal and Spain, as well as Latin America. It can be said that emerges during the late 70s of the last century when the so-called *Comité nacional de liaison des activités coopératives, mutuelles et associatives*[1] (CNLAMCA) defines the social economy as a set of entities outside the public sector, with democratic management, and with a special regime of property and distribution of profits. Since then, there have been various efforts to make a conceptual delimitation of the social economy. Note the wide definition proposed by Barea (1990, p. 110), according to which the social economy "includes companies operating in the market in order to produce, secure, finance or distribute goods or services, but in which the profit distribution is not directly related to the capital contributed by each member and

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the decision making process is not taking into account the capital of each partner; indeed, when making decisions the weight is the same for everyone, regardless of the contributed capital"

Thereafter the European Social and Economic Committee[2] (ESEC), in its report on the social economy in the EU, proposes a similar definition: "the set of private, formally-organized enterprises, with autonomy of decision and freedom of membership, created to meet their members' needs through the market by producing goods and providing services, insurance and finance, where decision-making and any distribution of profits or surpluses among the members are not directly linked to the capital or fees contributed by each member, each of whom has one vote, or at all events take place through democratic and participative decision-making processes. The social economy also includes private, formally organized organizations with autonomy of decision and freedom of membership that produce non-market services for households and whose surpluses, if any, cannot be appropriated by the economic agents that create, control or finance them" (Monzón & Chaves, 2012, p. 22).

So, according to the above definitions, a broad understanding of the third sector arises and are considered social economy entities those meeting the following principles:

- Private organizations with a legal form.
- Democratic. In the decision-making process the people and their work contributions and / or services provided, are prioritized over their contribution to the equity.
- Autonomous and self-government; that is, these entities have their own governing bodies and are not controlled by external entities.
- Freedom of membership.
- They can distribute profits, although not linked to the share capital. This is, the distribution of the results obtained by the economic activity is carried out based on work performed or the services provided by partners or by its members and, where appropriate, the application to its social order.
- They develop a market-oriented economic activity, in order to meet the needs of its members and the society as a whole.

Therefore, the social economy includes not only non-profit entities, legally made up of associations and foundations, but also other commercial entities market-oriented, such as cooperatives, mutual entities, etc. Thus, the term social economy is broader in its conception and frames to a wide variety of organizations created with the aim of responding to the shared needs of certain social groups. It includes entities with various legal forms, which give primacy to the people and the social objective over the equity contributed, both in management and decision-making.

It can be seen that there are differences between the nonprofit approach and the social economy, among which it can be highlighted the market orientation and the possibility of profit distribution (although with limits). Indeed, for the non-profit approach the entities are not focused at all on market competition, while for the social economy the entities are developing a market-oriented economic activity. Moreover, the requirement of non-distribution of profits in the non-profit approach is considered by diverse authors as too strict and restrictive, and would not allow to include within the social economy organizations such as cooperatives. For this reason, the focus of the social economy is broader than the non-profit approach, including more types of entities, and is considered superior to better answer today society´s needs.

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The Solidarity Economy Approach

The solidarity economy approach, also originated in France, during the 80s of the last century and is based on the idea that the economy has a plural nature, and therefore should not be reduced strictly to monetary issues and trade. Is clear in its ambition to strengthen cooperation and solidarity among different agents, generally on a voluntary and reciprocity basis This perspective includes a set of organizations, with different forms, performances and economic activities, which pursue social utility in favor of disadvantaged groups; as its name suggests, the common element is solidarity.

It is proposed as a combination of voluntary citizen participation, collaboration and public support, and as such is articulated on the following areas:

- Fair trade.
- Solidarity finance.
- Local Initiatives.
- Non-monetize exchange.
- Local exchange trade systems (LETS).

In this approach converges the market economy, the non-market economy and the non-monetary economy. Thus, there are involved organizations operating in the market selling goods and services; entities that perform functions that are traditionally assigned to the public sector and collaborate on support from public grants and donations; as well as various forms of self-production and mutual exchange between individuals. In short, the main objective is the creation of synergies between different players such as governments, private enterprises, local authorities, citizens, etc. offering new services and, at the same time, creating workplaces. For example, the associations for the development of proximity services in France which join together local communities, organizations of social housing and inhabitants to manage their territory (Moulaert & Ailenei, 2005).

The Economy for the Common Good Approach

The new model called Economy for the Common Good (ECG) has recently developed in Europe. This wide approach aims to develop a new economic, political and social order, with the intention of building -from the ground- a sustainable and more balanced society. The first ideas associated with this new trend appeared in Austria developed by Christian Felber. It is based on the belief that the economy must be at the service of citizens and not the opposite, and consistent with the values and objectives contained in most countries´ Constitutions. Since the beginning, the movement has undergone significant development in several European countries, with the support of individuals, companies and organizations that back the initiative in different ways.

The ECG is an alternative to existing models: the free market economy and the centrally planned economy. Unlike these traditional economic models, the ECG places the human being and any entity associated with interpersonal relationships, in the center of economic activity, achieving this way the common good. It is an alternative system built on widely accepted values such as equality, justice, solidarity and sustainability, among others; through which it intends to initiate an economic, political and social change that must be set as pattern of behavior towards a better future. Therefore, following

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Felber (2012), the ECG is a holistic model, which may be a new option over the existing socio-economic systems, understood as an inspiring force for a real global change.

In the same line, and based on the principles established in its conception, the Association for the Promotion of the Economy for the Common Good (2016) also considers the ECG as a catalyst for change through this threefold perspective: economy, politics, and society.

- From an economic point of view, the movement develops an alternative appropriate to all business organizations regardless of their characteristics, size or legal status. The economic purpose and the evaluation of success of these organizations must be based and defined on the values actually aimed at achieving the common good, and must be measured not by classical financial reports and purely economic criteria, but through new tools applied in both, companies and the global economy.
- From a political perspective, legislative changes arise willing to facilitate an equitable life and ensure the basic needs of people and respect for all living beings.
- In the social sphere, the movement aims to create general awareness and motivate many people and organizations as possible, through a joint action towards the common good.

Thus, the goal of the ECG is to provide better living conditions for all inhabitants of the planet, on the basis of a social, political and economic system, mainly focused on achieving an overall profit. In this way, human dignity, equity, solidarity, ecological sustainability, social justice and democratic participation are considered inherently linked to the movement values and are the basis on which to build the change to achieve that objective.

Facing this new challenge, social entrepreneurship finds an appropriate framework for development, since these entrepreneurs are seen as the protagonists of a new market economy and a different way of doing business, focusing on growth and prosperity, but at the same time creating social value.

SOCIAL ENTREPRENEURSHIP AND SOCIAL ENTERPRISE

Social entrepreneurs identify business opportunities searching to solve social problems such as fair access to housing and water, integration of people at risk of exclusion, or initiatives aimed at reducing ecological damage, developing a business project. Not to be confused with charity or altruism (Kroeger & Weber, 2014), this consists of creating a business model, based on the implementation of an innovative and creative solution, and motivated by a desire to help others and implement positive social change. The social entrepreneur wishes to provide an effective and efficient response in order to create financial, social and environmental wealth (Zahra & Wright, 2016), as a starting point for the creation and strengthening of a consolidated and more equitable social and economic order (Priede, López-Cózar, & Rodríguez, 2014).

Austin et al. (2006) offer a comparative analysis of commercial and social entrepreneurship; they define the latter as an innovative, social value creating activity, and identify four key differences between the two concepts: market failure create different opportunities for social and business entrepreneurship; differences in mission; differences in resource mobilization; and differences in performance measurement.

Although there are many approaches to the concept of social enterprise (SE) made by different authors, there is no commonly accepted official definition (Moreira, Urriolagoitia, & Vernis 2011). In this regard, the European Commission, based on the recommendations of the Network of European Research

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(*Emergence of Social Enterprises in Europe, EMES*)[3], proposes a description of common existing characteristics to SE in most Member States.

The approach is based in nine indicators to define the SE. Following Defourny and Nyssens (2012) these could be presented in three main groups: economic, social, and corporate governance criteria.

- **Economic Indicators:** SE must produce goods and services for the market and must compete with traditional companies; they must accept financial risk and be self-supporting on its activity; and they must have employees.
- **Social Indicators:** They must have a clear objective for the community; and must be led by citizens from these community; they also present a limited profit distribution in order to avoid the maximization of profits, but instead the creation of social value.
- **Corporate Governance Indicators:** They must have independent management, this means not being part of any other organization, but having their own statutes and developing independently; decision making power is not based on shareholder ownership; they must exercise an open door democratic management including all stakeholder's interests.

Thus, in order to develop a general framework to identify them in Europe, they are considered to be active in the market offering goods and services, but are characterized by three main elements: they conduct their business in a socially innovative way, indeed the social objective is their main goal; its benefits are mainly reinvested in the pursue of the social aim; and they have a way of organization and ownership also conditioned by this social mission, based on principles such as democracy, accountability, participation and social justice. Hence, the European Commission is not intending to set a normative definition, but to respect the different economic, political and social choices possible in Europe, and will adopt a more precise definition -if necessary- for regulatory issues in the future (Defourny & Nyssens, 2008, 2012; Fisac-García, Alves de Carvalho, Moreno-Romero, Moreno-Mateos & Rojas, 2012).

Based on this first approach, the SE, regardless of the legal form, has a strong social purpose beyond the pursuit of wealth for their owners. This objective can be achieved in two ways. First, by providing products and social services to vulnerable people, such as: health care, access to housing, agricultural support, assistance to people with disabilities, etc. Secondly, facilitating professional and social integration of disadvantaged or at risk of exclusion people, through the access to employment and training in the company. In sum, SEs are neither public or charities, nor traditional capitalist companies, with a clear mission of serving the community, operating in the market through resource extraction and the production of goods or services, as well as offering innovative, effective and efficient solutions to social unresolved issues.

As a result, in view of the arguments described so far, SE are organizations identified within the social economy; as well, they could also be identified as key elements for the development of the ECG representing a wider modern approach of change, which is gaining strength in recent years.

LEGAL FRAMEWORK FOR NASCENT SOCIAL ENTREPRENEURSHIP

As mentioned before, SEs are characterized by serving a social purpose irrespective of their legal form, but the regulatory deficiencies can have serious consequences for the legal position of the SE within the social economy. The legal framework could hinder the creation of new forms if the existing ones do not

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answer the needs of this type of entrepreneurship. In this sense, the new regulations appeared in recent years in different countries have been intended to provide a way for the development of an emerging social reality (Monzón & Chaves, 2012). This heading shows the development of the legal frameworks in various countries, describing the main legal forms available for nascent social entrepreneurs today.

Europe

Social Cooperatives

The SE concept appeared in Europe in the early nineties. In particular, the first impulse was produced in Italy in 1991 with the publication of a new Law to regulate the creation of the *Cooperative sociali* (social cooperatives), intended to ensure the general interest of the community, promotion of people and the social integration of citizens. A distinction was made between cooperatives engaged in providing health, and social services and education (*cooperative social di tipo a*), and the ones created to help facilitate the employment of disadvantaged people regardless of the activity (*cooperative social di tipo b*). Two new hybrid legal forms created to adapt the needs of SEs. Italy shows a great number of these organizations and an important development of the social sector.

Following the Italian example, other European countries also began to establish new legal cooperative forms to attend the social needs and with the implication of different stakeholders and the government. Thus, in 1997, in Portugal was created the *Cooperativa de solidariedade social* (social solidarity cooperative). In 1999, appeared in Greece the *Koinonikos Syneterismos Periorismenis Eufthinis* (social cooperative of limited liability); and in Spain, *the cooperativas de iniciativa social* (social initiative cooperatives) are created. Two years later in France the Societé Coopérative d´interét Collectif (cooperative of common interest) was created (Galera & Borzaga, 2009). All of them are non for profit organizations, with the aim of promoting the social and labor integration of the most vulnerable groups in the society (children, people with disabilities, etc.), as well as to produce and supply goods or provide social services (such as social assistance, education, and medical services) to the community at large, or to a particular social group (Defourny & Nyssens, 2008, 2012; Priede et al., 2014).

Tag: “Social-Oriented Company”

Parallel to the development of cooperatives, in 1997 arises in Belgium the *Société à finalité sociale* (social purpose company); in this case, it is not a new legal form, but Belgian law introduces the possibility for nascent enterprises to achieve the grade of “company with a social purpose”, becoming this way the first European country introducing this new trend. This tag could be acquired not only by cooperatives, but also any other type of business, such as limited liability companies or public limited companies, meeting certain requirements, basically not profit seeking partners, social objectives, and presentation of an annual social report to prove the achievement of the social aim. In short, these are companies developing commercial activities, but mainly non-profit seeking (Galera & Borzaga, 2009).

In the same line, and mainly because of the great development experienced by cooperatives, in Italy during 2005 and 2006 it was approved a new Law which became a major change in the Italian legislative framework for SE, adopting a more open system less based on the cooperatives. Thus, under this law, any private organization, including trading companies, could acquire the qualification of SEs provided its engagement with a social aim. Therefore, companies will be created according to the traditional laws

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for incorporation but should explicitly mention its social character, including in the company name the title "*impresa sociale*" (social company) (Defourny & Nyssens, 2008, 2012). Meanwhile, other European countries have also introduced specific legislation on SEs. In Finland came into force a Law in the year 2004; in the same way Lithuania has a social business law since 2004; In Slovenia it entered into force the Law on social entrepreneurship during 2011, and Romania and Netherlands approved a draft law on social enterprises in 2012 (Chaves, Monzón, Pérez de Uralde & Radrigán, 2013).

Community-Interest Companies (CIC)

However, the European country with a further development on the legislation of these types of social initiatives is United Kingdom (Nicholls, 2009). In 2002, the British government intended to encourage SEs and established the "Social Enterprise Unit" (SEU) to coordinate England and Wales's actions. Four years later a plan of action was adopted to promote and support the development of SEs throughout the British economy (Spear, Cornforth, & Aiken, 2009). The British Government, in its efforts to support the creation and development of SEs, has tried to improve the fiscal and regulatory surrounding environment.

Indeed, in 2005 a new legal form for SEs was introduced, the CIC, combining the flexibility of the limited liability company with a social purpose. It is a type of limited company designed specifically for those wishing to operate for the benefit of the community, instead of personal profits. Hence, the social entrepreneur can attract investment by issuing shares, while the profits are to be reinvested in the organization or in the community. One of the main characteristics of CICs is the mechanism called "asset freeze" through which social benefits are safeguarded, preventing this way that assets can be transferred to any other owner as well as limiting the distribution profits.

United States

In the North American culture it has aroused a great interest in the creation of new specific legal forms to meet the needs of SEs, as it is considered that this movement has grown very fast in recent years, and has been constrained by the limitations of a legal system that turns obsolete when satisfying the social entrepreneur's needs. In fact, they often had to adopt non-profit legal forms or a hybrid structure, mixing sometimes non-profit and for-profit elements.

Benefit Corporation (BC)

In this context, at the beginning of 2013 a new legal form called BC was created in the United States, which has spread rapidly through the country. In fact, in 2015 the legislation has passed in thirty one states and is moving forward in several others. This is the most innovative, comprehensive and flexible legal form to meet the needs of entrepreneurs, investors and the general public, as it offers a clear differentiation in the marketplace and a comprehensive legal protection for entrepreneurs and investors, expanding thereby funding opportunities (Clark & Vranka, 2013).

The BCs are companies that are subject to the same legal standards that govern traditional companies except in three specific issues: the corporate purpose, responsibility for accountability and transparency. As to social purpose, these companies must specifically create a material positive impact on society and the environment. Regarding the second point, the decisions made within the company should meet the needs of all stakeholders, both internal and external, and consider the impact on these groups, the general

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public and the environment. Finally, in terms of transparency, BCs are required to publicly report on their social and environmental performance, using an independent third party standard, reliable and complete.

In this latter point of the definition, it should be clarified that the legislation establishes specific requirements for defining these third party reviewers, as considered a relevant concern in the design of such legal form. However, it leaves much freedom in this respect, not forcing the BC to adopt a particular type of standard, but choosing freely between existing evaluators. Moreover, the government is not responsible for assessing whether the standard is acceptable or if the BC has fulfilled its social commitment.

It is important to clarify that sometimes the BCs are confused with Certified B Corporations by the similarity in the names. The B Impact Assessment is one of the agencies through which the BCs can certify that is really meeting their social and environmental objectives, nevertheless, this certification can be obtained by any business, regardless of its legal form, that meets the rigorous standards of measurement, whether social businesses or not (Priede et al., 2014).

Low-Profit Limited-Liability Company (L3C)

Another legal possibility for nascent social entrepreneurs in the United States is the so called Low-profit Limited Liability Company (L3C). It is a variety of the Limited Liability Company (LLC) and a mixture between for-profits and non-profits organizations. It can be considered a hybrid structure that combines the advantages of a non-profit, such as ease of organization and start- up, possible tax advantages and flexibility; together with the advantages of a for profit structure, such as limited liability, fundraising and the ability to freely transfer ownership (Galpin & Bell, 2010).

The L3C operates as a limited company and must be profitable. However, the difference with a traditional business is that the main objective is not profit maximization, but the pursuit of a social purpose, being the profit consecution of secondary nature obviously necessary to achieve the main aim. In short, L3Cs are limited partnerships that have been created to improve the development and achievement of social goals. In short, the L3C must look for a social purpose, cannot be created for profit-making-but is allowed to make profits- and cannot be formed for political purposes. Finally, it is noteworthy that, unlike the BCs, the L3Cs are not subject to the evaluation of their social impact by a third party, they are free to self-regulate their social activities and their degree of dissemination and communication. Table 1 shows the main legal forms available for social entrepreneurs in Europe and USA.

FINANCIAL CONTEXT FOR NASCENT SOCIAL ENTREPRENEURSHIP

In addition to having an appropriate legal environment, the access to financial resources is one of the main problems that nascent social entrepreneurs have to face (Lehner, 2013; Lehner & Nicholls, 2014; López-Cózar & Priede, 2015); actually, literature suggests that social entrepreneurs have a disadvantaged position when searching for funds compared to commercial entrepreneurs (Calic & Mosakowski, 2016). Therefore, in this section the main financial instruments available for them are addressed.

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Table 1. Main legal forms for social entrepreneurship in Europe and USA (Priede et al., 2014)

Name	Year	Country	Legal Form
Cooperative Sociali	1991	Italy	Cooperative
Cooperativa de Solidariedade Social	1997	Portugal	Cooperative
Koinonikos Syneterismos Periorismenis Eufthinis	1999	Greece	Cooperative
Cooperativas de Iniciativa Social	1999	Spain	Cooperative
Societé Coopératived´interét Collectif	2001	France	Cooperative
Société à Finalité Sociale	1997	Belgium	Any form
Impresa Sociale	2006	Italy	Any form
Community Interest Companies	2005	UK	Limited Liability
Low-profit Limited Liability Company	2008	USA	Low Profit Limited Liability
Benefit Corporation	2011	USA	Benefit Corporation

Traditional Funding

In general terms, to start-up a social business an entrepreneur`s own savings are the most common sources to financing the new venture. Additionally, funds from family and friends, known as the 3Fs (family, friends and fools) are often employed, being people who, motivated by their personal relationship with the entrepreneur, agree to contribute funds to the project, with the idea of supporting the initiative, rather than achieving high financial returns. This is in line with the theoretical basis of SEs in which self-financing is used to fund growth and development, profit-sharing is limited, and earnings are used to enhance the achievement of objectives and create social value (Defourny & Nyssens, 2008, 2010; Priede et al., 2014).

Moreover, nascent social entrepreneurs can also count on funding from other sources, such as state aid in the form of non-repayable grants or aid from private companies. Certain institutions aimed at promoting social entrepreneurship provide funds for the best projects submitted, providing the winners with financial backing, technical support and know-how. In any case, these options are feasible in the early stages of the creation process, but the proceeds are usually quite limited and, therefore, rarely sufficient to cover the amount of capital necessary for the consolidation of the organization (Lehner, 2013).

Access to credit from private banks is often an unsuitable option, due to the social entrepreneur's inability to provide sufficient guarantees or collateral. As it is common for financial institutions to ask for personal or real guarantees, emerging enterprises, with limited financial resources and low bargaining power, have less chance of receiving funding. Nevertheless, ethical banks could be a solution to social entrepreneurs -excluded in many cases from the commercial banking system- because ethical financing search to achieve a positive impact in society investing in social and environmental activities (Febea, 2016). In fact, commercial institutions distinguish between "good and bad borrowers" by the use of tools such as credit scoring. In this case, a good borrower is paying back the loan. In contrast, for ethical banking the good borrowers are those searching to create social value. Thus, there is a ris-

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ing interest to include social issues into the credit score systems, in order to assess the social impact of the project and the commitment of the candidate, and not only its failure probability. In this same line, microfinance institutions or certain credit cooperatives, among others, grant socially responsible loans (Gutiérrez-Nieto, Serrano-Cinca, & Camón-Cala, 2016).

Alternative Means of Funding

Most developed countries have articulated measures and instruments that complement traditional financing mechanisms in order to help nascent entrepreneurship with limited possibilities for obtaining resources, such as the social entrepreneurs, both in raising equity or debt.

Mutual guarantee systems in various countries aim to solve the major funding problems for many organizations, helping to solve the existing limitation in obtaining credit due to lack of guarantees or collateral. Therefore, mutual guarantee institutions provide its guarantee against the financial institution when negotiating the allocation of funds. Hence, the conditions obtained by the entrepreneur in credit lines are usually preferred in terms of interest rates and repayment terms, due to the support offered by the guarantee institution. These mechanisms are particularly important in financing new business projects.

Another possible vehicle for financing social enterprises is through venture capital which have become one of the main instruments of corporate finance in advanced economies. This are independent institutions that provide a minority time-limited investment in the equity of a company who may also participate in management decision-making, at medium or low level of risk. The ultimate goal of the investor is to obtain capital gains from the sale of the stake after the success and development of the funded project. It is a stable source of funding, and therefore is a very interesting tool whatever the life cycle stage of the project. Additionally, these investors can offer expertise, knowledge and professional contacts. However, given that the objective is a return on investment, they are often very demanding in terms of the entrepreneurs' skill levels and expectation of business growth, presenting in many cases difficulties for start-ups with little experience and a social focus (López-Cózar & Priede, 2015). It's very interesting to highlight that recently, venture capital has entered the social entrepreneurship field as social venture capital institutions (SVC), which provides capital to socially oriented enterprises, and are highly concerned with the social evaluation of the candidate, improving the usefulness of this source of financing for these type of entrepreneurship (Gutiérrez-Nieto et al., 2016).

Business Angels and Crowdfunding

In recent years, a range of other financing options for social entrepreneurial start-ups have emerged, such as business angels and crowdfunding, which have grown in use and popularity and are expected to develop even faster in the future, driven by the need of innovative solutions for financing new ventures and the availability of new technologies (Bruton, Khavul, Siegel & Wright, 2015).

Business Angels

A business angel is an individual investing in a project and contributing with own money and other resources to the progress of a business, especially for small entrepreneurs with an innovative idea. Although the investment could be done at any phase of development of the company, business angels

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often play a key role at the time of creation, supporting entrepreneurs in the early stages of their projects (Legazkue et al., 2014).

Business angels work in a similar way to venture capital as they contribute with equity, for a limited time and with a minority stake. Its goal is as well not to stay in the company a long period of time, but they invest with the expectation to retire in the medium term obtaining a capital gain, when the project consolidates its market position. In addition to financial resources, these investors also bring their experience, knowledge, time, offer advice and networking. It is interesting to promote and encourage this special source of financing creating channels to enable information and professionalize the activity, to make it more accessible for social entrepreneurs.

While the business angels respond to a heterogeneous profile, and therefore it is difficult to classify, there are some features that are common to all of them and that serve to differentiate them from other types of investors:

- They invest their own money (individuals), unlike venture capital investing other people's money (institutions).
- They make their own investment decisions.
- They search profitability, although it does not have to be the only motivation to invest.

Crowdfunding

Crowdfunding -also known as collective or mass-financing- is a new method for financing a range of initiatives such as businesses, cultural activities, social projects, etc. allowing the founders to request funds from a large number of people each who usually provides a relatively limited sum (Belleflamme, Lambert & Schwienbacher, 2014; Mollick, 2014). This funding model represents a new mechanism of financial disintermediation, which has been developed on the basis of the new currently existing technologies and has experienced significant growth in recent years, adapting very appropriately to the financing needs of the SEs.

The practice is based on an open offer, usually raised through a website, allowing individual founders to develop their ideas by requesting funds to a large number of people, providing a very interesting alternative to other traditional sources of financing. A crowdfunding process will normally involve three types of participants: the entrepreneur, the group of individuals who choose to contribute funds to support the initiative, and technological platforms that allow contact between them. The business can be of different dimensions, small, large, artistic, etc.

According to Wardrop et al. (2015), there are three types of crowdfunding. One type called donation-based crowdfunding, is when participation is motivated by the desire for an expected social outcome, as may be the case in humanitarians or solidarity projects, and participants will not receive a financial or material compensation by the donor and no legally financial obligation is incurred by recipient. The second type is the reward-based crowdfunding that could focus cultural, sport and other projects. Participants have an expectation and will receive a symbolic tangible compensation (not financial), such as a copy of the future product, some sort of promotional gift or public recognition for their contribution. The third type is called equity crowdfunding and is characterized by the involvement of agents with a strict investment behavior and is motivated by the expectation of a financial return. Investors may be offered shares or units of the company funded or a certain percentage of profits. However, there is also

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Table 2. Main sources of financing for nascent social entrepreneurs (author compiled)

Source	Definition
Own savings and 3Fs	Funds provided by the entrepreneur/family/friends.
Grants	Public or private non repayable funding.
Ethical Banking	Type of banks search to achieve a positive impact in society investing in social and environmental activities.
Social Venture Capital	An institution providing capital to socially oriented enterprises highly concerned with the social evaluation of the candidate.
Business Angels	An individual investing in a project and contributing with own money and other resources to the progress of a business.
Crowdfunding	Request funds from a large number of people each who usually provides a relatively limited sum.
Donation-based Crowdfunding	Where no financial or material returns are expected by the donor and no legally binding financial obligation is incurred by recipient.
Reward-based Crowdfunding	Where backers have an expectation that recipients will provide a tangible (but non–financial) reward or product in exchange for their contribution.
Equity-based Crowdfunding	The sale of registered security by mostly early–stage firms to investors.

the possibility of receiving interest on the amount provided and the recuperation of the quantity invested at maturity (Ahlers, Cumming, Günther & Schweizer, 2015). Table 2 shows the main sources of financing (own and debt) studied throughout this section in order to summarize those that are most suitable for social entrepreneurship.

BOTTOM OF THE PYRAMID AND POSITIVE SOCIAL CHANGE

The bottom of the pyramid (BoP) refers to the millions of people who have to subsist with a very low income, 4 dollars a day. This name comes from the segmentation of the world's population into three groups according to the per capita income. Most of the world's population (4000 million people) live under these conditions, and expectations show that this segment will grow exponentially overtime. Current estimations suggest that for 2050, around 9000 million people (approximately 85% of the population) will live in developing countries. It seems, therefore, that there is a need to engage with these collective. This poorest population rise an extraordinary managerial challenge for the wealthier companies around the world, developing new strategies to serve the poor and, at the same time, helping them to improve their lives by producing and distributing products and services in a different way (Prahalad & Hart, 2002).

Poverty is not uniform, on the contrary, is segmented by age, gender, marital status, race, education or incomes, making a different poverty according to the country or region. However, it is possible to identify the main features to meet the business model in the BoP to succeed. Following Mutis and Ricart (2008), the population of these markets of low income is characterized by living either in remote rural areas or in urban slums, and very often are not registered. In general terms, it is people with no access to the basic goods and services; with a very low income at daily basis and with a very informal commercial behavior. Therefore, companies must:

- Adapt costs to the difficult situation in which the population is living.

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- Establish relationships with local governments, small businesses in the area and NGOs. These partners provide knowledge of the customs of the community, help to build confidence, provide access to distribution channels, etc.
- Develop strategies for local production and small-scale operations.
- Use the appropriate technologies according to the environmental conditions.

So far, most business initiatives in the BoP are confined within the framework of corporate social responsibility (CSR). For traditional companies, strategies which are focus on serving the needs in the BoP look also for financial improvement. All companies can use these strategies to address the needs of the population living in poverty conditions and, at the same time, foster a different entrepreneurship (Zahra & Wright, 2016). However, today many organizations are gradually looking to go one step further to influence the strategy of the business. Hence, it is necessary to delve into new business models that are prepared to provide value to its customers in low-income markets, which really cooperate in reducing poverty, that are environmentally responsible, and are able to increase the competitiveness of the company.

Some traditional companies are already aware of this reality, and search in low income markets a good opportunity to develop new strategies and business models: innovative, profitable, sensitive, responsible and sustainable; to develop the necessary activities in order to meet their needs, while, helping to reduce poverty (Prahalad & Hart, 2002; Mutis & Ricart, 2008). But, nevertheless, as already mentioned before, social entrepreneurship is prepared to answer the needs of this new target group, based on its main characteristics and its change maker spirit. In both cases, the profitability is a common focus, however, the SE provides primacy to the social objective over other goals and motivations, while traditional companies that develop strategies in the BoP within the framework of the CSR, are mainly looking for financial aims.

Likewise, another notable difference is the degree of autonomy by those responsible for decision making. This autonomy reflects the perceived importance for each approach CSR, SE, BoP and its relevance in the strategic process. The higher the value of these activities, the greater autonomy in decision-making. So, while SE projects are carried out mainly by independent entrepreneurs, s CSR and BoP usually develop within the organization with less autonomy of decision for the responsible managers. There is, therefore, a need to integrate CSR, SE and BOP in order achieve blended value (Zahra & Wright, 2016).

Management research on these issues is growing but still remains fragmented. Nevertheless, in recent years a new concept called Positive Social Change (PSC) has emerge for organizations to better understand their external effects, change processes and its further implications. At the same time, it helps to integrate the huge stream of research on CSR, SE and BoP. PSC is defined as "the process of transforming patterns of thought, behavior, social relationships, institutions, and social structure to generate beneficial outcomes for individuals, communities, organizations, society, and/or the environment beyond the benefits for the instigators of such transformations. The "beneficial outcomes" of this process are often referred to as (positive) social impact" (Stephan, Patterson, Kelly, & Mair, 2016, p. 1252).

PSC is then a new integrated, multilevel, transformative process of change supported by the organization, which is applicable in different issues such as: environment, social and economic inclusion, health and well-being, and civic engagement. PSC is based on an inclusive, open, multi-stakeholder participation in corporate governance and strategic management. The organization is no longer providing solutions and direction but is open to co-develop products and services, and even strategies. In our understanding, this new holistic approach is an interesting starting point for further research in this field and a deeper knowledge on the PSC processes within the organizations.

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SOLUTIONS AND RECOMMENDATIONS

Nascent social entrepreneurs still find today in many economies a lack of efficient financial markets able to meet their needs, as well as not appropriate legal and institutional framework for the promotion and consolidation of their latent creativity. It is a booming business reality that requires a specific regulation tot suit its peculiarities and contribute to enhancing its future development. Consequently, all governments should provide answers to this new reality, offering a new economic, fiscal, legal and financial framework to foster its development which is very important to answer many social needs.

Moreover, since in recent years the interest in social entrepreneurship in most countries has increased, the academic community need to be concerned with this reality. Thus, a responsible entrepreneurial spirit must be fostered among young people, with the aim of achieving a business network in which new initiatives are capable of ensuring their economic viability and, at the same time, progress towards a greater social integration, a greater environmental respect and a more coherent and balanced growth model.

The general trend of the education systems, including different levels, should be directed towards the training of highly concerned citizens, capable of generating employment and wealth, but also capable of carrying out their activities in an ethical, responsible and sustainable manner. In this line, social entrepreneurship is configured as a feasible and adaptable alternative that must be globally promoted. In brief, we believe that it is necessary a greater institutional support and social recognition in order to encourage new entrepreneurs to start the path towards a more sustainable and responsible economic model.

FUTURE RESEARCH DIRECTIONS

This chapter has studied the legal forms specially identified for nascent social entrepreneurs in Europe and United States. Nevertheless, we consider that it would be interesting to expand the analysis to other countries in order to compare results and to understand the development in other world areas. Likewise, the main financial alternatives available for social entrepreneurs are shown. This chapter is limited to analyze the legal and financial problems, but nascent social entrepreneurs have also other concerns to face, such as lack of professionalization and a low development of management skills; poor staff training; low experience in many cases; absence of processes of innovation and development, as well as scarcity of other resources. Finally, we consider that it could also be interesting to perform a review of a set of case studies as well as a quantitative analysis using databases, that include information about the legal form and the use of various sources of financing employed by social entrepreneurs, as well as other interesting aspects mentioned above.

CONCLUSION

Nowadays it's increasingly common to find entrepreneurs who not only pursue financial returns, but also seek social objectives. For this reason, in recent years has greatly increased the interest in social enterprises, which contribute to a major change by offering innovative solutions to problems affecting society, in line with the objectives set by the Europe 2020 Strategy, marking the road to smart, sustainable and inclusive growth. Facing this new challenge, social entrepreneurship must develop in all economies,

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since the SE becomes a key agent in the market economy and show a different way of doing business, focusing on growth and profitability but with the aim of achieving social value.

The three different approaches when considering the entities that comprise the third sector are non-profit focus, the social economy and the solidarity economy approach. SEs are organizations identified within the social economy; as well, they could also be identified as the cornerstone for the development of the ECG which represent a wider modern approach of change, which is gaining strength in recent years.

However, despite its importance as agents of change and their growing presence in most economies, nascent social entrepreneurs encounter more difficulties than the traditional ones in the access to financial resources as well as dealing with poor legal framework which not contemplate, in many cases, the special characteristics of this type of entrepreneurship. In Europe, SEs began adopting the cooperative structure, but later in different countries, especially the United Kingdom, there have created specific legal forms designed to respond to their special needs. Meanwhile, also in the United States there have been developed -in recent years- adapted legal forms for SEs entrepreneurs, although, with different characteristics.

In general terms, the more frequently funding sources used by nascent social entrepreneurs are their own resources: entrepreneur´s savings for the implementation of the project, and self-support to promote the growth and development. These alternatives are more readily available and considered the most suitable for this type of entrepreneurship, which rarely use other sources of financing, possibly due to their complexity and their lack of knowledge. Indeed, regarding the use of credit from private banks, it is an option that requires a process of prior negotiation with the entity; because nascent social entrepreneurs do not usually meet the necessary requirements to access such negotiations, it is an option sparingly used by such entrepreneurs. However, it is interesting to highlight the rise of new financial alternatives, especially crowdfunding, which can be considered a feasible and interesting option. In this sense, the nature of the SE must involve citizens collectively, so a funding source as crowdfunding allows the society to be part of the initiative.

The BoP market is related to the poorest population in the world which presents an extraordinary managerial challenge for entrepreneurship nowadays. Developing new strategies and new business models to serve the poor and help them to improve their lives by producing and distributing products and services in an innovative, profitable, sensitive, responsible and sustainable way, is the main idea of this approach. In short, SE, BoP markets and CSR actions can be included in the new holistic method called PSC.

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KEY TERMS AND DEFINITIONS

Bottom of the Pyramid (BoP): People who have to subsist with less than one dollars a day.

Crowdfunding: Also known as collective or mass-financing, is a new method for financing a range of initiatives such as businesses, cultural activities, social projects, etc. allowing the founders to request funds from a large number of people each who usually provides a relatively limited sum.

Economy for the Common Good: Is a holistic model, which may be a new option over the existing socio-economic systems, understood as an inspiring force for a real global change. It is a new economic, political and social order, with the intention of building -from the ground- a sustainable and more balanced society.

Positive Social Change: Process of transforming patterns of thought, behavior, social relationships, institutions, and social structure to generate beneficial outcomes for individuals, communities, organizations, society, and/or the environment beyond the benefits for the instigators of such transformations.

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Social Economy: Set of entities outside the public sector, with democratic management, and with a special regime of property and distribution of profits.

Social Enterprises: Are neither public or charities, nor traditional capitalist companies, with a clear mission of serving the community, operating in the market through resource extraction and the production of goods or services, as well as offering innovative, effective and efficient solutions to social unresolved issues.

Solidarity Economy: Is clear in its ambition to strengthen cooperation and solidarity among different agents, generally on a voluntary and reciprocity basis.

Third Sector: Is option other than public bodies and traditional capitalist enterprises, in order to meet needs or fill gaps that neither others are able to address, or do it poorly.

ENDNOTES

1 Formed June 11th 1970 by organizations representing the cooperatives, mutual societies and associations. During 2001 it becomes CEGES (*Conseil des entreprises, employeurs et groupements de l'économie sociale*).

2 First founded in 1957, is an advisory body of the European Union; is currently is comprised by 350 members out of the 28 UE member states.

3 Founded in 1996 by an international group of scholars with the support of the UE. EMES is an international research network for building theoretical and empirical knowledge about social enterprise, social entrepreneurship, social economy and solidarity economy.

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Chapter 13
Social Entrepreneurship Taxonomy:
Extremadura Case (Spain)

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ABSTRACT

Regardless of the bubbling social entrepreneurship research, a generally accepted concept for this term. In fact, the current limited conceptual framework undermines the bases of this entrepreneurship and hinders rigorous scientific progress in this area of study. In this paper, the authors attempt to fix the conceptual framework of the social enterprise, for which we have opted for an integrated, broad open view of the concept, given the heterogeneous nature of its agents and its continuous evolution, as well as the type of social enterprises that may be inferred from it. They close by exploring the keys to success of these enterprises, certain specific factors of which only a few are shared by traditional enterprises. By applying a qualitative and quantitative methodology, which they triangulate, this analysis is implemented for Extremadura (Spain), a region that embarks on fostering social entrepreneurship based on the current view in a territory with a thin social enterprise network.

1. INTRODUCTION

The notion of Social Enterprise (SE) runs into the absence of a definition and, when one tries to define it, it varies according to the different country realities. There is not a single agreed upon definition in the academic, professional and public authority world due mainly to the fact that the legal, cultural, economic, and historic differences hinder this objective, but also due to the complex and interconnected realities of today's society, constantly generating new projects that occupy the line between the SE, other entities, especially those known as the Third Sector –or Social Economy in several European countries-, and

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traditional businesses (Chiliova et al., 2011). Besides, many of them are dynamic projects that evolve with time –starting as social projects, or businesses that become SEs when they identify a social challenge to undertake. The many businesses already committed to Corporate Social Responsibility (CSR) blur the SE boundaries even more, although we could consider CSR the first generation of enterprises moving towards a New Economy, while SEs represent a second generation advancing its principles. (Troncoso, 2014).

This symbiosis between the SE and its context makes exporting SE models from a country or continent to another successful only if rooted in the importing environment; otherwise, it becomes a passing trend. That is why it is impossible to map out SE entities even in the same continent such as Europe.

The polyhedral reality of the SE is due also to the different understanding of the term itself from the theoretical viewpoint of the different schools of economic thought where each one originates.

Nevertheless, and though the richness and broadness of the SE concept may be one of the keys to these companies' success, it is essential to mark the SE territory for very different reasons. In the first place, as a formula to emphasize the focus of these businesses towards a social objective.[1] Also, in order to help understand this type of agent, since the social enterprise lacks visibility and recognition, as the Social Entrepreneurship Initiative (2011) for Europe points out, which makes it even worse, giving the diversity of existing SE concepts (European Commission, 2014). This exhaustive knowledge of the phenomenon would benefit from a better analysis and comparison of the existing data, which, at the same time, would help adapt and coordinate public policy.

Finally, the economic crisis has wrecked the current capitalist model centered in the short term and the maximum profit as the main business objective. Porter and Kramer (2011) blame this mostly on outdated treatment of value creation in business. The harmful social and economic effects of this crisis are a stimulus to formulate an alternative proposal to improve current capitalism. From a balanced viewpoint between social and economic impact, we will enjoy a more cohesive and sustainable society, a more enriching one; and more so when a standard social value measurement system is adopted (Kroeger and Weber, 2014). The initial challenge is ascertaining the nature of SEs, their value propositions and their key to success factors, not only as an ethical goal also as an economic one.

Thus, they find several approaches to determine the SE boundaries: a set of required characteristics to qualify as an SE, a formal definition, or an alternative would be to model the SE in terms relative to other social and economic organizations. Of all them, this last one offers a greater, more justified view of the SE field, in theoretical and empirical terms, which translates into the most complete conceptual framework and taxonomy. Even more so when we are aware that achieving a universal definition generally accepted by all parties is hardly possible (Choi and Majumdar, 2014).

In addition, it is advisable to resort to institutional statements or reports linked to them issued by supranational organizations with the purpose of viewing the ES from the broadest and longest lasting scope. Nevertheless, the field of action is Europe.

Given this situation, the objectives for this work focus on designing a conceptual framework to include the notion of SE in all its different forms, as well as on exploring the subsequent possibilities to characterize the SE. Finally, to investigate the nature of key success factors of this type of enterprises in order to guide the development of public plans to drive social entrepreneurship.

Given the deep-rooted cases of SE formats, the authors resort to the case of Extremadura (Spain) and its Social Entrepreneurship and Innovation Network, recently created by the Government of Extremadura with the mission of promoting social entrepreneurship as one of the axes of its RIS3 Strategy and, therefore, of the EU 2020 Strategy. The methodology employed has been consultative and interactive in some

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processes through the *work in progress* method applied with participation of the region's SE, national organizations linked to the SE, and those responsible for the Program. With it, they have thrown some light to this nebula that is the SE, always in process of transformation and expansion.

2. THEORETICAL BASES OF THE SOCIAL ENTERPRISE

2.1 Hybridization Economy

The financial and economic crisis that the world economies have suffered since 2007 has exposed numerous weaknesses in the current political, social, and economic system. This is how the new concepts started to take shape around the middle of the last century.

New management ways appeared, integrated into which Lara et al. (2011) call the New Economy –or knowledge-based economy for the European Commission- characterized by two ideas:

1. **Informalization:** This is due to the fact that its agents' productivity and competitiveness (be they businesses, regions or countries) depend basically on its ability to turn information into knowledge, that is, into something useful for the agent.
2. **Globalization:** The value chain (purchases – production – sales) and its components (capital, labor, commodities, long-term assets, information, technology.) are organized directly or through a network of contribution between the economic agents.

In short, by New Economy we do not we mean a productive sector but a new way to produce and to consume as a consequence of the technological changes linked to ICTs (Information and Communication Technologies) and to globalization of the economies. It covers novel business environments generating, among others, the so-called Green, Digital, Creativity, Open, Confidence, of the Assembly, Humanities, Hybridization, *Reset Economy,* Failure, Data and Accessibility Economies (Lizarralde and Ferro, 2013) with the following characteristics:

- Its main objective is the creation of value as well as its appropriation.
- This creation of value is based on new opportunities born with a high element of creativity.
- Intensive use of ICT.
- Organizational structures tend to be flat, integrated and flexible, as well as open because decision-making is decentralized and participatory for interest groups (stakeholders) that are not even integrated into the management bodies.
- The actual, although diffuse, participation of the stakeholders makes, in many cases, share capital and relational capital more important than economic capital.
- A relational capital built on confidence
- They relate to a new way of life that does not set boundaries between professional and personal life.
- Often, consumer communities are generated around values, in the broad sense of the term.
- Physical size has little relevance: size is considered synonymous to ability to manage its participation in value networks.

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Among them, hybridization economy should be understood in a very general framework: new products, new business, new types of organizations. We have an example in the growing number of social needs that are being financed by market activities: these hybrid organizations systematically integrate civil society and markets, exchange solidarity shared by financial and non-financial resources, calculate the market value solidarity and showcase it to obtain financial and non-financial resources (Jaeger and Schroeer, 2014). In other words, they are organizations focused on social aspects that connect the for-profit and non-profit sectors (Haigh and Hoffman, 2014).

In the specific business field, it is about innovating through the intersection of different sectors, markets and knowledge areas. More specifically, to hybridize is mixing isolated pieces until now to generate a solution, disruptive in many cases, combining different areas separated until now, to generate new market products and integrated value added solutions.

This broad concept of hybridization offers us a framework to approach the notion Social Economy and, specifically, of SE.

2.2 Theoretical Origin of the Social Enterprise

Researchers and business schools have contributed diverse theoretical bases that support the concept of social enterprise. Thus, Dees and Anderson (2006) propose two schools of thought as the origin of the social enterprise, especially the American social enterprise:

1. *Income generation* school of thought. Prescriptive, intended to drive non-profit organizations towards commercial activities, i.e., business. The extended version covers all commercial initiatives that we call business. Focus on the mission, an especially social mission, i.e., businesses with a social purpose (including for-profit enterprises).
2. *Social innovation* school of thought. Schumpeterians highlight SE's innovation (Young and Lecy, 2014). This school focuses on the social entrepreneur profile in the sense that entrepreneurs in the non-profit sector are creators of change because they carry out new combinations in at least one of these: new services, new service quality, new production methods, new production factors, new organization forms or new markets. With it, the social enterprise can be a question of results instead of just a question of income.

It may be said that both schools of thought converge in the sense that the idea of social enterprise would be that of a business oriented towards a social objective that requires being competitive and, therefore, inspired by social innovation.

To these schools of thought, a third one that would prove transcendental in the empirical and theoretical aspects is added: the EMES European Research Network. At the end of the eighties and beginning of the nineties, primitive social enterprises arise in Europe: the recently created *social cooperatives*. But it is not until the second half of the nineties when the objective to identify social enterprises valid for any European country is seriously undertaken.

These indicators were not conceived as characteristics an organization must meet to qualify as a social enterprise, but rather as a construct to let professionals and researchers know that they are in *the social enterprise universe* when situating a type of entity in reference to the others and create subsets of social enterprises with diverse purposes (public policies, in-depth analysis …).

The EMES approach has a number of bases (Defourny and Nyssens, 2012):

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- It combines several knowledge areas: economics, sociology, political sciences and management.
- It aims at combining the historic and cultural differences and national sensibilities of all the EU countries.
- It chooses, from the beginning, to operate with indicators instead of designing a definition. It does not it intend to offer, however, a list of normative criteria, but rather an overview of a SE.

3. EUROPE: SOCIAL ECONOMY

3.1 Nature of the Social Economy

SEs falls within the larger scope of the Social Economy (SE). Though the idea of the SE went dormant for years after the end of World War II, it was taken up again in France at the end of the seventies This revival occurred with the publishing in 1980 of the Social Economy Letter by France's National Liaison Committee for Mutual, Cooperative and Associative Activities clearly defining SEs as the group of organizations that do not belong to the public sector, they operate in a democratic way, their shareholders have equal rights and obligations, and they practice a particular property and profit distribution regime, using surpluses to expand the company and to improve services provided to its members and to the company (Monzon, 1987); this concept covered cooperatives, mutual or benefit societies, associations and foundations.

The SE profile continues to develop until it culminates in a second milestone that was the statement of the involved organizations closest in the time (Spanish Observatory of the Social Economy, 2015): the Letter of Principles of the Social Economy (Permanent European Conference of Cooperatives, Mutual Benefit Societies, Associations and Foundations). This pronouncement delves into the social nature of SEs by making reference to the following criteria as defining of the organizations of the SE:

- People and the social objective are considered above capital.
- Responsible and supportive behavior.
- Free and open membership.
- Democratic management by its members in decision making.
- Combination of the user members' interest and/or the general interest.
- Independence from public authorities.
- Allocation of the majority of the surpluses to achieving the objectives of the organization.

Later, Monzon and Chaves (2012) drafted a report on The Social Economy in the European Union for the European Social and Economic Committee (EESC) in order to update the previous one (Monzon and Chaves, 2008) in which it is emphasized for the first time that it includes private market production companies when defining the SC as the formally organized assembly of private enterprises, autonomous in their decisions and membership, created to satisfy the needs of their members through the production of market-oriented goods and services, in which decision-making and the distribution of surpluses or profits are not directly linked to capital or fees contributed by its members. It also included those formally-organized private organizations with decision autonomy and freedom of membership that produce *non-market* services for households, whose surplus, if any, cannot be appropriated by the economic agents that create, control or finance them.

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From this definition, very recent and, therefore, completely valid, we can infer the definite characteristics that all SE entities share and that delimit them:

- They carry out an economic activity aimed at satisfying the needs of the people and the families, i.e., of their members, of their users or the general interest. For that reason, they are *organizations of people,* not *of capital*. We can say that *they operate thanks to capital* but *not for capital*. In other words, primacy of the person and the social objective over capital.
- They are private, i.e., they are not part of the public sector nor are they controlled by it.
- Since they are organizations, their resources are organized and they have legal identity.
- Membership is not mandatory (freedom of membership).
- They have autonomy of decision, i.e., they have full capacity to elect and to dismiss their governing bodies, as well as to organize and to control all their activities.
- They defend and apply the principles of solidarity and social responsibility.
- They are democratic organizations, as they are managed by means of participatory and democratic decision-making processes. Thus, most first-tier companies apply the principle of *one person, one vote*, regardless of the capital or fees contributed by each one of them.
- Use of most of the surpluses to pursue sustainable development objectives, services of interest to the members and the general interest.

The same European Social Economy Conference (2014) admits that the concept of the SE combines many common features, summarized in the common goal they share, and it only adds two notes to the previous listing: management with long-term perspective and the reinvestment of profits in the objectives of the company.

3.2 Categories of the Social Economy

The latest features of the SE listed in the previous section lead us to the conclusion that the SE sector is divided into two large subsectors:

1. The *non-market subsector.*
2. The *market subsector.*

It should be pointed out that both subsectors lack, in many occasions, defined boundaries between them, since they share an essential characteristic of the SE: they are organizations dedicated to carrying out an activity with the purpose of satisfying the needs of the people rather than generating profits for the investors.

1. The *non-market* subsector is made up of non-profit institutions in a strict sense. It includes all the SE organizations whose production is mostly delivered for free or at significant lower prices than those of market. According to Lara et al. (2010), these are private organizations with autonomy of decision and freedom of membership that produce non market services –in the economic sense- aimed at helping families, and such that if have surpluses, these cannot be considered property of the agents that create, finance or control them, so there is no surplus distribution. Therefore, the service recipients become the real beneficiaries. Specifically, they are mainly associations and

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foundations, plus certain other organizations of different legal nature such as political parties, unions and churches.

2. The *market* –or business- subsector is basically made up of cooperatives, business groups formed and controlled by SE organizations, mutual societies, labor companies, certain types of non-profit organizations servicing SE businesses, as well as other SE businesses. All these institutions have the common features of all SE companies, but the Satellite Accounts Manual for Companies in the Social Economy, drafted for the European Commission by Barea and Monzon (2007) and widely accepted by the academic and professional community, highlights three characteristics of SE businesses for these *market* companies:
   a. They are organizations created in order to satisfying the needs of its members by applying the principle of self-help, i.e., they are businesses which usually comply with equality between member and user since the main purpose of these businesses is to take care of the needs of its members, which are basically people or families. SEs belong in this category, in which some of their members act as recipients of the activity but they are not permanent members; however, a reciprocally beneficial relationship is more common.
   b. The production of SE enterprises is mostly allocated to be sold in the market, and thus, at market prices.
   c. If they obtain profits or surplus, they can be distributed among the member users, but the distribution criterion is not determined by their capital or fees contributed to the business, but rather according to the activity that they perform in the organization. This feature underlines that the fact that profits or surpluses are not distributed among the members is not an essential characteristic of SE businesses.

It is necessary to point out that in certain countries they are given the legal identity of trading companies; therefore, their decision-making takes capital into account, although they would be in the SE category only if the majority of the stock were in the hands of the working members and equally distributed among them.

In short, and according to the above-mentioned Manual, we can classify the companies that make up the market subsector of the SE as follows (Figure 1, Appendix):

1. **Cooperatives:** Despite the different legal treatments, at times even nonexistent, of the SE cooperatives, the link that joins them is made up of the basic core principles of every cooperative, collected in the European Cooperative Company Statute (2003), which helps them meet all the conditions to be considered SE agents.
2. **Mutual or Benefit Societies:** Although they share their legal diversity in the EU with cooperatives, they are all created for people to satisfy common needs such covering social welfare and health risks (health and provident mutual societies) or certain areas related to life insurance (mutual of insurance). Their operation, similar to that of cooperatives, confirms their condition as SE agents.
3. **SE Business Groups:** They are created when a SE business or group of businesses, or any another SE agent, make up and control a business group in order to meet their objectives more efficiently. Therefore, they are aimed at improving the rank and file members, regardless of the legal form or the economic sector they belong.
4. **Social Enterprises:** This is the core subject of this paper, so we dedicate a later chapter to its analysis.

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5. **Other SE Companies:** It refers to certain type of non-financial companies present in some countries, set up for the purpose of creating stable employment for their members, and in which most of the capital stock is in the hands of the workers –who control the decision-making bodies- and distributed among them –making democratic self-management and fair profit distribution possible. They generally take the legal form of corporations or limited liability companies, i.e., of a commercial nature, but the above features make them social companies.[2]
6. Other financial institutions in certain countries could be included, such as saving and credit companies and savings banks that maintain the essence of the SCE business definition already offered by these authors.
7. **Non-Profit Institutions at the Service of SCE Entities:** They are the only non-profit companies of the SCE market subsector. Their incomes come from the fees or subscriptions of the group of businesses they serve for the services provided, the reason why they are considered market production companies and, therefore, members of the subsector. There are two categories: non-financial companies, if they service cooperatives or similar subsector businesses, and financial institutions, if they service credit unions, mutual or other financial entities of the SCE.

4. AN APPROACH TO SOCIAL ENTERPRISES IN THE EUROPEAN ENVIRONMENT

If we delve into the fact that SEs take on multiple forms according to the reality of the environment where they arise, we can see how continental Europe places the SE at the crossroads of the market, civil society and public policies by emphasizing the different financial sources to which they can resort (Fisac et. al., 2011). On the other hand, the Anglo-Saxon tradition emphasizes the focus on the market and the generation of incomes through as key factors of the SE.

This last view is shared by Third World countries, though with certain differences. Thus, if in Europe labor integration is the mission of numerous SE, in developing countries, with a limited social welfare system, a high number of SEs are created to offer basic services at affordable prices or to produce or sell products for low income level groups.

In this regard, we should also point out the significance achieved by the so-called *B Enterprises*, a business concept born in the United States extending all over the continent and to other countries in the world, over forty countries by now, including Europe (B Corps, 2015). B enterprises are for-profit companies included in the hybrid organization spectrum aimed at generating a positive social and/or environmental impact through the products they sell on the market and/or their labor, environmental and stakeholder relationship management practices (Troncoso, 2014; Muñoz, 2013) on which they are innovating in their sector. In short, B enterprises have a dual mission: generating reasonable income for their owners and creating public value for their different stakeholders (López, 2013). They only achieve this status if they obtain the B-Enterprise certification issued by the B-Lab non-profit organization after meeting its sustainability standards.

This B concept, as we will see, is in line with that of the SE as it shares the two-fold economic and social/environmental value creating enterprise, with the second value dominating over the first, so that the revenue generated must be reasonable so that it may become the tool ensuring the enterprise's survival. Thus, we can speak of two concurrent concepts of enterprise: *the market at the service of the common good.*

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The American origin of B enterprises confirms that SEs are born to address the challenges of their respective societies: for different realities, different answers. This despite the continuous creation of SEs to respond to global problems or to those of developing countries. To illustrate, we offer some SE initiatives as examples (Table 1, Appendix).

Despite this, we believe that is possible to overcome these differences by formulating a conceptual framework to offer us a relevant and representative view of the SE as a whole.

We begin by pointing out that these novel forms of SCE that are the SEs include a wide range of businesses with legal forms that are quite different from cooperatives and mutual businesses -though in many cases they adopt the legal nature of cooperatives-, as well as trading or similar companies.[3] Basically, they meet the SCE conditions presented to the EESC, though their condition as market-oriented production agents is included as a main distinctive feature of the SE, as we can see below:

- They are created with the objective of benefitting the community.
- They are private companies created by groups of people.
- People affected by the activity (users) participate directly.
- They are continuously engaged in the production of goods or/and services.
- They act with a market focus in the sense that a significant part of their income comes from the market (direct sales to users) or from contracting with public authorities.
- They assume a degree of financial risk of the market itself.
- They are managed with a high degree of autonomy.
- Their decision-making is not based on ownership of capital.
- They use remunerated labor.
- The distribution of profits and surpluses is willingly limited.

The European Commission stated as much through its Social Business Initiative (2011) where it briefly defines the SE as a SCE entity whose main *objective is its beneficial impact on society rather than generating profits for its owners or shareholders.* But it also incorporates important considerations in search of a highly competitive market social economy, such as the generation and marketing of goods or/and services in an entrepreneurial and innovative way, and the creation of value typical of online collaboration between the business and its interest groups (employees, suppliers, clients, local community, public administrations, …). In other words, these considerations result in the European Commission's complete and official definition[4] of SE when referring to those businesses that show these characteristics:

1. They operate in the market offering goods or/and services in an entrepreneurial way.
2. Their economic reason for being –their mission- is a common social objective that frequently translates into a high degree of social innovation. Therefore, their main goal is to have a social impact rather than to generate profits for their owners.
3. As a consequence:
   a. Their operation and ownership are based on democratic or participatory criteria focused on social justice.
   b. Their profits are basically reinvested in pursuit of this social end.
4. Their management is responsible and, therefore, transparent, especially through the commitment of workers, customers and all those affected by their activities (interest groups or stakeholders). This translates into a high degree of CSR application.

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5. It shows long-term vision.

To this definition, the European Commission (2015) incorporates the common SE characteristics of encouraging solidarity and social cohesion, member self-management, flexibility to adapt to social and economic changes, as well as being based on active and committed members. In relation to the last one, Tan et al. (2005) believe that the role of the social group on which the SE is focused is to be the recipient of the value created for it so that the group is involved and committed to the process.

The viewpoint applied by the European Commission undoubtedly alludes to the economic nature of the Enterprise. This is confirmed from the European institution itself by those who point out that acting in a more fair and responsible way is compatible with market success, or that social enterprises should follow an economic model allowing them to generate sufficient funds to be able to invest in the future (European Commission, 2014). This makes SE into new organizational models that hybridize economic and social objectives in order to meet current society's consumer expectations in an innovative way (Vaccaro, 2014).

With this pronouncement, the European Commission does not intend to offer a legal definition and, therefore, a mandatory one that may constrict how these businesses operate, but rather a concept proposal of SE based on common characteristics in the member states. At the same time, the Commission thus aligns the SE with European policies given that it sees it as a partner:

1. In the intelligent growth of the EU, which it manages by applying social innovation to meet certain needs or unsolved problems.
2. In sustainable growth, considering environmental impact and its long-term vision.
3. In integrated growth by focusing on human problems and social cohesion.

In other words, the three principles guiding the growth objectives of the EU 2020 Strategy (2010).

Likewise, it is aligned with the European Small Business Act Initiative to promote sustained growth and competitiveness of European SMEs (Small Business Act, 2008) –later amended by the 2020 Entrepreneurship Action Plan (Entrepreneurship 2020, 2012) -, though this refers to the adoption of what sometime later would be the Social Entrepreneurship Initiative.

This view of the SE adopted by the EU requires a deeper look into at least its most striking features. Thus, Chiliova et al. (2011), in tune with this view, base SEs on three pillars (Figure 2, Appendix):

1. *The creation of social value as a priority objective.* The fundamental purpose for which SEs are born and exist is creating social value. How is this achieved? By addressing needs or solving social problems, i.e., by meeting social challenges. They are businesses that give priority to social benefits over profits.

This mission requires great adaptation of the businesses to their own economic, social, environmental, technological, legal and political environments.

It is important to note that the creation of social value goes beyond meeting the needs/problems of groups at risk of exclusion, given that, especially in developed countries, there are many SEs whose activity is environmental protection, responsible consumption or other areas that themselves are not directly related to the improvement of a certain excluded group. Even beyond that, many SEs are born

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or intend to play roles such as that of fostering value-based behaviors, aiming at becoming key drivers of cultural transformation.

A fundamental point of tension is the weight of the ever-present social objective in the business: positions range from those who claim that this should be the sole objective that the business should pursue and those who view[5] business that generate income and, therefore, profits as SE. Therefore, the core of this issue pending consensus is whether the objective of social utility is the sole, main, important objective or simply a secondary objective (Curto, 2012): if this full range were accepted, we would be looking at a very broad and flexible version of SEs that may dilute the nature of these businesses even further. In this regard, the previous debate over reinvestment of the profits would be the second part of this more general debate: profit obtained by those businesses with a calling to generate profits that goes hand in hand with social utility can be reinvested in the activity or to make it possible to operate.

In this regard, social entrepreneurship offers the most general position. Considering the terms entrepreneurship and *social* (Peredo and McLean, 2006) and that social entrepreneurs are a subgroup among entrepreneurs, Pomerantz (2003) considers that the key element of the SE is applying a business and innovative approach to the provision of services to the community. This way, the line that separates the social entrepreneur from the traditional one is the commitment of the first one with the creation of social impact (Curto, 2012).

2. *The creation of economic value as necessary objective*. The fundamental role of the financial profits is to allow and support business activity, this is, a requirement for the survival of the business. This makes it a basically instrumental objective: the generation of social value is linked to the essential creation of economic value. Not surprisingly, the SE is it the only type of organization that manages not only to create value –social-, but to capture value –economic- to be able to operate sustainably (Agafonow, 2014). In short, the obtaining of profits, at least in the long-term, should inevitably become one of the objectives of a SE.

Once this is made clear, the real dilemma is whether economic value should come from the market or be *consideration* for its production originating from public authorities or donations; in other words, whether an SE that is economically feasible thanks to subsidies or donations can be considered as such. Again, continental Europe and Anglo-Saxon answers differ: if, on the one hand, public financing or donations can guarantee the existence of those SE that the market by itself cannot not support if it wishes to comply with its social utility objectives, on the other hand, these policies may run the risk of discouraging the capability of the business to increase its competitiveness in the market while it blurs the boundaries between SEs and *non-market* entities of the SCE. This means that, although it is true that many SEs share the characteristic of reinvesting profits to achieve their social purpose, we do not believe that this reinvestment should become a basic requirement for a business to be considered a SE; proof of this are SEs endeavored in developing competitive advantages given the strong social motivation driving them, which is one of the reasons that prompts SEs to take the legal forms of traditional businesses.

3. *Strategy and business model.* The creation of social value and, to do so, economic value, requires managing the SE's resources and capabilities according to business competitiveness criteria, a concept originating in traditional business.

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Therefore, if the success of traditional businesses is measured by the increase of wealth that the activity generates for its owners, in SEs it is measured by the achievement of its social objective, which requires economic success.

This conceptualization of the SE, in tune with GEM (2014), makes it difficult, nevertheless, to distinguish SEs from organizations that are not, and this due to a double difficulty: to separate SEs from traditional businesses, as well as SEs from other SCE entities like organizations that are completely non-profit. There are some inherent limitations to applying a definition or characterization to a concept whose boundaries are tremendously difficult to set.

What it is indeed possible is to divide SEs in two large categories, although both can be harmonized into the same business:

- Businesses that provide social services or supply goods or/and services to a vulnerable group. This means having access to housing, receiving care, disability or senior citizen assistance, inclusion of groups at risk of exclusion or excluded, daycare, access to employment and training, management of dependents.
- Businesses whose production of goods or/and services is intended to achieve a social objective (social and professional integration through access of disadvantaged people to employment, particularly because of low qualification or of social or professional problems as the origin exclusion and marginalization), but whose activity may also include goods or services that are not social.

We have before us an extensive taxonomy of SEs that is apparently open to include a range of activities that we could put together as giving solutions to social challenges. Nevertheless, it does not seem to include areas covered by the idea of social value supported by Chiliova et al. (2011), i.e., those not directly related with the improvement of a vulnerable group, such as food safety, sustainable agriculture, marine research, energy efficiency, clean energies, sustainable and intelligent transportation, climate change, digital society, … (Fundecyt-Pctex, 2015), all of them characterized by a strong social innovation component.

According to Seymour (2012) when he blames methodology aspects for many of the difficulties associated with SEs -such as defining them-, this restriction is likely to arise from the method applied to delimit the field of SEs: a definition, though based on characteristics and a the appropriate taxonomy. Then, a different viewpoint and methodology would be necessary to identify a SE. This it is the decision adopted by the European Research Network EMES when it applies a novel approach based on positioning the business in a structured position within the SCE.

5. POSITIONING OF THE SOCIAL ENTERPRISE

EMES uses nine indicators to position a company within the SCE and, therefore, also a SE. This becomes a proposal of empirical and theoretical value in the area of the SE. Since it places the SE within the SCE with a system of principles that contributes an open and broad view, it is endorsed by European Commission (European Commission, 2014) in everything that links it to its Social Entrepreneurship Initiative (2011).

EMES proposes applying nine indicators (Defourny, 2001) grouped in three large areas (Table 2, Appendix). Basing on the work of different authors, which implies diverse economic agents and logic (Evers

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and Laville, 2004; Laville, 1994; among others), it devises a triangular version that makes it possible to place SEs in the economy as a whole (Figure 3, Appendix). As economic actors of the State, private for profit companies and communities; as resources and reasons –logical- by which these agents operate are:

- **Market:** As a mechanism of supply and demand for goods and services that sets a balanced price
- **Redistribution:** The market does not guarantee the distribution of an economy's income and wealth, so the State adopts measures to achieve a more fair distribution of both by means of instruments such as taxes (Mankiw, 2012)
- **Reciprocity:** As a principle of all economic activity based on symmetry since the agents that maintain a reciprocal relationship are complementary and interdependent at their own will.

By applying this approach, the SCE is no longer completely separated from the private for profit sectors and public sectors, but rather appears as an intermediate sector. Since these SCE organizations are in relation to the three logics, there is a great variety of actors and resources hybridization. This underlines the symbiosis instead of drawing up boundaries between sectors, which is the reason why the limits between the different agents and logics are drawn as discontinued lines (diffuse boundaries).

In fact, hybridization areas around the discontinued lines clarify some of the tensions of the organizations of this sector. On account that the SEs are born or belong to the SCE, and as many SE are located in these areas around the boundaries, also they suffer these tensions:

- Conflict between profit maximization and distribution of the market itself set against the supremacy of the social objective and democratic values of the SEs Thus, many SEs are clearly focused towards the market, so although they pursue mainly a social objective, they can distribute part of their profits among their owners; in other words, they are found around the boundaries between the areas of organizations that allow a limited distribution of profits and for profit organizations, which may give rise to the risk of deviating from the mission.
- SEs may also be found in the upper part of the circle, such as those sponsored and supported by the public authorities for labor integration of unemployed people at risk of exclusion, in the current framework of the State outsourcing social services, On the one hand, they are subject to a rigorous state legislation, but on the other, these organizations are also linked to the market, driven by the recent reforms that promote the market and competitiveness. This is a second source of tension.
- In the area joining formal and informal organizations conflicts can be generated with the change from informal activities, and innovative in the way they meet social demands, to formal: treatment of volunteers versus hired workers, change from taking decisions based on common feelings to formal decision-making processes, …

This approach prepared by EMES, in addition to being a theoretical and empirical reference in this field and being adopted by the European Commission, was the approach applied, with the necessary adaptation, by important initiatives of the United Nations Program for Development (PNUD) since it is based on the three SE schools of thought mentioned above (Table 3, Appendix). All it shows that this proposal is applicable to very diverse world contexts. A proposal, in addition, that does not only make it possible to identify and to position a SE within the SCE but avoids the need to resort to mapping a SE as a resource to produce a SE taxonomy.

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Although this is a flexible approach, it should be clear that the vision of a SE is a profitable business making an added contribution to society or the environment which makes it a complement to the traditional enterprise. We agree with Defelippe (2015) that there should not be any doubt that the SE acts as a supplement to the traditional enterprise, which it does not aim to replace but rather live side by side with as its ideal complement: in fact, both types of enterprise coexist as a sample of what we call New Economy.

6. SOCIAL ENTERPRISE BEHAVIOR: A REFERENCE TO EXTREMADURA

6.1 A Social Enterprise's Key to Success

SE's are actors that generate social and economic value and compete in the market- Traditional business can learn a great deal from social entrepreneurship, get ideas, experiences and innovative business models that can contribute to the principle of business differentiation as a way to improve competitiveness. This usefulness make SE relevant, not only in the field of ethics, but also in the economic.

For this reason, it is necessary to get to the essence of SEs and understand their value propositions and identify their keys to success. We understand that the first two issues have already been dealt with, so the third must be tackled.

Although it is difficult to explain the keys to success the SEs share because of the subject's nature and diversity (Michelini y Fiorentino, 2012), we propose specific dimension-based keys to SE success. Specifically, we refer to the following (Lara et al., 2010; Chiliova et al, 2011):

- **Birth of the Project:** We focus on the motives behind the creation of the company.
- **Business Model (Business Model):** Although resource dynamization, available skills and the type of leadership committed to the creation of social value are part of the business model of the SE, other variables could be added to it.
- **Innovation:** The SE perceives a need/problem in its surroundings that requires a solution, and it must design a business value proposition to meet or solve it. This itself requires a new way of thinking, since the need or problem had not even been detected before or properly solved, while innovative thinking is also necessary to find a solution, often itself innovative, to choose novel resources and integrate them in an innovative way, to activate them to develop new capabilities, to achieve win-win relationships with other agents, to take advantage of opportunities and strengths, while softening threats and weaknesses. By doing so, the problem will become opportunity and, therefore, the company will be able to develop a good part of its competitive advantage. For this reason, the lack of ability to innovate jeopardizes the SE in the short, but also in the long term.
- **Corporate Culture:** This is a supra-factor that includes most of the others, although it makes reference to elements that are not included in the rest of success factors such as the role of creativity, adaptability to change, SCR, generally accepted values, staff leadership style, …
- **Organizational Structure:** It refers to decision-making and working methods.
- **The Company's Network of Value:** Closely linked with innovation, corporate culture and resources and skills, we decided to consider it as a separate item because of its significance in today's business management (Good, 2008).

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- **Ability to Mobilize Resources and Generate Capabilities:** More necessary than in traditional companies, SEs show a natural tendency to mobilize the necessary resources to meet their social objectives and, as it often happens, to achieve that transforming vision of reality beyond the confines of their businesses. This is so because they are used to *doing more with less*. To manage to do this, they often resort to outside resources with volunteer work and collaborative agents that are a priority partners in their activity model (SCR, partnerships,…) by creating of value ecosystems and even integrating into their business strategy relationships with agents entitled to participate in some way in the life and activity of the business.
- **Ability to Extend Its Impact beyond Its Original Scope of Action:** I.e., that where they operate directly. Proving to society that they are real benchmark models for it or for other companies may become one of the most outstanding virtues of SEs, whether intentionally or involuntarily. This might not be considered a critical success factor, but it is in this situation of economic crisis, which is also an identity and value crisis: SEs become agents of reference from which to learn, as they combine social and economic welfare.
- **Committed Leadership and a Vision of Social Value:** It is the SE's creation and consolidation lever, so it is essential in any SE.

To make these dimensions operational, indicators are assigned to each one of them.

6.2 Methodology

The SE's adaptation to its environment suggests the need for narrow it geographically for this analysis. We selected the region of Extremadura mainly for the following reasons:

- The Social Entrepreneurship Initiative (2011) of the EU is interpreted as an invitation to national and regional governments, as well as to the rest of the actors involved, to create ecosystems within their territories to foster SEs.
- Spain continues to be the European country with the lowest rate of social entrepreneurship (GEM, 2014). In order to remedy this, in 2011 the Spanish Government passed the Social Economy Act, supplemented by the imminent Third Sector Social Action Act (2015), regulation that despite having relative endorsement from the country's Third Sector Platform (2015), is restrictive of SE in terms of concept and classification; thus, the first of these laws only considers SEs the special employment centers, insertion companies and fishermen's associations (CEPES, 2015).
- All this makes the country a fertile ground for the success of the still few social entrepreneurship initiatives in comparative terms.
- The government of Extremadura recently approved the Entrepreneurship and Social Innovation Program of Extremadura (2015) aimed at generating an ecosystem that may foster social entrepreneurship in the region. This ecosystem, made real through the established Entrepreneurship and Social Innovation Network of Extremadura, acts in accordance with the guidelines of the Program, whose specific objectives are the identification of new business opportunities and the creation of social and business value generating activities, as well as comprehensive mentoring to create a company.

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In other words, it applies the broad view of the SE that we have been supporting throughout this paper, which is why it is in tune with it. Thus, and in line with EMES, it applies a conceptual model which places the SE at the intersection of the Private Sector, the Public Sector and the Third Sector (Figures 4 and 5, Appendix).

To carry out the empirical work, we have resorted to a consultative and interactive methodology in some processes. The methodological tools have been, on the one hand, the creation and forwarding of an online questionnaire that explores the keys to success of the SE surveyed. This questionnaire includes the indicators listed above and applies a Likert scale of 0 to 10 to those that can be quantified. The quality of the answers to the questionnaire is guaranteed by the fact that they are provided by the president, CEO, manager, or managing director.

In order to triangulate (Ruiz, 2007), we applied the *work in progress* method, which translated into the input to the concept and classification of the SEs surveyed, which collaborate with us to that end through their feedback.

The dimension indicators (Lizarralde and Ferro, 2012) have been selected for the first six on the list provided, from which we will also infer the results to meet the remaining dimensions (Table 4, Appendix). These indicators, along with general company information, make up the survey questionnaire. This is completed by including the following items: Key factors for success in the opinion of the company, idea and SE classification. The last two questions are asked to obtain collaboration in the concept and classification of SEs, which are the objectives of this paper, in application of the *work in progress* method.

Likewise, this method has prompted us to gather the opinion of the main public entity in the region in innovation management - and which manages the Social Entrepreneurship and Innovation of Program of Extremadura-, Fundecyt-Parque Científico y Tecnológico de Extremadura (Fundecyt-Pctex), in terms of the concept and classification of SE.

The second entity surveyed was APAMEX, a leading regional social integration association.

We submitted to them the SE definition of the Social Entrepreneurship Initiative (2011), supplemented by European Commission (2015), together with the generic classification of SE provided by these sources and Chiliova et al. (2011). This choice was based on its current value, prestige and relevance for the entire EU.

To determine the size of the company, we applied the 2003 Recommendation of the EU_(European Communities, 2006), which combines the number of employees, net assets and sales figure criteria.

Our view on business innovation and types of it is that provided by the Oslo Manual (2005), which divides innovation into product, process, management and commercial innovation.

The sample selection has been to create a random sample of the three major SE groups in the region: Special Employment Centers (SEC), insertion companies(IC) and innovative companies aimed at social challenges (which we call Social Innovation Companies -SIC-), all of which are included in the program description. Because our objective requires a fairly exhaustive exploration of each company, we decided to have a small but representative sample. Even in the IC group, the surveyed companies represent the only currently existing ICs in Extremadura, so in this case, the sample matches population. The sample description is included in Tables 5 to 7 (Appendix) and Figures 5 to 9 (Appendix).

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6.3 Contextualization: Best Practices of Social Enterprises

Before analyzing the results, we should introduce some examples of SE success stories to put the study in context. To do so, we define the social purpose of each of the three main categories of SE present in Extremadura (CEPES, 2015), we select an SE from each of the three categories in the region, and we apply Chiliova et al.'s three-pillar structure (2011) in order to examine how it fulfills each one of them (Tables 8 to 10, Appendix).

The Special Employment Centers (SEC) are SEs whose main purpose is to promote the employment of people with disabilities. This is achieved by directly hiring them so that its staff includes the largest number of people with disabilities that its production capability allows, which cannot be less than 70% of its total staff. In addition to remunerating these people, it guarantees their training and continuous support in their personal and social life in order to advance their integration.

Insertion companies (IC) share the same mission but not by so much direct hiring like the SECs; this is because they are business initiatives that apply labor insertion methods to their business vision aimed at hiring people with disabilities for themselves, for a different company or for freelance projects. This is done by providing an insertion itinerary as a personal employment plan towards their integration into the regular labor market.

What we have called Social Innovation Enterprises are characterized by using innovation as a means to achieve business success in a social or environmental area. They try to deal with social or environmental challenges by means of innovative business solutions but in a way that obtaining large benefits is not the purpose.

In these examples, we find that SEs tend to deal with specific problems in their area of action.

6.4 Analysis of the Results

The sample presents the typical SE notes: mainly micro, followed by small and medium; recently created; mostly limited liability companies -business-, followed by cooperatives; and linked to the territory given their preferences for local markets followed by national markets.

From the results of the questionnaire (Table 11, Appendix), following behaviors can be inferred[6]:

1. **Birth of the Business Project:** The reasons that led to creating and continuing with your company are related to social values you wanted to put into practice.
2. **Business Model:** It has the following characteristics:
    a. Goals aligned with the social purpose of a SE, likewise pursued by its target customers - for whom you believe you are creating social value-.
    b. You quickly perceive changes in your surroundings in order to introducing them in the company, and you do so considering proposals based on creativity.
    c. They are not in favor of differentiation strategies or those based on costs, or on valuation of the phases of their value chain.
    d. You place a greater value on the ability to manage value networks than on the size of your company.
    e. Cohesion of activities enables you to create company reputation.

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   f. Your main competencies are in tune with the above features.
   g. They have introduced remarkable level of ICT and place much more value on their intangible than on their tangible resources.
   h. There have been general increases in profits, which are mostly reinvested in the company. Personnel costs represent a high percentage of its total costs.
3. **Role of Innovation:** They assign a remarkable score to the innovation in your company, introducing basically progressive innovation of the four types of innovation.
4. **Corporate Culture based on:**
   a. Fostering creativity and innovation. The staff is involved to some extent -, learning, practicing relationships of trust and universal values - which leads them to implement SCR-.
   b. High influence in the company of its sponsors' ideology and values.
   c. High adaptation of people to changes that occur in the company, participatory decision-making and very strong motivation of managers toward employees, with whom they relate from a leadership perspective.
5. **Organizational Structure:**
   a. Fairly flexible staff organization and decision-making that tends to be decentralized and open.
   b. High teamwork ability
6. **Value Networks:** Working in collaboration with other organizations, be they business or not.
7. **Dynamization of Resources and Capabilities:** It is observed in the high inclination toward innovation -involving the staff-, learning, the intangible, its quick adaptation to changes, calling to establish partnerships, competencies in keeping with its SE nature and activity, remarkable use of ICT, the drive to get the staff involved, as well as a value imbued management.
8. **Extent of Its Social Impact:** The desire to extend its impact beyond its scope is observed (to*consolidate the agro-ecological role in rural* areas, to *practice an economy at the service of the people*, among other motives and goals).
9. **Committed Leadership:** Observed in aspects such as the purpose that led to the creation of the company, its goals, its values-based management or the reinvestment of most of the profits in the company.

In short, we believe that the dimensions that include the keys to success of the SE have been fulfilled, in some cases with a high score. In fact, these companies find the keys to their own success in their own nature.

Furthermore, the high homogeneity of results between the businesses surveyed is surprising, confirmed by the low coefficient of variation of the quantified variables, which shows the internal cohesion of this group of companies.

Table 12 (Appendix) summarizes the contributions offered by the SE surveyed to the concept and classification of SEs. Few are the conceptual developments that they offer to the SE that have not been mentioned already, but they make clear that they are non-profit, the primacy of people over profits, as well as a desire to transcend the activity itself in pursuit of improving their environment.

With regard to the feedback, Fundecyt-Pctex and APAMEX (Table 13, Appendix), differ somewhat in their idea of a SE: broad and open in the first case -since it is in line with EMES and Defourny and Nyssens (2012)- and, therefore, in tune with the final perspective of our work, while the second relegates the idea of a SE as a company that must compete in the market to the background. They are in favor of an open classification as well, since that presented to them is open to multiple possibilities.

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7. CONCLUSION

Once this theoretical and empirical exploration was completed, we wanted to stress the need to implement a vision SEs that includes the multiple possibilities offered by social entrepreneurship and, even more, which it can offer in the near future due to the SE effervescence that has them constantly evolving. Therefore, we opted for an idea of SE pictured through a conceptual schema rather than by a definition, regardless of how complete and described it may be. The Network EMES focus lends itself to this goal by providing a comprehensive proposal and allowing placement of to the background current and future initiatives of social entrepreneurship. Consistent with this, the classification of SE it must rise from a conceptual framework of these features. We believe that future research in this field must continue in this direction.

On the other hand, the relevance and potential of SEs requires more intense research into the keys to success of this type of business, differential because of the specificity of the SE, which have not been sufficiently studied yet.

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KEY TERMS AND DEFINITIONS

Creating Social Value: Provide a solution to a social problem that has not yet been solved.

Creating Value: Offer a solution to a need that has not been covered.

Interest Groups (Stakeholders): Groups of people or individuals affected by the actions of an organization.

Non-Profit Businesses: Enterprises whose goals are not generating profit (social or social or environment objectives).

Reinvestment of the Profits: Do not distribute profits among owners, but keep them in the enterprise for future investments.

Responsible (Socially) Behavior: Management exhibits a high level of social and environmental commitment (i.e. CSR: Corporate Social Responsibility).

Traditional Businesses (For-Profit Businesses): Enterprises whose objective is to make a profit for their owners or shareholders.

ENDNOTES

1 We include the environment within the term social.

2 A well-known case the Labor Companies in Spain -corporations or limited- (Law of Labor Companies, 1997).

3 Currently, most social enterprises are micro, small or medium businesses (European Commission, 2015).

4 Also in terms of the EU Operation Treaty and the EU Court of Justice case law.

5 Among them Bill Drayton, founder and president of ASHOKA, the largest social enterprises association, when declaring that a social entrepreneur is not only an altruistic person, but he or she must show a clear determination to contribute to society.

6 Means are accepted because of their coefficients of variation are $\leq 0{,}5$ (Bioestadística, 2015).

7 Such as Ashoka (Social Entrepreneurship World Network), Extremadura Sana-Asap (Ecological Production and Consumption Network of Extremadura), CLM-Extremadura (Alliance for the People's Food Sovereignty), Seed Network of Extremadura–to recover agricultural biodiversity-, Reas-Extremadura (Alternative and Solidarity-based Economy of Extremadura).

8 En proceso de transformación hacia Sociedad Cooperativa Especial.

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APPENDIX: FIGURES TABLES

Figure 1. Structure of the social economy: location of social enterprises
Source: Barea and Monzon (2007), Lara et al. (2010) and Monzon and Chaves (2012).

Table 1. Examples of SEs focused on solving global problems

Problem	Solution
The health systems of many *developing countries* are usually completely or almost inaccessible for a large part of the population in rural areas because of long distances and difficult communication.	SE *Enlace Hispanoamericano de Salud* (EHAS) http://www.ehas.org/ This enterprise has adapted telecommunications technology to improve healthcare deficiencies. Specifically, it has used long distance wireless networks to enable communication between doctors and supporting staff. This, in addition to improving patient care, reduces cost. Peru, Ecuador, Colombia and Cuba have already implemented these communication networks, but it is still working to extend this model to the rest of Latin America, Asia and Africa.
Over half the population of the world is exposed to endemic diseases transmitted by insects or arthropods. For example, approximately a million people in the world die because of malaria every year.	SE *Malaria Spot* http://malariaspot.org/es/ Its founder has designed a simple online game accessible from any computer or mobile device that enables collective diagnosis so that anyone with a connection to Internet can contribute to diagnosing malaria by quickly identifying the parasite. It is a simple, fast, low-cost method that is also scalable, as it can be applied to diagnosing other diseases.

Source: Prepared by the authors.

Figure 2. Modular concept of social enterprises
Source: Chiliova et al. (2011).

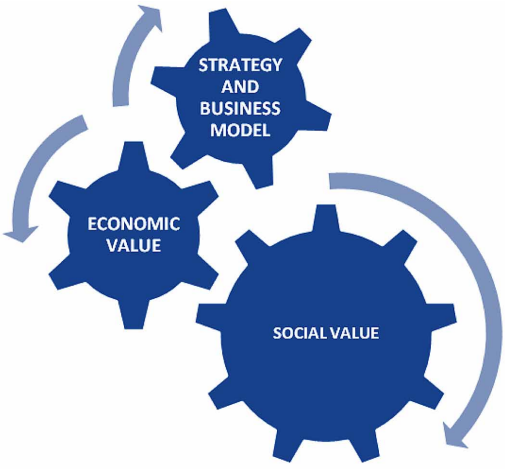

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Table 2. EMES social business indicators structure

Dimension of the Social Enterprise	Indicators	
	Name	**Descripciòn**
Economic and business dimensions	A continuous activity that produces goods or/and services	They do not carry out activism activities (as some non-profit organizations) as their main activity: the production of goods and/or services for people is the reason, or one of the main reasons, of their birth
	A significant level of economic risk	Since it is not a public institution, it depends on its own economic viability and, therefore, of the work of its members and employees
	A minimum remunerated work load	It can use employees and volunteers, but it requires a minimum number of hired workers
Social dimensions	An explicit objective to benefit the community	One of the main objectives of a social enterprise is to serve the community or a specific group of people. Accordingly, they wish to promote a culture of social responsibility at the local level
	It represents an initiative in charge of a group of citizens or civil society organizations	These businesses are the result of collective initiatives that imply people in a community or a group sharing a common need or purpose. This collective view, that should always remain, must be harmonized with the leadership of a person or small group of people (leaders)
	A limited distribution of profits	The social objective is a priority, so the distribution of profits is restricted. The spectrum ranges from organizations characterized by the fact that they do not distribute profits to those that limit their distribution. This way, profit maximization is controlled.
Participatory government	A high degree of autonomy	They are businesses created and managed by an autonomous group of people with an autonomous project. They may depend on public subsidies, but they are not managed by public administrations or other organizations (federations, private enterprises, …).
	Decision making that is not based on ownership of capital	A decision-making process that is not connected to capital of the members of the government body that makes the last decision. The principle of *one member, one vote* is generally applied.
	A participatory nature involving different parties affected by the activity	Its features are representation and user and customer participation, the influence of other interest groups (stakeholders) in decision making: that is to say, a participatory management. In many cases, one of the objectives is to improve democracy at the local level by means of its activities.

Source: Defourni (2001) and Defourni and Nissens (2012).

Figure 3. Locating social businesses in the economy
Source: Defourni and Nissens (2012) and Pestoff (1998 & 2005).

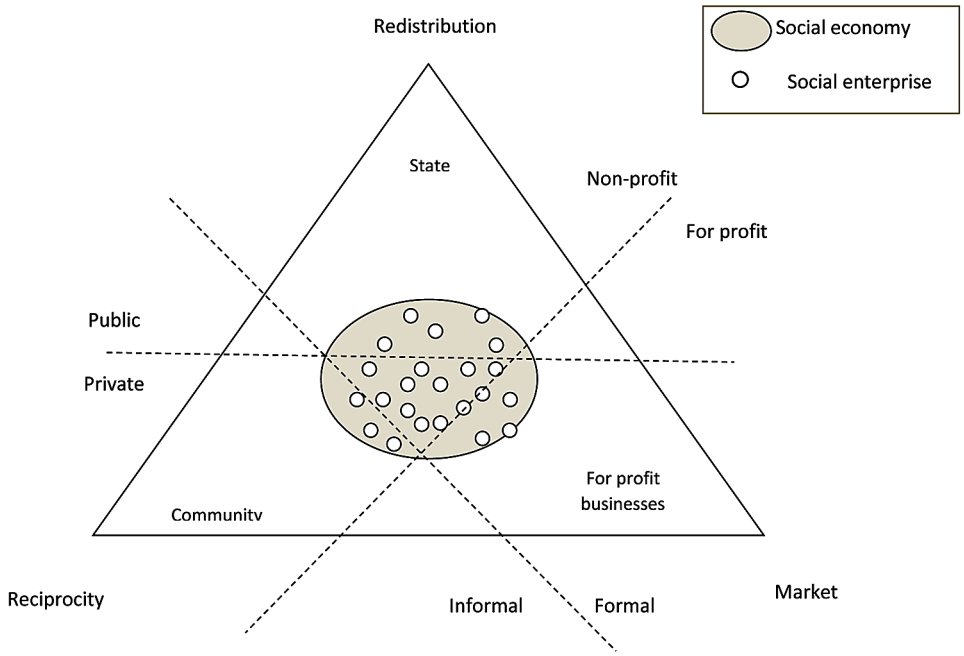

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Table 3. Relationship between the European Commission definition of social enterprise and that of the EMES (2014)

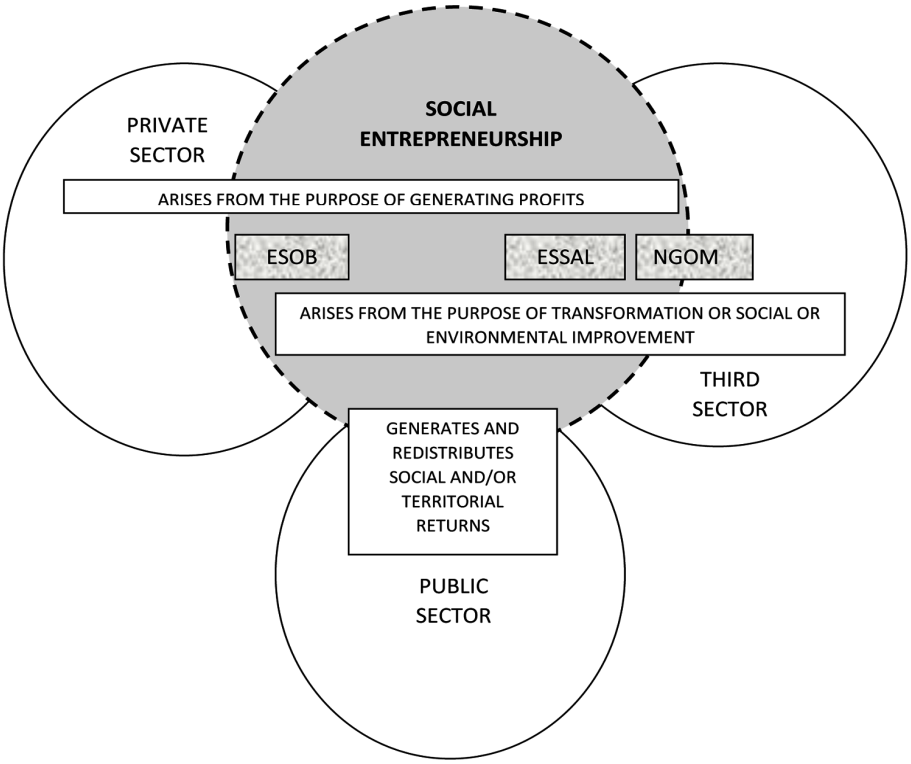
Definicion of SE	Es School of Thought
Social economy agent	EMES school of thought
Whose main purpose is to attain a certain social impact instead of obtaining profits for its owners, member or interested parties	EMES school of thought Social innovation school of thought Income generation school of thought
It works by offering goods/services to the market	Income generation school of thought
As innovative undertaking	Social innovation school of thought
And it uses its profits mainly to achieve its social objective	EMES school of thought Social innovation school of thought Income generation school of thought
It is managed in an open and responsible manner, and in particular, it involves employees, consumers and interested arties affected by its business activities.	EMES school of thought

Source: Defourny and Nyssens (2012).

Figure 4. Concept of social enterprise according to the Entrepreneurship and Social Innovation Program of Extremadura

Source: Social Entrepreneurship of Extremadura (2015).

ESOB: *Profit-oriented social enterprise*
ESSAL: *Non-profit social enterprise*
ESSA+ESOB: *Hybrid companies*
NGOM: *Market-oriented NGO*



ESOB: Profit-oriented social enterprise
ESSAL: Non-profit social enterprise
ESSA+ESOB = Hybrid companies
NGOM: Market-oriented NGO

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Table 4. Indicators of behavioral dimensions

Dimension	Indicators
Birth of the business project	I. 1-reasons to create the company
Business model (activity model)	II.1-goals of the company II.2-target customers II. 3-the company is creating value (social) to its target customers II. 4-contact with society to detect changes and turn them into new opportunities II. 5-speed of the company to adapt to changes II.6-business based on creativity II.7-business strategy applied II. 8- it affects the size of the company or its ability to manage its network of potential partners of the company II. 9-phase of the value chain most valued by the company II.10-degree of cohesion of the company's activities in order to create corporate reputation II.11-most important company competencies to face its competitors II.12-degree of use of ict II.13-values tangible or intangible resources more II. 14-annual % increase in revenue (sales) II. 15-staff cost % over total cost II.16- profit before tax II.17-distribution of profit (shareholders or reinvestment in the company)
Role of innovation	III. 1-relevance of innovation in the company III. 2-type of innovation practiced III. 3-if they innovate, disruptive or progressive innovation
Corporate culture	IV.1-fostering a culture of innovation IV.2-fostering creativity IV.3-staff involvement in the processes of innovation IV.4-fostering learning in the company IV. 5-people adapt to the changes that occur in the company IV.6-socially responsible management (csr) iv.7-relationships based on trust in the areas of activity IV.8-practice of generally accepted values IV.9-influence of the entrepreneurs' values and ideology on the core of the company IV.10-participatory decision-making IV.11-management of employees with a *people management* style: motivate and lead IV.12-shareholders' lifestyle: no boundaries between the professional and the personal
Organizational structure	V.1-flexible company organization V.2-decentralized, open decision-making V.3-ability to work in team
Business value network	VI.1-the company works in collaboration with other organizations

Source: Lizarralde and Ferro (2012) and own.

Table 5. Sample composition by social enterprise entities (I)

Type Social Enterprise	Activity	No. Companies	% (Sample)
Special employment centers (sec)	Construction, repair, and maintenance of all kinds	6	54.5
	Job creation for people with disabilities: greenhouse, book binding and silk screening, retail fruit and vegetable sales, gardening, cleaning and cooking-catering		
	Road cleaning, park and garden cleaning and maintenance, concierge services		
	Industrial laundry		
	Tax, accounting, labor, financial, legal, agricultural advising		
	Vegetable gardening, marketing of garden products and garden and preservation services		
Insertion companies (ic)	Sale of office supplies and stationery, digital print shop	3	27.3
	Catering and hospitality services, food processing and meal preparation for banquets, school catering services, industrial and all types of facility cleaning		
	Non-hazardous waste management such as paper, cardboard, plastic and used clothing. Destruction of confidential documents service		
Social innovation companies (sic)	Agroecology and rural development consulting, advising, training, engineering projects, organic production, territorial dynamization	2	18.2
	Agricultural, consumers and users, various services, associated work		
Total Companies		11	100

Source: Prepared by the authors.

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Table 6. Sample composition by social enterprise entities (II)

Company	Size (% Sample)											
	No. Employees			Assets (A) (Thousands €)			Sales (S) (Thousands €)			Sizes (% Sample)		
	E<10	10 ≤E ≤49	50≤E≤249	A≤50	50 <A≤200	A>200	S≤50	50 <S≤200	V>200	Mi	S	Md
SE	63.6	18.2	18.2	50.0	40.0	0.1	40.0	40.0	20.0	63.6	18.2	18.2
SEC	33.3	33.3	33.3	20.0	60.0	20.0	40.0	20.0	40.0	33.3	33.3	33.3
IC	66.7	33.3	-	66.7	33.3	-	-	100	-	66.7	33.3	-
SIC	100	-	-	100	-	-	100	-	-	100	-	-

Source: Prepared by the authors.
SE: Social enterprises
Mi: Micro businesses
S: Small businesses
Md: Medium businesses
Annual Data: 2014
Results for each item do not include the no answers (Don't know/No answer), although these are minimal.

Table 7. Description of the sample by year of creation, legal form and markets (%)

Company	Year of Company Creation (T)			Legal Form			Markets		
	t<2000	2000≤t≤2008	t>2009	Corp	S Coop.	Process	L	N	I
SE	18.2	45.4	36.4	63.6	27.3	9.1	45.4	36.4	18.2
SEC	40.0	60.0	20.0	66.7	33.3	-	33.3	50.0	16.7
IC	-	50.0	50.0	100	-	-	50.0	50.0	-
SIC	-	50.0	50.0	-	50.0	50.0	50.0	-	50.0

Source: Prepared by the authors.

Figure 5. Type of sample social enterprises
Source: Prepared by the authors.

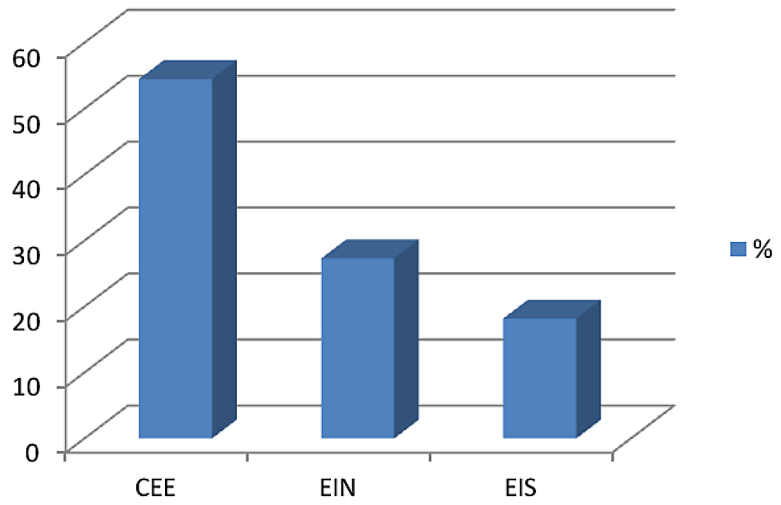

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Figure 6. Size of sample social enterprises
Source: Prepared by the authors.

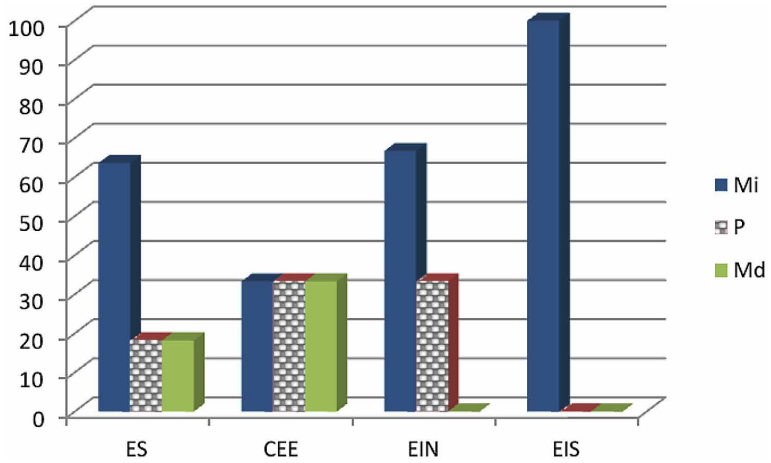

Figure 7. Sample description by year of creation (%)
Source: Prepared by the authors.

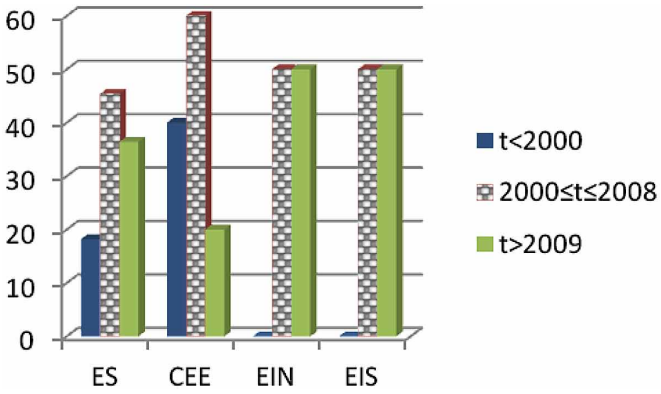

Figure 8. Sample description by legal form (%)
Source: Prepared by the authors.

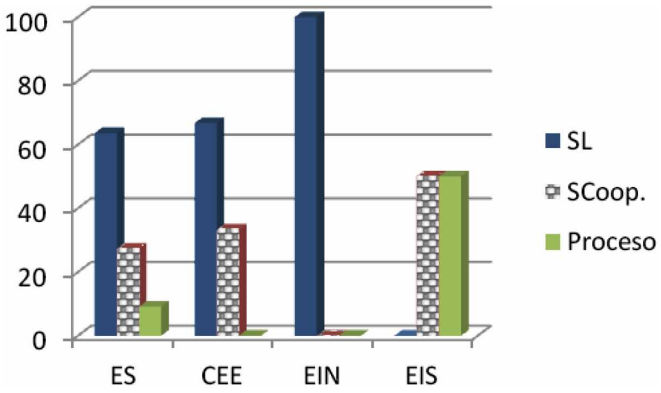

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Figure 9. Sample description by markets in which it operates (%)
Source: Prepared by the authors.

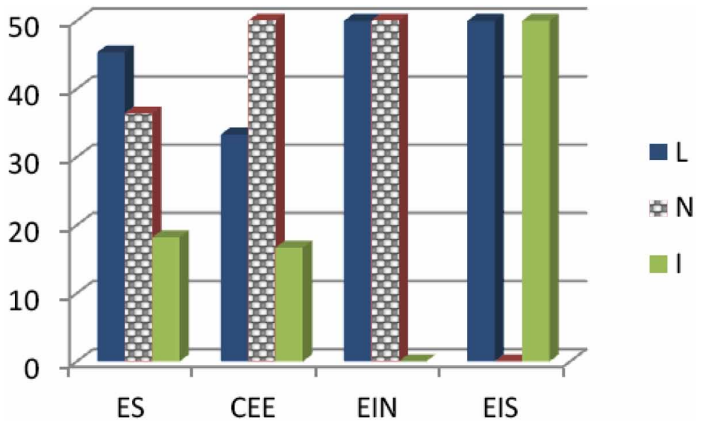

Table 8. Example of a solution to a social-environmental problem: Extremadura (I)

Insertion Company (IC)	**Enterprise** ALUCOD
Pillar 1: Creation Of Social Value As A Priority Objective ALUCOD Reciclaje, S.L. is a non-profit enterprise. Its activity consists of offering holistic care for addiction, mental health and social exclusion in order to improve the health and situation of patients. They and their families receive advice and support, medical treatment, social and legal assistance and job insertion; it also organizes drug addiction prevention campaigns and offers personalized educational group sessions. All this is done by applying excellence to business and ethical management But it states that all revenue is allocated to continuing its social work. This not only places its social mission above economic goals, but it also makes them a mere instrument to achieving its social purpose.	

Source: Prepared by the author.

Table 9. Example of a solution to a social-environmental problem: Extremadura (I)

Special Employment Centers (SEC)	**Enterprise** Sercom
Pillar 2: Creation Of Economic Value As A Necessary Objective SERCOM, S.L. is a service enterprise that has inherited over 20 years of experience from its predecessor, the association APROSUBA 8. This SEC-type SE originally comes from the association APROSUBA 8 (A8). A8, a non-profit due to its private association status – *nonmarket* subsector-, was founded in 1977 with the mission that every person with disabilities and his or her family may develop their quality of life project. The change from association to SEC enabled it to achieve this goal more effectively by becoming an enterprise (se) engaged in maintenance and gardening activities, the sale of nursery plants, catering, cleaning and the retail sale of fruit, flowers and vegetables, various bookbinding and silk-screening tasks, the sale of work clothes and accessories, as well as any activity that may encourage social integration of people with disabilities. To that end, the great majority of its staff are people with physical, psychological or sensory disabilities. Business success has made it possible to extend the scope of its social success.	

Source: Prepared by the author.

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Table 10. Example of a solution to a social-environmental problem: Extremadura (III)

Social Innovation Enterprise (SIE)	**Enterprise** red calea para el desarrollo agroecológico
Pillar 3: Business Model RED CALEA: a commitment to consolidating the role of agroecology. Although it was born with the mission of strengthening agroecological production, its vision on how to do it is innovative as it is used as a tool for real sustainable development in rural areas based on social ecology criteria. Therefore, the network is made up of a team of people who work in collaboration with consumers, public administration, business and social entities that share their values and project ideas. In short, based on agroecology, they apply a business model developed from the following process: 1. **Strategic Thinking Model:** **a. Values:** Quality production and service by including professional attitudes, supportive human relationships and fair economic exchange while respecting the environment and contributing to rural development. **b. Mission:** Agroecology consolidation **c. Vision:** Agroecology goes beyond the mere productive process to include sustainable development of rural areas. 2. **Strategy:** This line of thought is executed by means of the following strategies: a. Considering that the enterprise's human capital is its most important factor. b. Offering comprehensive services in the enterprise. Specifically, working in the areas of production and sale of ecologic food, engineering, training, consulting and international cooperation. c. Applying innovation to all goods and services offered. To do so, they have a cross-sectional area that acts on the entire value chain: the area of research, dissemination and imagination R+D+i. i. Relying on mutual support provided by online collaboration. In addition to the partnership directly related with the enterprise's activity -the networks-, participating in creating alternative regional, national and international networks[7] aimed at developing a social fabric working to achieve agroecological rural development. ii. Increasing its scope of action. Considering that it is a comprehensive model that may be extrapolated, its work is carried out at the regional, border and international level through collaborating with other countries.	

Source: Prepared by the author.

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Table 11. Results of the questionnaire

Dimension	Indicators			
	Indicator Code	Answers[1]		
		M	σ	C
I. Birth of the business project	I. 1	**Wide Range:** From disabled promoters, disability assistance, continuous motivation to dedicate all working life, through collaboration with affected families, contributing to consolidate agroecology in the rural areas, to the desire of several respondents to be more productive by creating the SE as a more effective way to help a group.		
II. Business model (activity model)	II. 1	**Common Denominators:** Maximize help to social exclusion groups by providing job search training or creating quality jobs, continuous service improvement, to involving the group's families, consolidation of the sustainable development from social environmentalism. One stands out: practice an economy at the service of people.		
	II. 2	Vulnerable groups and their families, enterprises with CSR, organizations of customers of their products		
	II. 3	8.4	1.4	0.2
	II. 4	8.3	1.4	0.2
	II.5	7.2	1.7	0.2
	II.6	7.0	2.8	0.4
	II. 7	**Differentiation Strategy:** 45.5% sample **Strategy Based on Costs:** 54.4% sample		
	II. 8	**Relevance of the Size**		
		5.5	1.3	0.2
		Relevance of Network Management Ability		
		8.4	1.1	0.1
	II. 9	**Production:** 45.5% sample **Sales and Aftersales Service:** 54.5% sample		
	II. 10	7.4	1.9	0.3
	II.11	**Common Factors:** Services provided by disabled people, professional service at competitive prices, offering quality service (including personal attention), performing its own social function (several companies agree), rapid reaction to changes, research and dissemination as a way to extend the impact of the company		
	II. 12	6.9	2.3	0.3
	II. 13	**Gives More Value to Tangible Resources:** 18.2% sample **Gives More Value to Intangible Resources:** 81.8% sample		
	II. 14	**Profits Decrease:** 10% sample **Profit Increase:** ≤20%: 80% sample **Profit Increase:** >20%: 10% sample		
	II. 15	**Cp≤60%:** 60% sample **60%<cp≤85%:** 40% sample		
	II. 16	**Losses:** 40% sample **Profits≤5000:** 50% sample **Profits>5000:** 10% sample		
	II. 17	**100% Stays in the Company:** 75% sample **70% Stays in the Company:** 12.5% sample **10% Stays in the Company:** 12.5% sample		
III. Role of innovation	III. 1	6.9	2.6	0.4
	III. 2	**Product Innovation:** 18.2% sample **Process Innovation:** 18.2% sample **Company Management Innovation:** 9.1% sample **Commercial Innovation:** 18.2% sample **Product and Commercial Innovation:** 9.1% sample **Process and Management Innovation:** 9.1% sample **Four Types of Innovation:** 18.2%		
	III. 3	**Disruptive:** 30% sample **Progressive:** 70% sample		

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Table 11. Continued

Dimension	Indicators			
	Indicator Code	Answers[1]		
		M	σ	C
IV. Corporate culture	IV.1	7.1	2.6	0.4
	IV.2	6.8	2.8	0.4
	IV.3	6.9	3.6	0.5
	IV.4	8.2	1.4	0.2
	IV.5	6.9	2.0	0.3
	IV.6	8.3	2.5	0.3
	IV.7	8.9	0.9	0.1
	IV.8	9.2	0.8	0.1
	IV.9	7.7	3.9	0.5
	IV.10	8.0	2.8	0.4
	IV.11	**Motivating Them**		
		8.3	1.3	0.2
		Leading Them		
		7.5	2.3	0.3
	IV.12	5.8	2.4	0.4
V. Organizational structure	V. 1	6.4	1.7	0.3
	V. 2	6.8	3.0	0.4
	V. 3	8.5	1.3	0.2
VI. Business value network	VI.1	7.1	3.8	0.5
Keys to Success of the Company, in Your Opinion	The values that you apply as a social enterprise: • Perseverance • Good management • Professionalism • Team work • Direct contact with customers, personal attention • Constant contact with other area organizations • Partnerships and collaboration with the environment • Good grasp of the needs of its surroundings and provide an effective response in a product • Belief in the virtues of agroecology: human relations of solidarity, economic exchange, respect for the environment, rural development based on sustainability			

Source: Prepared by the authors.

[1]For items that have been assigned a Likert scale (0 to 10):

M: Sample Mean

σ: Standard deviation

C: Coefficient of variation = σ / M

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Table 12. Description and types of social enterprises provided by the companies surveyed

	Category	Name	Information
Enterprise	SEC	SERCOM A8, S.L.	http://www.sercom-a8.com/
	SEC	S. COOP. LTDA. MINUSBARROS	No dispone de web
	SEC	S. COOP. LAVANBA HERVAS	No dispone de web
	SEC	MOYBA ASESORES, S.L.U.	No dispone de web
	SEC	FOMENTO DE SERVICIOS DESDE LA DISCAPACIDAD, S.L.	http://fomentodeservicios.es/
	SEC	EMPLEASINDI, S.L.U.	http://asindi.org
	IE	MASQUEPAPELES, S.L.	http://masquepapeles.com
	IE	SERVICIOS COMUNITARIOS GRUPO CÁPARRA, S.L.	http://servicioscomunitarioscaparra.es
	IE	ALUCOD RECICLAJE, S.L.	http://www.alucod.com/
	SIE	RED CALEA[8]	http://www.redcalea.org/
	SIE	ACTYVA, S. COOP.	Web alojada en: http://www.bbbfarming.net/
Description	• Committed to the environment, its workers, its customers and society. • Defined social objective reinvestment of profits in the social objective • One that benefits its surroundings by means of its activity. • Company that passes on its profits to the workersand supports employment of disadvantaged groups. • Offers quality. • Businesses concerned about generating an impact on their social environment, satisfying the needs of the community where they are located. • A company whose objective is focused on people not to profits. • Our main social objective is the social and occupational insertion in a company of people at risk of exclusion, comprehensive training through a job and accompanying psycho-social support for training purposes. • It is born with a calling to transform its sector of activity to make it more sustainable from a social, environmental, and economic perspective and maintains an ethical commitment to the people with whom it works and for whom it works. • Nonprofit activity focused on social needs not only on market niche.		
Classification	• Socially responsible with the environment, socially responsible with disadvantaged people • Cooperatives, associations, special employment centers • Companies researching renewable energy • Consulting • Profit and not-profit • The regulated within the social economy and, particularly, those that are non-profit: special employment centers, insertion companies, associations and foundations • Those focused on designing products and services aimed at solving a social problem, and those whose owners or shareholders are disadvantaged people and focus on maximizing profits. • Insertion companies, cooperative businesses, labor and any other legal form, be it business or not (local governments) practicing and embracing CSR in their economic process- to these we must add all third sector entities which even without a business legal form (see partnerships-foundations) are key agents of change and development • The social enterprises must have in common a calling to transform their activity sector and a strong ethical commitment to people • Those that actually are and those that pretend to be as a marketing opportunity		

Source: Authors.
SEC: Special Employment Centers
IE: Insertion Enterprises
SIE: Social Innovation Enterprises

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Table 13. Feedback provided by Fundecyt-Pctex and APAMEX

Concept of Social Enterprise		Classification of Social Enterprise	
Fundecyt-Pctex	**APAMEX**	**Fundecyt-Pctex**	**APAMEX**
The EMES network approach, enhanced by the work of Defourny and Nyssens (2012), was openly adopted. The program for entrepreneurship and social innovation of Extremadura continues to explore some innovations in this area (description), an unfinished work.	It shares the definition but assigns less relevance to two aspects: 1- it operates in the market offering goods or/and services in a business fashion, 2- it is a flexible company in the sense that it adapts to economic and social changes	It confirms the limited nature of the social economy act: entrepreneurship is ahead of the law. Entrepreneurship and Social Innovation Program of Extremadura continues to explore some innovations in this area (typologies), an unfinished work.	No comment, so it is considered in agreement.

Source: Fundecyt-Pctex and APAMEX.

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Chapter 14
Developing an Integration Framework for Crowdsourcing and Internet of Things With Applications for Disaster Response

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ABSTRACT

The crowdsourcing and Internet of Things (IoT) have played a significant role in revolutionizing the information age. In response to pressing need, we have attempted to develop a theoretical framework which can help disaster relief workers to improve their coordination using valuable information derived using comprehensive crowdsourcing framework. In this study we have used two-prong research strategies. First we have conducted extensive review of articles published in reputable journals, magazines and blogs by eminent practitioners and policy makers followed by case studies: stampede in Godavari River at Rajahmundry (2015), earthquake in Nepal (2015), flood in Uttarakhand (2013). Finally we have concluded our research findings with further research directions.

INTRODUCTION

With the advent of computers (in1970's), World Wide Web (www) (in 1990's) and internet of things (IoT) (present), the global society has moved to the "information age". The information age offers huge information created due to convergence of internet of things and crowdsourcing which can offers huge opportunities in terms of predictive analytics and forecasting events which are highly unpredictable in nature. The proliferation of semiconductor devices and their applications coupled with the ease and speed of online dissemination enables people to both witness and documents the accidental or unexpected and has permanently changed the way we understand and respond to events around us (Tierney, 2014).

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The Internet of Things (IoT) and Machine-to-Machine (M2M) communications connect millions of devices to generate data which is voluminous, high variety and high velocity. Johnson (2014) in one of his blogs has argued that to achieve high level of interconnectivity, the enterprises that depend on those machines need them to work reliably, securely, and cost-effectively – without human intervention. Thus in such case crowdsourcing could offer most efficient and reliable solutions. The word crowdsourcing has become quite popular lexicon in business dictionary. However the word crowdsourcing has been extensively used in various contexts in these days. There are multiple explanations to offer shape to the emerging context. However the common understanding related to crowd sourcing is deriving data from crowd who are quite active in digital space to get broader picture. Afuah and Tuci (2012) have attempted to provide an explanation related to crowdsourcing as a tool for solving complex firm related problems rather than relying on its own internal resources or contract to external partners like suppliers. Franzoni and Sauermann (2014) have further attempted to investigate the role of growing crowd science in open collaborative projects. Bloodgood (2013) in response to Afuah and Tuci (2012) work further suggested the need for capturing the value from crowdsourcing. Luttgens et al. (2014) have further attempted to identify the success factors behinds implementation of crowdsourcing and the barriers of the crowdsourcing initiatives. Chiu et al. (2014) have further to decision support systems literature by proposing a framework in which they have argued the role of crowdsourcing at various phases of decision making process.

Gao et al. (2011) have argued that how crowdsourcing applications based on social media applications such as Twitter and Ushahidi provide a powerful capability for collecting information from disaster scenes and visualizing data for relief decision making. Narvaez (2012) has argued that crowdsourcing can be effective in disaster preparedness if properly supported by better usage of technology. Sievers (2015) has further argued for embracing crowdsourcing as a strategy to address emergency planning by state and local governments. As we have noted that there is a rich body of literature on crowdsourcing and its application in disaster relief activities, research on crowdsourcing and IoT integration is scant. Santos et al. (2013) have argued that how IoT support responses to urban disasters. Tierney (2014) has further argued in the favour of crowdsourcing using social media platform to impact the disaster response. However, it is less understood from review of existing literature that how crowdsourcing can further support IoT to generate more reliable data which improve the efforts of disaster relief workers (i.e. disaster response). Hence in an attempt to answer our research objective, we posit some specific research questions as:

RQ1: What are the enablers of crowdsourcing which can guide disaster response?
RQ2: What are the enablers of IoT?
RQ3: How can crowdsourcing and IoT can be integrated?

The rest of the paper is organized as follows. The second section of the paper is devoted to classification of literature based on guiding research questions. The third section is devoted to research methodology. The fourth section is devoted to case analyses. The fifth section is devoted to discussions based on case analyses and theoretical framework. Finally we conclude our research and identified further research opportunities to advance the current research to next orbit.

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RELATED RESEARCH

Crowdsourcing

Estelles-Arolas and Gonzalez-Ladron-de-Guevara (2012) have attempted to define crowdsourcing based on extensive literature review. They have attempted to establish some commonalities among existing definitions on crowdsourcing. The common characteristics which shape crowdsourcing definition are the crowd, the task at hand, the recompense obtained, the crowdsourcer or initiator of the crowdsourcing activity, what is obtained by them following the crowdsourcing process, the type of process and the call to participate. However we have also reviewed some of the important articles which have contributed to the crowdsourcing literature (see Howe, 2006 & 2008; Alonso et al. 2008; Brabham, 2008; Vukovics & Bartolini, 2010; Behrend et al. 2011; Armstrong et al. 2012; Franzoni & Sauermann, 2014). Tarrell et al. (2013) have attempted to provide a brief snapshot on the evolution of crowdsourcing based on 135 articles drawn from information sciences journals and other conference proceedings. Charalabidis et al. (2014) in their studies have attempted to develop a passive crowdsourcing framework for government agencies, exploiting the extensive political content continuously created in numerous Web 2.0 social media (e.g. political blogs and microblogs, news sharing sites and online forums) by citizens without government stimulation, to understand better their needs, issues, opinions, proposals and arguments concerning a particular domain of government activity or public policy based on Greece, Austria and UK users.

Crowdsourcing in Emergency

On the basis of preceding section discussions based on review of academic literature we can argue that crowdsourcing is a model that uses crowd knowledge and expertise to decisions which is quick and cheaper than any other sources of information. Rogstadius et al. (2013) have argued that use of SMS texting is one of the most robust forms of communication during disasters. During massive catastrophe (e.g. a 9.0 earthquake), electric wire cables get uprooted resulting into power failure hence most of the sensors which are supported by power may stop functioning but people continue to have reduced but useable access to SMS texting through their mobile devices. For example, though voice communication was lost on landlines and cellular lines in the recent earthquakes at various locations (e.g. Nepal, Christchurch, Japan, Haiti), SMS texting continued to be operational, making Twitter, with its SMS framework and GPS coordinates, a valuable disaster tool. Tierney (2014) has argued that in emergency situation, crowdsourcing describes a method of information collection that utilizes data received from volunteers to enable stakeholders to participate in disaster response through online forums, such as wikis and crisis mapping. In recent years the volunteers have exchanged views and opinion using social networking platform like Twitter which is one of the social networking service has played significant role in guiding response towards disasters. Tierney (2014) argued that information generated using social networking platform is automatically geotagged with longitude and latitude coordinates that is, in turn, processed onto a centralized map for public inspection and verification, serving as a source of information for relief operations. The social media has played significant role in recent days. Twitter feeds assisted in coordinating help, shelter, and food for the distressed. Mobile food truck drivers scrambled into operation, micro-blogging their locations while distributing provisions to the cold and famished (Tierney, 2014).

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As microbloggers uploaded geotagged information, hybrid alliances formed between online platforms and offline places. An interactive crisis map of Manhattan with links to Facebook, Twitter, text, or email connected those in trouble with local evacuation centers and emergency shelters with real-time updates from the Red Cross, FEMA, and other municipal agencies. Narvaez (2012) has further argued that if information gathered using social networking platform is properly organized, then it is believed that crowdsourcing can offer better supports in terms of ground actions. Kawasaki et al. (2013) have further investigated the impacts of geospatial technological developments on disaster response. Houston et al. (2015) in their recent published work have made an attempt to study social media and its usage in disaster planning and preparedness.

From preceding discussions we can argue that crowdsourcing is people-driven programs, like information related to disaster affected places, traffic related information from thousands of commuters, and weathers related information, crowd behaviour at religious places or any large events.

Internet of Things (IoT)

Internet of Things (IoT) has attracted significant attentions from practitioners and academia. Xia et al. (2012) argued that IoT refers to the networked interconnection of everyday objects, which are often equipped with ubiquitous intelligence. Hence, IoT will increase the ubiquity of the Internet by integrating every object for interaction via embedded systems, which leads to a highly distributed network of devices communicating with human beings as well as other devices. The Internet of Things (IoT) connect millions of diverse machines over networks, the goal is to make the combination of those machines greater than the sum of each type and to provide people with greater information and insight as the ecosystem expands (Johnson, 2014). Da Xu et al. (2014) argued that to achieve high level of interconnectivity, businesses that depend on those machines need them to work reliably, securely, and cost-effectively – without human intervention. Johnson (2014) argues that in such case crowdsourcing can be high beneficial. Johnson (2014) further argues that crowdsourcing is often associated with crowd but however, once machines and sensors become connected, they can directly collaborate through data to provide a more comprehensive crowd-sourced view of a vast number of scenarios. Jian et al. (2015) further argues based on their research that various types of micro-sensors in smart communication devices can measure a significant amount of potentially useful information. Jian and colleagues further argues that mobile crowd sensing (MCS) between users with smart mobile devices is a new trend of development in IoT. With the powerful sensing capability of smart device and user mobility, various services could be provided by building a trusted chain between service requesters and suppliers (Yang et al. 2013). However, the research related to integration of crowdsourcing with IoT in context to emergency response is still underdeveloped.

METHODS

The preceding discussions surrounding literature may have provided some directions related to evolution of crowdsourcing practices and its perceived usefulness in emergency situation. However, the literature is incomplete and it is clear that crowdsourcing, IoT and its impact on disaster response need to be investigated to provide a clear understanding regarding what are the enablers of crowdsourcing, IoT and how the integration of independent source of data can help to improve disaster response. In the present study we have used case study approach as suggested by Eisenhardt (1989) in case of new topic

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or emerging research areas like of ours. Pagell and Wu (2009) attempted to build comprehensive theory surrounding sustainable supply chains using case studies of ten exemplars organizations. Ketokivi and Choi (2014) have further noted that in recent years the case study approach has been mis-used due to lack of guiding framework. Hence in our present research we have adopted Ketokivi and Choi (2014) "case research decision tree". We first examined our research question using duality criterion (i.e. Can the empirical context and data ultimately lead to more general theoretical insight?). Hence, we felt "yes" thus we finally decided to use case study approach.

Sample

To answer our three fundamentals questions:

RQ1: What are enablers of crowdsourcing which can assist disaster response?
RQ2: What are the enablers of IoT?

To answer this fundamental research question we have identified three recent disasters occurred in India. First, we selected Nepal earthquake (2015), stampede in Godavari River at Rajahmundry (2015) and flood in Uttarakhand (2015). The data were collected between 2014 January to 2015 July. There are varied opinions regarding selection of number of cases in multiple case research studies. However in our research we reviewed Eisenhardt (1989) and Pagell and Wu (2009) suggests seven cases as the maximum that a person can mentally process. Yin (1994) and others are more circumspect in regards to hard numbers and instead suggest that data should be collected until saturation. In operations and supply chain management research there are numerous examples of multiple case study research using from three to eleven cases (e.g. Pagell, 2004; Wu & Choi, 2005; Matos & Hall, 2007; Pagell & Wu, 2009). We used three cases as we felt that we have enough data to process in one study.

We followed theoretical sampling approach (see, Eisenhardt, 1989; pagell & Wu, 2009) across different events occurred at three different places because social media has played significant role in guiding disaster relief team unlike a decade ago when SMS, Twitter and other social networking space were not popular.

Interview Protocol

As suggested by Eisenhardt (1989) and Pagell and Wu (2009) we have used semistructured interview protocol for two reasons. We had designed the sample to include disasters of different nature; hence the semistructured protocol has offered us immense flexibility to gather data related to crowdsourcing and use of IoT in disaster relief activities. Second, there was some theoretical underpinning for items included in the protocol as suggested by Kounelis et al. (2014), Afuah and Tuci (2012) and Brabham (2008).

Data Collection

Our research design was based on the recommendations of Eisenhardt (1989), Yin (1994) and Pagell and Wu (2009). The initial protocol called for interviews with senior members of disaster relief team who played significant role in each of these three events. We requested to interview:

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- A senior member from Border Road Organisation (A body under Ministry of Defence).
- A senior member from a NGO.
- A senior member from local state government.
- A spoke person from the local team who were the first to reach to disaster affected place.

Our collection included multiple researchers, a taped and transcribed record of the conversations, multiple respondents, an opportunity to visit some of the locations at Nepal and Rajahmundry. We have used Triangulation approach to validate data. Triangulation involves combining observations from multiple researchers, data from multiple sources (in this study interview, and observational from the tours) to reduce biases and improve reliability and validity (Eisenhardt 1989; Yin 1994; Pagell & Wu, 2009).

Coding and Analysis

Miles and Huberman (1994) have argued that only following Triangulation of data may not be sufficient enough to prevent biases. In such cases the coding and final model building should happen after the data is completely collected. Hence we strictly followed the instructions as suggested by (Miles & Huberman, 1994; Pagell & Wu, 2009). We have finally performed coding using multiple iterative processes. Coding was done to identify the enablers of crowdsourcing and IoT in disaster relief process. We have identified some of the enablers through literature review but we have also included some others enablers which were unique but not captured by the literature. We used within case analysis and cross case analysis as suggested by Pagell and Wu (2009). The enablers were presented in Table 1 and Table 2 as:

CONCLUSION

Our analysis suggests that the enablers of crowdsourcing which enhances the response of disaster relief teams are equal parts of the enablers which are reported in prior literature and some new enablers. Our findings are summarized in the Figure 1.

The model (CS-IoT) is based on analysis using three case studies which we have included in our research based on Ketokivi and Choi (2014) guidelines for case analysis. Literature indicates that social

Table 1. Enablers of crowdsourcing previously identified in literature

Enablers	Previously Linked to Crowdsourcing	Uttarakhand Flood (2013)	Nepal Earthquake (2015)	Stampede at Rajahmundry (2015)
Facebook	Yes	Yes	Yes	Yes
Smartphone	Yes	Yes	Yes	Yes
Twitter	Yes	Yes	Yes	Yes
Role of volunteers	Yes	Yes	Yes	Yes
Leadership	Yes	Yes	Yes	Yes
Training and Development	No	Yes	Yes	No
Incentives to volunteers	Yes	No	No	No
Social media data analytics	Yes	No	No	No

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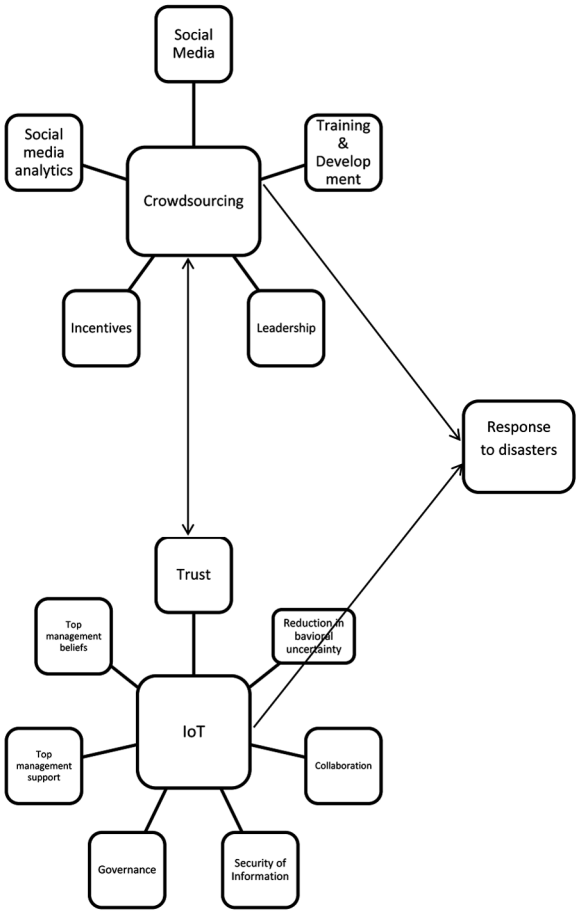
Table 2. Enablers of Internet of Things (IoT)

Enablers	Previously Linked to IoT	Uttarakhand Flood (2013)	Nepal Earthquake (2015)	Stampede at Rajahmundry (2015)
Governance	Yes	No	No	No
Top management belief	No	No	No	No
Top management participation	No	Yes	Yes	Yes
Building trust among IoT and human	Yes	No	No	No
Reduction of behavioural Uncertainty	No	No	No	No
Collaboration	Yes	Yes	Yes	Yes
Security of information	Yes	Yes	Yes	Yes

Figure 1. CS-IoT model



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media, social media analytics and incentives to the volunteer have significant influence on the data collected using crowdsourcing. However our case analysis further conform the literature and further identifies that training and development and leadership styles have significant influence on the volume, variety, velocity, veracity and value of the data. Our analysis further suggests that IoT can be exploited in most beneficial way if trust between IoT and human can be established. It has been identified that collaboration among humanitarian supply chain network partners have strong influence on IoT performance which is not well argued in existing literature. Our analysis further suggests that reduction in behavioural uncertainty among the partners will further help to build effective coordination. Hence our analysis using three case studies helps to explore some interesting insights which current literature failed to reflect. The present study can be largely benefitted if the integrated framework (CS-IoT) can be empirically tested using longitudinal data.

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Chapter 15
Industrial Guidelines for Stimulating Entrepreneurship With the Internet of Things

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ABSTRACT

Entrepreneurs are known as the engine of economic growth and prosperity. Entrepreneurs have relocated resources for the aim of introducing new economic, social, or socio-economic values. Revolutionary technologies such as the Internet of Things (IoT) have provided opportunities for entrepreneurs. The IoT is globally known as a new paradigm that rose from the world of ICT and changed dynamics of businesses and communities. However, there has been a lack of guidelines for promoting entrepreneurial initiatives by using of the IoT in industries. By conducting a comprehensive investigation of more than 120 commercialised IoT-based cases, this chapter identified 80 opportunity areas, and categorised them into the 13 main industries/sectors. Analysing 29 Iranian corporate, social, and SME entrepreneurs with the use of Analytic Hierarchy Process (AHP) technique, this chapter measured the importance of each industry. Based on the results, this chapter presents recommendations to promote entrepreneurial activities.

INTRODUCTION

The IoT is a paradigm that aims at enhancing our awareness of the environment. The IoT is not in infancy anymore and it has been adopted rapidly by many industries. For example, the IoT has played a significant role in the transportation sector with several capabilities such as navigation, vehicle to vehicle connections, fleet management, vehicle controls, and infrastructure monitoring. The IoT has

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also been a great source of improvement for the supply chain partners. Real-time monitoring and tracking has improved visibility of material flows and facilitated collaborative activities of the supply chain partners. In addition to the positive impact on the established businesses, the IoT can be a great source of innovation for entrepreneurs.

Entrepreneurs aim to create new values by identifying unexploited opportunities and relocating the resources to achieve a higher level of productivity. One of the bottlenecks for having a successful entrepreneurial process is opportunity recognition (Jones & Butler, 1992; Kirzner, 1985). Recognising the valuable opportunities with a high ability or potential of commercialisation is crucial for all kinds of entrepreneurship. In spite of the significant implications of the IoT on the entrepreneurship, there have been few guidelines for entrepreneurs to exploit the IoT. The purpose of our study is to provide evidence-based guidelines to stimulate entrepreneurship with the IoT. To achieve our purpose, entrepreneurial opportunities of the IoT were identified by conducting a survey and analysing a number of industrial IoT adoption cases.

The remaining parts of this chapter are as follows: first the literature review of the definition, challenges and economics of the IoT is presented. Next, corporate entrepreneurship, social entrepreneurship, and small and medium-sized (SME) entrepreneurship are discussed. Then, the research methodology and the Analytic Hierarchy Process (AHP) model are elaborated. Finally, the research findings and various challenges are discussed.

LITERATURE REVIEW

Definition of the IoT

Atzori et al. (2010) discuss the very first definition of the IoT as a things oriented concept which includes Radio-Frequency IDentifications (RFIDs) tags and smart devices. Jara et al. (2011) suggest the IoT has an ability to provide a global connectivity and a management architecture of several devices. Vermesan et al. (2011) describe the IoT as an integrated part of the Future Internet with the capability of self-configuration. Xu et al. (2014) refer to the IoT as a dynamic global network infrastructure based on the protocols where virtual and physical things such as sensors and RFIDs have identities, and can be integrated in the information network. Gubbi et al. (2013) depict the IoT as an infrastructure for enabling the innovative applications by connecting devices from different platforms through a unified framework. Some components are large scale ubiquitous sensing, data analytics, and cloud computing. Wu et al. (2014) refer to the IoT as a new network paradigm and interconnected physical/virtual things with the minimum intervention of humans that pursue two main goals: 1) bridging the physical and the social world together to form an intelligent physical-cyber-social system, and 2) enabling smartness – from resource allocation to automatic network operations. Vermesan (2013) believes that, the full use of things will be attained by offering several distinguished services.

The IoT in Industries and Its Applications

Several industries/sectors which adopted the IoT have been mentioned by various IoT studies: Healthcare and life science (Al-Turjman et al., 2013; Atzori et al., 2014; Gubbi et al., 2013; Perera et al., 2014; Zheng et al., 2011); Transportation (Xu et al., 2014; He et al., 2014; Kortuem et al., 2010; Vermesan et

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al., 2013; Zheng et al., 2011); Environment (Chui et al., 2010; Da Xu et al., 2014; Miorandi et al., 2012; Tsai et al., 2014; Zheng et al., 2011), Accommodation (Akyildiz et al., 2002; Atzori et al., 2010; Xu et al., 2014; Kortuem et al., 2010; Perera et al., 2014); Retail (Chui et al., 2010; Konomi & Roussos, 2007; Thiesse & Köhler, 2008), Industrial production (Xu et al., 2014; Gluhak et al., 2011; Vermesan et al., 2013); Energy (Gubbi et al., 2013; Miorandi et al., 2012; Perera et al., 2014; Vermesan et al., 2013); Government (Miorandi et al., 2012; Tsai et al., 2014); ICT (Chui et al., 2010; Vermesan et al., 2011); Military (Akyildiz et al., 2002; Vermesan et al., 2013; Xu, 2002). Zarei et al. (2016) based on the Iranian "1404 economic outlook" prioritised five industries/sectors: Healthcare, Transportation, Smart home, Energy, and Retailing for the aim of achieving sustainable development by the country. They argue that the IoT brings continuous social, environmental, and economic progress, and introduced the term of "sustainable IoT".

Except a few studies such as Vermesan et al. (2013), most previous studies have two main issues: firstly, they have generally mentioned IoT applications based on their imaginations not commercialised samples. Secondly, most studies discussed the IoT from a technical perspective. Our study tries to address these issues.

In the past few years various IoT products and services from several industries have been successfully launched and introduced to the market. For developing an industrial guideline for entrepreneurs and classifying the most active industries in the field of the IoT, we applied a bottom-up approach; we reviewed the commercialised/launched IoT products and services from various industries around the globe by surveying almost 147 cases. At the same time, we categorised the commercialised samples into 80 main groups, as is shown in Table 1, that are called "recognised opportunity areas". For categorising "recognised/ commercialised samples" into "recognised opportunity areas" as is shown in Table 2, we applied a grounded theory methodology (GTM). In our study, only the first round of coding has been used. The GTM method was developed by Glaser and Strauss (1967).

Table 1. Recognised, industry/sector and opportunity areas based on IoT

Industry and/or Sector	Recognised Opportunity Areas	Recognised/Commercialised Samples
Accommodation and Residence	7	15
Agriculture and Animal Husbandry	3	4
Energy	6	14
Enterprise, Manufacture, Production	8	17
Entertainment, Media, Recreation and Sports	7	10
Environment	9	11
Finance and Insurance	2	2
Healthcare and Life Science	9	14
Information and Communications Technology (ICT)	10	27
Military and Defence	2	3
Public Administration, Governmental and Public Safety	5	7
Research and Education	3	4
Transportation and Retail	9	19
Total	80	147

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Table 2. Application of the IoT

Industry and/or Sector	Samples of the Opportunity Areas	References
Accommodation and Residence	Smart Home	Twine (B) Alarm (C) Econais (C) AT&T Digital Life (B) G4S (C)
	Smart Furniture	Smart Refrigerator of Samsung (B)
	Smart Beds	Ohea (C)
	Smart Lighting Systems	Econais (C)
	Hot Water Heaters	Nest (C) Honeywell (C)
	Smart Parking and Parking Management	Parkifi (C) SpotHero (C) Spaceek (C) ADLINK Technology Inc. (C)
	Heating, Ventilation and Air Conditioning (HVAC)	Emerson (C)
Agriculture and Animal Husbandry	Smart Farming	Observant (C) Link Labs (A)
	Smart Irrigation	ThingWorx (PTC) (B)
	Smart Herds	Litams (C)
Energy	Smart Lighting	Echelon (C) Microsens (C)
	Smart Grids	Tendril Networks Inc. (C) Itron (C) Silver Spring Networks (C) Siemens (C) ABB (C) Industrial Internet Consortium (A)
	Smart Meters	AMI (C) Itron (C) Peterborough Utilities (C)
	Monitoring Oil Pipelines	Orbcomm (C)
	Station Finder	ChargePoint, Inc. (C)
	Monitoring Oil Wells	Osprey Informatics (C)
Enterprise, Manufacture, Production	Smart Industrial Robots	IoTSP (ABB), (B)
	Structural Health	Libelium (C)
	Industrial Processes and Operations	Air Liquide (C) Osprey Informatics (C) ABB (C)
	Beverage Production	Heineken (C)
	Assets Management	IBM® Maximo® Asset Management (B) Logitrac Inc. (C) Masternaut (C)
	Enterprise Resource Planning (ERP) and Supply Chain Management (SCM)	Heineken (C) E2open network (C) MEMS & Sensors Industry Group® (C) First Sensor (C)
	Industrial IoT Platforms	Itron Riva platform (B) Jasper (C)
	Producing IoT Hardware	Bosch (C) Infineon (C)

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Table 2. Continued

Industry and/or Sector	Samples of the Opportunity Areas	References
Entertainment, Media, Recreation and Sports	Wearables	Garmin Ltd (C) AAC Technologies Holding Inc. (C) Acton (C) Allianz (C)
	Sports Tracker	Flaik (C)
	Museums and Theme Parks	QRator (B)
	Connected Entertainment	Microsoft (C)
	Health Platforms	KAA IoT Platform (A)
	Connected Athlete	Cisco (C)
	Bicycling	Glasgow, Scotland (D)
Environment	Snow Level Monitoring	Sommer (C)
	Smart Waste Management	Smart Waste Management Solutions (B) Enevo (C)
	Forest Fire Detection	Libelium (C)
	Air Pollution	Aeroqual (C), New Zealand (D)
	Earthquake Early Warning System (EEW)	Cascadia, Vancouver Island (D)
	Water Monitoring	Stevens (C) Censar Technologies, Inc. (C)
	Soil Pollution	Smart Storm Ltd (C)
	Ozone Analyser	Ozone Analyzer Module (B)
	Animal Tracking Solution & Wildlife Researches	Cats (C)
Finance and Insurance	Smart Insurance	(Pay-As-You-Drive of) Baseline Telematic (C)
	Smart Shopping	Groceries (Samsung) (B)
Healthcare and Life Science	Treating Depression	Boston Scientific (C)
	IoT Medicating	Philips (C) Boston Scientific (C)
	Dementia Monitoring	Acetek (C)
	Eldercare	Tacera Tag (B/P)/Austco (C)
	Special Care Patients	(Parkinson) Great Lakes NeuroTechnologies (C)
	Hospital and Healthcare Center	Masimo Radical (B) IP Nurse Call (B)/Acetek (C)
	Monitoring Core Body Temperature (CBT) and Heart Attacks and Etc.	UroSense (B) Boston Scientific (C)
	Respiratory Disorder	Niox Mino (B)
	Fall Detection	Medical Guardian (C) ResponseNow (C) Philips Lifeline (C), Philips

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Table 2. Continued

Industry and/or Sector	Samples of the Opportunity Areas	References
Information and Communication Technology (ICT)	IoT Search Engines	Shodan (B) Thingful (B) Censys (C) SPITFIRE (C)
	IoT Test Beds	NetEye (B) Ear-IT project (A) TutorNet (B) MIRAGE Intel (B) FIT IoT-Lab (B) / The FIT consortium (A) DES-Testbed (B)
	IoT Platforms	Arkessa Platform (C) Axeda Platform (C) EVRYTHNG Platform (C) Thingworx Platform (C) SensorCloud Platform (B) Thingspeak Platform (B)
	IoT Operating Systems	Windows 10 IoT Core (B) RIOT (B)
	Analysing IoT Data	CSL DualCom Group Ltd (C) Jasper (C)
	IoT/M2M SIM Cards	GSMA Embedded SIM (P) / GSM Association (A) Globalm2msim (B) Neo (B)
	IoT Application Software	Bluemix™ applications (B)
	Securely Protection	Symantec (C)
	Critical Connectivity	CSL DualCom Group Ltd (C)
	IoT CCTV Cameras	Foscam (B)
Military and Defence	Combat Systems	C4ISR (The U.S. Department of Defense (DoD)) (A)
	Monitoring Military Shipments	DSG groups (C)
Public Administration, Government and Public Safety	Controlling Gun Violence	SST (C)
	Surveillance	Eurotech (C) National Security Agency, USA (A)
	Public Safety	Cisco surveillance technology (B) Hitachi Data Systems Federal (HDS Federal) (A)
	Crisis Management	Hitachi Data Systems Federal (HDS Federal) (A)
	Wildfire Management	Wildland Fire Decision Support System (NASA) (A)
Research and Education	Smart Classrooms	Office of Education Technology (A) Beijing Middle School 105 (A)
	Pupils Safety	Cisco Physical Access Control technology (B)
	Fauna Researches	Cats (C)

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Table 2. Continued

Industry and/or Sector	Samples of the Opportunity Areas	References
Transportation and Retail	Collision Monitoring	eCall (European Union) (A)
	V2V Ice Warning	Volvo (C)
	Human-Vehicle Interface	Nismo Watch (Nissan) (P)
	Connected Car	Tesla Motors (C) BMW AG (C) Daimler AG (C) Fiat Chrysler Automobiles (C)
	Smart Roads	Oss, Netherland (D) LED Variable Message Signs (B) Automatic Incident Detection (B)
	Traffic Congestion and Mapping	São Paulo, Brazil (D)
	Integrates Wearables	Nismo Watch (B) /Nissan (C) Ford (C)
	Truck/Assets Tracking	Certified Tracking Solutions (C) Sendum (C)
	Retailing	Store of the Future (B) Wal-Mart Stores (C) Best Buy (C) Target Corporation (C)

Limiting Factors to the IoT

In spite of the growing interest in the application of the IoT in industries, the IoT industry struggles with some challenges. IoT challenges are far greater to be tackled by individual companies. As a result, various international associations, societies, strategic alliances and jointly research projects, and research clusters around the world have collaborate to address the IoT challenges. Some of these groups are: European Research Cluster on the Internet of Things (IERC), Global System for Mobile communication (GSM) Association, Organisation for Economic Co-operation and Development (OECD), and METIS consortium that has collected more than 29 global partners including manufacturers, telecommunication operators, and academic institutions.

Some of the IoT challenges discussed by Weber (2009) include: control, data protection, identity management, interoperability, naming, privacy, security, and standardisation. Privacy, security, and trust are among important challenges for context-aware computing (Perera et al., 2014). The European Consumer Voice in Standardisation (ANEC) and BEUC have supported the commission for improving the

Table 3. Place and/or location

Abbreviation	Extended Meaning
A	Association, project and/or official department
B	Brand, product or service
C	Company, corporate, and/or SME
D	Place and/or location

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current situation in term of security (Weber, 2009). Governance is another challenge for implementing of an international network infrastructures. On top of the above-mentioned challenges, there have been several other technical complications (e.g., the heterogeneity of devices or the IoT).

Another challenge in the IoT is related to the market size of the IoT, because still the market size and even revenue for the IoT products and services are vague at best. Without having a clear prediction of the market size no company is able to invest in the IoT with confidence. A number of companies and market research institutes such as Cisco, Gartner, Markets and Markets, IDG Enterprise, and TCS have predicted revenues of the IoT. For instance, Blanter and Holman (2014) announced the $3.5 trillion revenue by 2020; TCS (2016) predicted $7.1 trillion by 2020; Statista (2016) announces $1.7 trillion by 2019; Grand View Research (2016) declares $1.88 trillion until 2022. However, the measurements have not been standardised (e.g., smart phones and the other time microprocessors have been included in some predictions, but not included in other predictions).

ENTREPRENEURSHIP

Entrepreneurship is an old concept with more than 250 years of history (Austin et al., 2006). The term has rooted in the fields of economics, sociology, psychology, and management. Entrepreneurialism is a school, an approach, a concept, and a collection of thoughts that has at any time or shape sought to bring novel values – economic, social, or both. Based on the targeted market which an entrepreneur has decided to create value for, entrepreneurs can be divided into three main categories: corporate entrepreneurs, social entrepreneurs and SME entrepreneurs. Attributes of entrepreneurship include opportunity recognition, innovation, commercialisation, and risk taking.

Entrepreneurialism literature can be divided into two dominant group of investigations. First, cognitivism or ontology studies that aim to draw a comprehensive view of the field by discussing its components and branches. These kinds of studies are rare but valuable (Jones et al. (2011). The second group can be known as exploratory studies which a researcher by conducting a qualitative, quantitative or mixed methods aims to investigate the relationships between two or more dimensions or aims to explore an unseen effect; such as the relationship between corporate entrepreneurship and firm performance, or the effect of pure social capitals on entrepreneurial networks and launching a business. In the following sections, several types of entrepreneurship will be briefly discussed.

Corporate Entrepreneurship

Corporate entrepreneurship is studied in the context of an established business (Antoncic & Hisrich, 2004; Biniari, 2012; Ferreira, 2001; Kuratko et al., 1993; Shepherd et al., 2009; Zahra, 1991). During a corporate entrepreneurship process a corporate entrepreneur aims to bring innovation into the organisation by renewing strategies, increasing the competitiveness, introducing, or opening-up a new market, product, and service. in this regard, Lumpkin and Dess (1996) refer to corporate entrepreneurship as an organisational process that contributes to the firms' survival and performance.

Castrogiovanni et al. (2011) express corporate entrepreneurship as a set of activities which an organisation undertakes to enhance its product and process innovations, risk-taking and pro-active responses to the environmental forces. Miles et al. (2003) clarify the corporate entrepreneurship as activities that are designed [within an established organisation] to capture a unique business opportunity. Antoncic

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and Zorn (2004) by examining sample of 477 Slovenian established firms and investigating process innovativeness, new venture formation, organisational support and etc. show that corporate entrepreneurs have had a significant role on organisational performance. Furthermore, the authors argue that corporate entrepreneurs have had an important influence on organisational performance, economic development, wealth creation, developing of new products, services, technologies, administrative techniques, strategies and competitive, process innovation. One of the main features of corporate entrepreneurs is opportunity recognition (Jones & Butler, 1992).

Social Entrepreneurship

The number of non-profit organisations in the recent years has been increasing steadily. Some of these non-profit organisations are social entrepreneurs. The main driver for social entrepreneurs is to solve social problem (Austin et al., 2006), and simultaneously generating wealth for their stakeholders. However social entrepreneurship has not been adequately explored (Austin et al., 2006). Social entrepreneurship is a nascent but important subject for societies because of its contribution to societies, so there has been an increasing interest in the domain during the recent years (Rey-Martí et al. 2016). The apparent form of social entrepreneurship can be discussed in the context of society. Austin et al. (2006) discuss that the term has been used in different backgrounds such as society, corporate, non-profit sector, governmental or even across sectors.

SME Entrepreneurship

The ability of governments to recruit individuals and establishing businesses for the citizens are extremely limited by global phenomena such as decentralisation and privatisation. As a result, individuals have to find out solutions to create job by and for themselves, and nascent businesses have been launched by individual/business/SME entrepreneurs around the world. Haltiwanger et al. (2013) argue that young firms and start-ups are known as the important sources of job creations. SME entrepreneurs have been known as a great source of economic development. Mazanai and Fatoki (2012) discuss the SMEs as the spine of economic welfare, and Lin (1998) labels the SMEs as one of the main economic progress engines. SME entrepreneurship is frequently discussed as the act of starting a new business and to some extent such entrepreneurs can be recognised by their start-ups (e.g., see Liñán, 2008; Liñán and Chen, 2009).

Other Kinds of Entrepreneurship

Entrepreneurship in the broad point of view has not been limited to the corporate, social, and SME entrepreneurship and there have been several other kinds of entrepreneurship.

International Entrepreneurship

McDougall (1989) refers to International entrepreneurship as the expansion of new international ventures or start-up in a new international market. Some businesses have been born as international, and others been launched in a domestic market and after a while export their products/services into the international market. The contributor to such international businesses can be known as international entrepreneurs. These kinds of entrepreneurial activities are commonly discussed in the context of Internationalisation.

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For the aim of investigating and fostering the internationalisations, several models have been developed including Foreign direct investment (FDI)-expansion model, Innovation-related models, Internalisation model, Product cycle model, Structural model, and Uppsala internationalisation models (Cuervo-Cazurra & Ramos, 2005, p.111).

Government Entrepreneurship

The function of government entrepreneurship is somehow distinguished from other types of entrepreneurship, since, this type of entrepreneurship aims to develop a supportive business ecosystem for the aim of supporting entrepreneurs, and this aim can be achieved by tools such as legislations and implementation of supportive policies. Yu (2001) discuses when the private sector fails to respond properly, the government entrepreneurship can be important – e.g., in the times of recession. Government entrepreneurship is not limited to the governments and is used for the individuals as well. For instance, Purwaningsih (2015) alludes to the Prime Minister of Singapore as a government entrepreneur, and the author argues a government entrepreneur as a leader who has the skills and spirit of entrepreneurship.

High-Tech Entrepreneurship

Lin et al. (2006) describe a high-tech entrepreneurship as a complex phenomenon with a variety of factors such as entrepreneurial strategies and societal contexts. Some of these factors interrelated with each other. Due to the state of the art technologies used by high-tech entrepreneurs, this type of entrepreneurship is limited to those who have fairly good academic background in high-tech fields (e.g., nanotechnology or the IoT). Because of the high rate of technological changes these entrepreneurs have been faced with the high rate of failure (Lasch, 2011). However, entrepreneurial failure rate is generally high (Jing et al., 2016). In addition, high-tech entrepreneurs should keep themselves up with what is the most recent in their field. It is worth mentioning that developing high-tech entrepreneurship relies on the research and development capabilities (Zhou & Peng, 2008).

RESEARCH METHODOLOGY

The aim of this study is to provide guidelines for entrepreneurs to create value from the IoT. The preferences of entrepreneurs toward each of 13 industries/sectors industry/sector are assessed and ranked. We identified the corporate entrepreneurs based on the Castrogiovanni et al. (2011) and Miles et al. (2003); Social entrepreneurs were chosen from the Austin et al. (2006) definition of the term; and finally, SME entrepreneurs were selected from those who successfully launched their businesses during the past three years.

Determining samples for the three types of entrepreneurs was a challenging and time-consuming job. In this study, snowball sampling was used. As Heckathorn (2002) discusses, snowball sampling or chain sampling is a non-probability sampling that is appropriate for identifying the hidden populations. By deploying Snowball sampling 35 entrepreneurs were identified - 11 of them were corporate entrepreneurs, 12 social entrepreneurs; and 12 SME entrepreneurs. To prioritise industries/sectors, Analytic Hierarchy Process (AHP) was used.

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Analytic Hierarchy Process (AHP)

The AHP is coined by Saaty and widely known as a method for multi-criteria decision support (Durbach et al., 2014). AHP is a technique for decision-making that is widely manipulated for assessing typically multiple conflicting criteria. The technique also has been used for determining the performance of each alternative (Abdullah & Najib, 2014). AHP as a multiple criteria decision-making tool is an Eigen value method for the pair-wise comparisons. The range of the scale could be from 1 to 9; that 1 is used for equal, and 9 for absolutely more central ones (Vaidya & Kumar, 2006). Cay and Uyan (2013) describe the main steps of AHP as follows:

- A (n × n) pairwise comparison matrix should be created. The sample of such matrix is drawn below:

$$A = \begin{bmatrix} a_{11} & a_{12} & \cdots & a_{1n} \\ a_{21} & a_{22} & \cdots & a_{2n} \\ \vdots & \vdots & \vdots & \vdots \\ a_{n1} & a_{n2} & \cdots & a_{nn} \end{bmatrix} \quad (1)$$

The a_{ij} specifies to what extent important the i^{th} objective is with regards to the j^{th} objective. It is necessary for all *i* as well as *j*, that a_{ii} equals to 1 and a_{ij} equals $1/a_{ji}$. As Table 4 shows, for evaluating the value of a_{ij} the pairwise comparison matrix can be used.

Intermediate Values

- Then, each value in column *j* should be divided by the total values of the column j. As a result, a new A_w matrix will be generated, so the normalised pairwise comparison matrix is found, as shown below:

Table 4. AHP evaluation scale

Numerical Value of aij	**1**	**3**	**5**	**7**	**9**	**2, 4, 6, 8**
Definition	Equal importance of i over j	Moderate importance of i over j	Strong importance of i over j	Very strong importance of i over j	Extreme importance of i over j	Intermediate values

Cay & Uyan, 2013.

Table 5. RI table values

n	1	2	3	4	5	6	7	8	9	10	11	12	13
RI	0.00	0.00	0.58	0.90	1.12	1.24	1.32	1.41	1.45	1.49	1.51	1.48	1.56

Yavuz et al., 2008.

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Table 6. The achieved weights and ranks by industries/sectors

Industries/Sectors	Corporate Entrepreneurship		Social Entrepreneurship		SME Entrepreneurship	
	Weights	Ranks	Weights	Ranks	Weights	Ranks
Accommodation and Residence	0.031	12	0.042	9	0.181	**1**
Agriculture and Animal Husbandry	0.029	10	0.088	5	0.047	9
Energy	0.145	**3**	0.031	11	0.045	10
Enterprise, Manufacture, Production	0.171	**1**	0.033	10	0.065	8
Entertainment, Media, Recreation and Sports	0.041	8	0.055	6	0.120	**2**
Environment	0.018	13	0.228	**1**	0.040	12
Finance and Insurance	0.066	6	0.028	12	0.074	6
Healthcare and Life Science	0.051	7	0.137	**3**	0.091	4
Information and Communication Technology (ICT)	0.128	4	0.043	8	0.105	**3**
Military and Defence	0.088	5	0.027	13	0.040	11
Public Administration, Governmental and Public Safety	0.029	11	0.150	**2**	0.035	13
Research and Education	0.037	9	0.089	4	0.087	5
Transportation and Retail	0.165	**2**	0.050	7	0.070	7

$$A_w = \begin{bmatrix} \frac{a_{11}}{\sum a_{i1}} & \frac{a_{12}}{\sum a_{i2}} & \cdots & \frac{a_{in}}{\sum a_{in}} \\ \cdots & \cdots & \cdots & \cdots \\ \cdots & \cdots & \cdots & \cdots \\ \frac{a_{n1}}{\sum a_{i1}} & \frac{a_{n2}}{\sum a_{i2}} & \cdots & \frac{a_{nn}}{\sum a_{in}} \end{bmatrix} \tag{2}$$

- Then we calculated c_i as the mean of the values in the row of i of A_w matrix to generate the column vector C. Furthermore, c_i value displays the relative degree of weight of the i[th] objectives.

$$C = \begin{bmatrix} c_1 \\ c_2 \\ \vdots \\ c_n \end{bmatrix} = \begin{bmatrix} \frac{\frac{a_{11}}{\sum a_{i1}}}{n} + & \frac{\frac{a_{12}}{\sum a_{i2}}}{n} + & \cdots & + \frac{\frac{a_{in}}{\sum a_{in}}}{n} \\ \cdots & \cdots & \cdots & \cdots \\ \cdots & \cdots & \cdots & \cdots \\ \frac{\frac{a_{n1}}{\sum a_{i1}}}{n} + & \frac{\frac{a_{n2}}{\sum a_{i2}}}{n} + & \cdots & + \frac{\frac{a_{nn}}{\sum a_{in}}}{n} \end{bmatrix} \tag{3}$$

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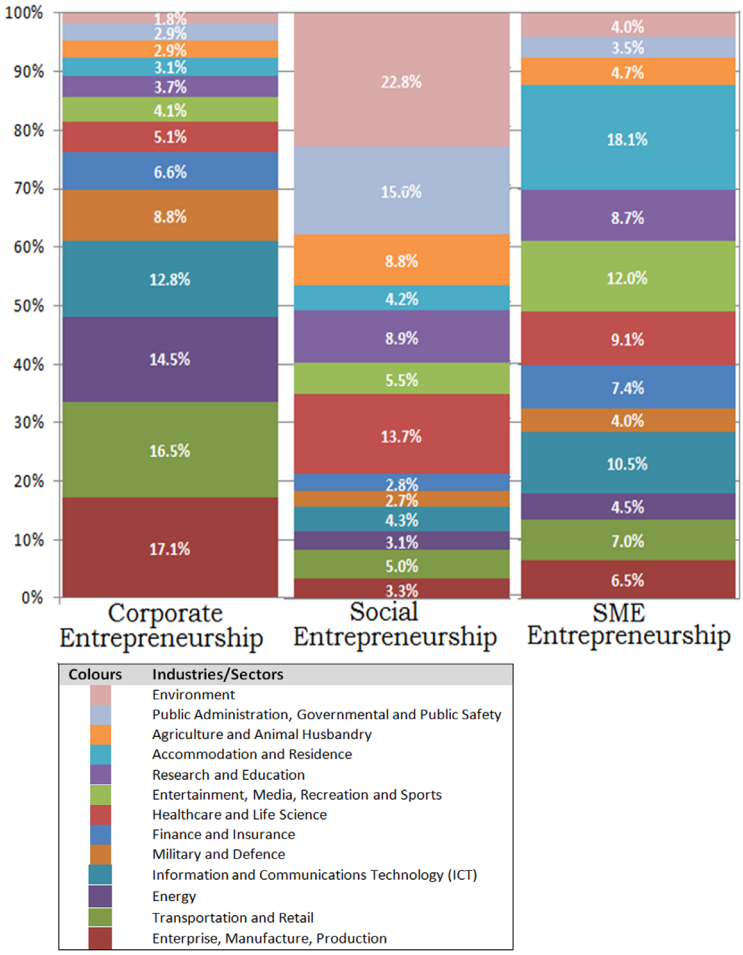
Figure 1.



- For the aim of assessing the consistency of the weight values (c_i), first the A×C matrix should be calculated. The sample of A×C matrix is drawn below. for calculating the x_i, the A matrix should be multiplied at C matrix.

$$A \times C = \begin{bmatrix} a_{11} & a_{12} & \cdots & a_{1n} \\ a_{21} & a_{22} & \cdots & a_{2n} \\ \vdots & \vdots & \vdots & \vdots \\ a_{n1} & a_{n2} & \cdots & a_{nn} \end{bmatrix} \times \begin{bmatrix} c_1 \\ c_2 \\ \vdots \\ c_n \end{bmatrix} = \begin{bmatrix} x_1 \\ x_2 \\ \vdots \\ x_n \end{bmatrix} \tag{4}$$

After achieving the A×C matrix the λ_{max} by using of the following formula is calculated:

$$\lambda_{\max} = \frac{1}{n} \sum_{i=1}^{n} \frac{x_i}{c_i} \tag{5}$$

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By calculating the λ_{max}, the Consistency Index (CI) can be considered according to the following formula:

$$CI = \frac{\lambda_{\max} - n}{n - 1} \tag{6}$$

- In the final step, to make sure about consistency of the pairwise comparison matrix the consistency has to be checked. For this, CR can be calculated based on the following formula. CR is known as Consistency Rate.

$$CR = \frac{CI}{RI} \tag{7}$$

Because of the number of the criteria – 13 industries/sectors – that have been used in this research we had to follow the RI table values of Yavuz et al. (2008), that is drawn in Table 5, and also it is noted that all of the RI values are developed based on the Saaty (1990) consumptions of AHP.

Data Collection and Analysis

By snowball sampling a total of 35 entrepreneurs were identified. For corporate entrepreneurship, the total of 7 questionnaires were collected, for social entrepreneurship the total of 8 questionnaires collected, and for the SME entrepreneurship 9 questionnaires were gathered for analysis (the total of 24 collected questionnaires). The other 11 entrepreneurs' questionnaires were discarded because of the unfilled and inappropriate co-operation with the researchers. Also based on the group aggregation procedures a geometric mean has been used. As mentioned, the Consistency Rate for the pair-wise comparison matrixes should be lower than 0.1. These rates for corporate entrepreneurship, social entrepreneurship, and SME entrepreneurship were 0.0767; 0.0305; 0.0952, respectively. Table 6 shows the achieved weights and ranks by industries/sectors for each entrepreneurship.

The cylinder chart of the achieved ranks and weights for each industry/sector based on the three types of entrepreneurship are presented in Figure 1.

DISCUSSION AND CONCLUSION

Corporate Entrepreneurs

Our results show that corporate entrepreneurs have ranked the industries/sectors as follows: 1) Enterprise, Manufacture, Production, 2) Transportation and Retail, 3) Energy, and 4) Information and Communication Technology (ICT). These industries/sectors need a heavy financial investment and strong R&D units, which are completely congruent with the nature of corporate entrepreneurship.

On the one hand, corporate entrepreneurs are among the real assets of organisations. On the other hand, they have simply been affected from the organisational culture and social capital of organisations.

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As a result, those organisations which try to be the pioneer of a IoT market have to promote entrepreneurial culture through various ways (e.g., encouraging employees to be aware about the abilities and applications of the IoT). In this regard, developing an appropriate rewarding system is important as well.

Resource availability has been known to positively influence a firm's entrepreneurial activities within the R&D units. Thus, corporate entrepreneurs should be given an opportunity to act entrepreneurially by experimenting and launching IoT prototypes in the market.

Social Entrepreneurs

Social entrepreneurs have ranked the industries/sectors as follows: 1) Environment, 2) Public Administration, Governmental and Public Safety, and 3) Healthcare and Life Science. These industries/sectors need high level of social capitals and really make sense with the nature of social entrepreneurship, since they have been among the best sources of social ventures. Social capital has had an important role for all kinds of entrepreneurship, especially for social entrepreneurs, due to the fact that their social missions are deeply rooted in their social and cultural background. To gain these capitals, broadening the entrepreneurial networks can be proposed as a strategy. These networks can even be a great source of crowdfunding.

SME Entrepreneurs

SME entrepreneurs have ranked the industries/sectors as follows: 1) Accommodation and Residence, 2) Entertainment, Media, Recreation and Sports, and 3) Information and Communications Technology (ICT). Smartness is one of the main features of the IoT in accommodation and residence sector. Developing smart home applications can be a good investment for an SME.

In this study, we examined Iranian entrepreneurs and Iran is known as a transition economy. The entrepreneurial reactions toward new technologies can vary from one economy to another. Global Entrepreneurship Monitor (GEM) declares that it is not applicable to deliver one specific prescriptive policy to all regions in term of promoting entrepreneurship (Kelley et al., 2011). Etemad (1999) argues in developing countries such as Iran low protections have been received by SMEs from governments. Our study needs to be extended to the other countries such as the innovation-driven ones to generalise our findings.

In spite of the relative maturity of the IoT in the developed world, the Iranian IoT is still in infancy. According to the Moore's (1993) evolutionary stages of business ecosystems, it can be argued that the Iranian IoT-business ecosystem is in the stages between birth and expansion. The Iranian entrepreneurs who have wanted to generate value from the IoT should take the following challenges into account.

In the birth and expansion stages of the IoT-business ecosystem they have two main challenges, which are cooperative and competitive challenges.

- In the birth stage of the IoT-business ecosystem entrepreneurs have to "Work with customers and suppliers to define the new value proposition around a seed innovation." To overcome cooperative challenges, entrepreneurs have to "Protect your [their] ideas from others who might be working toward defining similar offers. Tie up critical lead customers, key suppliers, and important channels." (Moore, 1993).

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- In the expansion stage of the IoT-business ecosystem entrepreneurs have to "Bring the new offer to a large market by working with suppliers and partners to scale up supply and to achieve maximum market coverage." To overcome competitive challenges, entrepreneurs have to "Defeat alternative implementations of similar ideas. Ensure that your approach is the market standard in its class through dominating key market segments." (Moore, 1993).

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KEY TERMS AND DEFINITIONS

Analytic Hierarchy Process (AHP): A method for multi-criteria decision support and a technique for decision-making that is widely applied for assessing typically multiple conflicting criteria and determining the performance of each alternative.

Corporate Entrepreneurship: A corporate process that aims to increase innovation and performance of an established organisation through various ways and techniques such as: renewing strategies, increasing the competitiveness; finding new raw materials, improving the processes, exploring a new market, starting-up a spin-off, etc.

Internet of Things (IoT): A technological paradigm that aims to grow our knowledge from our business environments, by gathering and computing data through heterogeneous and unique embedded devices on various networks.

IoT-Business Ecosystem: An advanced cross-industry interactions, exchanges, and networks among all the actors of IoT value chain consist of suppliers, producers, and competitors.

SME Entrepreneurship: SME entrepreneurship is known as a kind of entrepreneurship that is frequently discussed as the act of starting a new business. All entrepreneurial start-ups to some extent have developed under uncertainty and some other limitations.

Social Entrepreneurship: A kind of entrepreneurship that concentrates on solving social problems and generating economic values simultaneously.

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Chapter 16
Innovation, Sustainability, and Organizational Change in a Social Portuguese Organization:
A Strategic Management Perspective

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ABSTRACT

Social economy has been a prominent topic among scholars, politicians, and practitioners. Social economy organizations are mission-driven with the purpose of creating social value, overcoming a social problem, and contributing to attain sustainable social development. In this chapter, a particular weakness underlying those organizations is addressed: lack of managerial skills and the importance of a well-structured process of strategic management and organizational innovation. Based on the analysis of a Portuguese case study, the goal is to increase the knowledge on the facilitating factors and barriers to the improvement of the quality of service and the efficiency of the management of a social economy organization, in order to understand how it creates and delivers social value and ensures its future sustainability. The findings highlight a number of best practices in the design of a structured innovation process which were supported by the Portuguese program Q3-qualifying the third sector, which may help similar organizations to improve their innovation and organizational processes.

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INTRODUCTION

The concept of social economy has been a highly prominent topic among scholars, politicians and practitioners (Spear, 2013). However, there is no widely agreed definition of that concept (Noya & Clarence, 2007). As a working definition, social economy is understood in this chapter as integrating the set of activities with social and economic expression, managed by non-profit entities and aimed at satisfying needs not met by market mechanisms (Borzaga & Tortia, 2007). Within this context, organizations belonging to the social economy are mission driven organizations with a social purpose, since they try to meet a social need or tackle a social problem (Millar & Hall, 2013). Social economy organizations do not belong either to the public or the private sectors, they develop their activities within the economy as a whole, forming a third sector, whose role is to provide services that address social needs that are not served by the state or the market. Social economy organizations are characterized by democratic and participative decision-making processes, and profits are employed to expand the organization and improve its services to its members and to society (Bastida, Marimon & Tanganelli, 2017). In this way, they differ from the organizations of the business (or market) sector, which are profit-maximization oriented. Social economy organizations have grown in number and relevance, contributing to employment, social inclusion, democratic participation and community building (Noya & Clarence, 2007) and they have focused, particularly, on improving social cohesion, on achieving sustainable development, on protecting the environment and consumers, and enhancing/complementing social security policies (Monzon & Chaves, 2008). Examples of social economy organizations are (Pérez & Perdomo, 2017): cooperatives; mutual associations; foundations; philanthropies; social enterprises; holy house of mercy; and private social solidarity institutions.

The importance of the social economy in the overall economic context of a country is increasingly recognized (Bastida, Marimon & Tanganelli, 2017). For example, the European Commission highlights that a "significant proportion of Europe's economy is intended to make profits for people other than investors or owners." (European Commission, https://ec.europa.eu/growth/sectors/social-economy_en). In Europe, there are 2 million social economy organizations, contributing to about 10% of the output of the European business sector, with a share of about 6% in total employment (about 11 million people), revealing an industry that will be called to give a greater contribution to the current problems of unemployment and social cohesion due to the social and economic transformation under way. In the particular case of Portugal, this sector has a dimension as large as or more important than other traditional sectors of the economy, not only for the universe of 55,000 organizations that constitute it, for the 227,000 people it employs, but also for being responsible for 5.5% of national paid employment and 2.8% of gross value added (Decree-Law no. 172-A / 2014).

The main sources of funding for social economy organizations are (Dragan & Popa, 2017): public funds; private sources; revenues from the sale of goods and services and user contributions. However, it should be noted that, especially, for those organizations that are primarily aimed at responding more directly to the satisfaction of social needs, public funding is the major source of funds (López-Arceiz, Bellostas & Rivera-Torres, 2017). It is, however, imperative that these organizations move towards ensuring the conditions for greater financial autonomy.

In spite of the growing importance of the social economy, research on the phenomena of the Social Economy still lacks in many respects, concerning, for example, its role in the development of local, regional and national competitiveness (López-Arceiz, Bellostas & Rivera-Torres, 2017). There is a lack of

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methodologies, tools and indicators appropriate to the social economy, which allow the reconciliation of the satisfaction of basic needs with the optimization of economic and social value (Granados, Mohamed & Hlupic, 2017). This could be caused by the complexity and diversity of the organizations, on one hand, which is a barrier to their comparability, and on the other hand, to their late and recent recognition on the production/provision of public services. Changes on public policies, the economic and financial crisis, the spread of unemployment and poverty, brings to the light the importance of these organizations (López-Arceiz, Bellostas & Rivera-Torres, 2017), which are ceasing to be residual in economic terms, and are becoming, alongside the State and the Market, a mainstay of the economy (Veltmeyer, 2017).

In this chapter, we focus on a particular weakness found in several social economy organizations (Cardoso, Meireles & Peralta, 2012): lack of entrepreneurial skills and the fact that social organizations managers and/or starting social entrepreneurs must be aware of the importance of a well-structured process of strategic management and innovation, in order to understand how the organization creates and delivers social value. This is an important research topic since it is in the social economy organizations that the greatest capacity to respond to new social and societal challenges can be found (Chaves & Sajardo-Moreno, 2004), by innovating, advancing, and pooling resources and wills, particularly in areas where addressing increasing inequalities, social exclusion and poverty require solidarity solutions and mobilization of the community (Kerlin, 2006).

The aim of this chapter is to contribute to the empirical literature on the organizational sustainability of social economy organizations, based on the analysis of a Portuguese case study. Specifically, in this case study we look at the process of organizational change and innovation in a non-profit institution (the Luis Bernardo de Almeida Foundation, LBAF). Departing from a review of concepts related to social economy and to strategic management and innovation in social mission organizations, an analytic framework to be used in the analysis and interpretation of the case study was designed.

The remainder of the chapter is organized as follows. Next section comprises a brief description of the conceptual framework supporting the study undertaken, where the concepts of social economy and social economy organizations are presented, a brief explanation of the Portuguese social economy sector is provided, and the resource-based perspective is described. Section 3 presents the research methodology undertaken in this study – the case study approach. Section 4 presents the case study, describing the profile of the social economy organization analyzed. Section 5 describes the process of organizational change followed by this organization, emphasizing the main findings. Section 6 discusses the main findings. Finally, section 7 draws the main conclusions of the chapter and presents avenues for future work.

CONCEPTUAL FRAMEWORK

Social Economy and Social Economy Organizations

Usually, the term social economy is understood as a broad concept (Araújo, Rodrigues, Telles, Vaz & Bittencourt, 2017). As underlined by Noya and Clarence (2007), several terms can be found in the literature to name the same phenomenon "without any strong delineation of the distinctions" (p. 10). Some examples of those terms are: social economy, solidarity economy, third sector, non-profit sector, and third system. The reason for this maybe be the fact that authors are trying "to capture both the social element as well as the economic element, inherent in those organizations which inhabit the space

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between the market and the state" (Noya & Clarence, 2007, p. 10) and the fact that the concept of social economy has evolved in a way that reflected "the historical dimensions and developments of a range of different organizational types which have come to be identified with it" (Noya & Clarence, 2007, p. 10)[1].

Social economy is at the center-stage of the European Union action regarding active social policies (Fekete, Hubai, Kiss & Mihály, 2017) addressed to overcome problems of poverty and social exclusion of persons in a vulnerable position, and as a way to achieve the Sustainable Development Goals, contributing for a sustainable and inclusive growth (Moore, 2015). The social economy symbolizes the driving force to achieve a more stable and decent process of job creation, social cohesion, local sustainable development and social innovation (Laurentiis, Klaer & Martignetti, 2017). In fact, the social economy can be understood as an agency of social transformation, a space for social cooperation and grassroots solidarity action within a broader macroeconomic system, allowing the creation of spaces within the system for poverty reduction based on local sustainable self-development, the social capital of the poor and the empowerment and agency of the poor (Veltmeyer, 2017). Thus, as emphasized by Salustri and Vigano (2017), the social economy can constitute a powerful driver of territorial cohesion and community development, since it can be seen as the missing link between the market economy and local development, and, many times, it is backed by participative social movements. In this sense, the broader societal anchorage of the social economy can easily serve as a way to raise awareness of social change needs (Hudon & Huybrechts, 2017).

The core element of the social economy are social economy organizations, which have been growing in number and relevance whether in developed countries or in emerging or transition countries, and their relevance for balanced social and economic development is now widely recognized (Borzaga & Tortia, 2007). Those organizations put the pursuit of social aims at the heart of their economic activity, therefore embracing a holistic approach to social change (Hudon & Huybrechts, 2017), with an aspiration to transform social relationships based on self-help, mutual support and social solidarity (Vézina, Malo & Selma, 2017), and having a multi-bottom line (with both social and economic goals) and a multi-stakeholder dimension with a focus on finding sustainable solutions and empowering stakeholders (Granados, Mohamed & Hlupic, 2017). Underlying social economy organizations action (or practice) is the adoption of a bottom-up approach to solve societal challenges, because they often experiment with grassroots innovations responding to local social problems, and taking into account the needs and expectations of local communities (Hudon & Huybrechts, 2017). In fact, social economy organizations are able to compensate the lack of private and public provision of social services and to narrow spatial inequalities by fostering the connection between market and non-market economic activities and by exerting a productive and distributive function (Salustri & Vigano, 2017).

In the context of what can be called the social economy, a great diversity of organizations can be included in that sector of an economy. Taking into account that diversity and different schools of thought, Young, Searing and Brewer (2016) proposed the idea of a "Social Enterprise Zoo" to analyze the conceptual developments and practical experiences of this type of organizations. As stated by those authors "the zoo serves as a metaphor to signal that designation of social enterprise is an intentional construct, reflecting the limits within which we are willing to call something a social enterprise versus a conventional business, nonprofit, cooperative, association, or governmental entity" (p. 10) and "is particularly well suited for appreciating the complexity and diversity of social enterprise and the likelihood that no one simple model will suffice to understand social enterprise as a phenomenon or to advance it as a social strategy" (p. 10).

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According to Dragan and Popa (2017), from a legal and institutional point of view, social economy organizations can be grouped in three categories of organizations: non-governmental organizations (associations and foundations, the non-market sub-sector of the social economy), cooperatives and mutual societies (the market or business sub-sector of the social economy). In this context, there are some common characteristics that allow one to classify an organizations as belonging to the social economy, as for example: independence of action, self-government and autonomy from government authorities; freedom of involvement, implying voluntary and open membership; democratic control by members; the person and the social objective taking precedence over capital, reconciling the interests of the members and the general interest; provision of services aimed at members and communities; and the protection and enforcement of the principles of solidarity and responsibility.

In a nutshell, the main motivation of social economy organizations is to overcome deficiencies of social policy and their ability to recognize both long-standing and new social needs (Laurentiis, Klaer & Martignetti, 2017), and to address them through original solutions emerging from new collaborations established among and within a variety of sectors (private sector, public sector or third sector) and scales (international, national, regional or local levels). As emphasized by Terziev (2017, p. 12), there are two main characteristics through which social economy organizations demonstrate their potential: "First, they act locally networked with multiple stakeholders and knowing well the local problems and they can offer solutions proven to work in a place like reach those groups at risk of poverty or social exclusion to which active social policies reach very rarely in comparison to purely passive assistance. Second, social economy organizations have the potential to mobilize and activate people that are themselves at risk of poverty and social exclusion and thus enable them to engage in improving their living situation".

A Brief Description of the Portuguese Social Economy Sector

According to CASES (2010), the term social economy is ambiguous because it accommodates a wide range of concepts, such as the "third sector", "non-profit sector", "social economy", and "alternative economy", among others. It is very difficult to establish a single concept and define the frontiers of social economy. As emphasized by Parente, Marcos, Costa and Amador (2013), the themes of social economy and social economy organizations in Portugal raise in the discourse a series of concepts that are more or less associated with them, which are influenced by theoretical and ideological points of view. The Portuguese national statistics office (INE) and the non-profit institution CASES (Antonio Sergio Cooperative for Social Economy) use the definition proposed by CIRIEC (2012) on the pilot project Satellite Account of Social Economy for Portugal (SASE)-2010:

Set of private firms, formally organized, with autonomy of decision and freedom of membership, created to meet the needs of its members through the market, producing goods and services, ensuring financing, where the process of decision making and benefit or surpluses sharing is not directly linked to capital or contributions of each member, but corresponding to each member one vote. The Social Economy includes also private entities formally organized, with autonomy of decision and freedom of membership that produce non-market services for households and whose surpluses, if any, may not be appropriated by the economic agents that create, control or finance them.

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In Europe, social economy activities contribute to about 10% of the output of the European business sector, with a share of about 6% in total employment (about 11 million people), revealing an industry that will be called to give a greater contribution to the current problems of unemployment and social cohesion due to the social and economic transformation under way (Dragan & Popa, 2017). According to the CIRIEC (2016) report, in spite of this important role of the social economy in Europe, its impact and weight differs among EU countries. As stated in that report, "while employment in the social economy accounts for between 9% and 10% of the working population in countries such as Belgium, Italy, Luxembourg, France and the Netherlands, in the new EU Member States such as Slovenia, Romania, Malta, Lithuania, Croatia, Cyprus and Slovakia the social economy remains a smaller, emergent sector, employing under 2% of the working population" (CIRIEC, 2016, p. 67). However, it can also be seen that regarding the evolution of paid employment in the social economy, Austria, Croatia, Cyprus, Hungary, Luxembourg, Malta and Slovenia have an important increase in this values whereas countries such as Bulgaria, Denmark, Lithuania, Poland and Sweden experienced a sharp decrease in paid employment. In terms of the types of organizations of the social economy, according to the same report, "measured in terms of employment, associations, foundations and other similar forms remain the main social economy 'family', comprising most of the social entities / enterprises and about 66% of the employment in this social sector" (CIRIEC, 2016, p. 67). As would be expected, social economy organizations (e.g. cooperatives, mutual societies, associations, foundations and similar entities) are in higher number on those countries with a larger population, such as United Kingdom (about 876,941 entities), Italy (350,356), France (195,584), Spain (189,538), and Germany (113,963), and are less numerous on those countries with less population (e.g. Malta, 749; Luxembourg, 845; Cyprus, 5,196; Denmark, 13,766; or Latvia, 19,611) (CIRIEC, 2016). However, if the indicator social economy organization's density (meaning that one organization covers a given number of inhabitants) is taken into account the ordering of countries changes. Countries like Germany, Belgium, Luxembourg, Malta, Denmark, Romania, Poland, France and Austria show a higher density (ranging from 725 to 306) whereas Hungary, Sweden, Lithuania, Slovakia, Latvia, Croatia, Czech Republic, United Kingdom, and Finland show a much lower density (ranging from 151 to 38).

Regarding the Portuguese case, and following the zoo metaphor of Young et al. (2016), the panorama concerning social economy organizations is not much different from what has happened in other countries. In fact, an increasing complexity and diversity of the social economy organizations should be recognized because the ways in which these organizations can potentially address societal problems and needs are manifold. Those social economy organizations can be differentiated by their legal nature, by the way they are internally organized, by their primary area of intervention (e.g. social service, health, education, culture), by how social organizations interrelate and behave, among others. In Portugal, this sector, according to INE and Cases (2013), comprises Cooperatives (2,260 units); the Mutual Societies (119 units); a network of charities known as Santa Casa da Misericórdia (Holy House of Mercy) (381 units); Foundations (537 units) and Associations and other organizations in the Social Economy (52,086 units), involving 55.383 organizations, with a share of 5.5% of the total paid employment, representing a proportion of 2.8% of the gross value added.

According to Soares et al (2012) two thirds of the expenses of these organizations are related to the cost of goods sold and materials consumed (including the cost of food), staff costs, services and utilities costs. On the other hand, they indicate on their budget a great proportion of State contribution. The Social Economy Sector is facing a huge set of challenges and weaknesses, which include, among others,

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the following: (1) the high dependence on financial support from the state; (2) the requirement to fulfill a set of criteria and rules imposed by the State, in order to maintain public support, particularly in terms of professionalism, quality and accreditation; (3) sustainability in a context of economic crisis, with a probable reduction in support and growth of social problems; (4) the need to reinvent their business models in order to avoid chronic shortages; (5) professionalization of top management; (6) economies of scale; (7) the qualifications of employees; (8) leadership; (9) equipment and facilities; (10) ICT integration; (11) demographic change; (12) asymmetries in population distribution.

To face these challenges and weaknesses it is imperative to improve the quality of the services and the effectiveness of management, thus contributing to competitiveness and sustainability. The following areas are particularly important: (1) forms of organization and management; (2 value chain of services; (3) integration of ICT; (4) improvement of procedures for quality certification; (5) development of internal skills: training and development for leaders and training for employees; (6) models of inter-institutional cooperation.

Parente (2016) undertook a study attempting to operationalize the notion of social entrepreneurship within the context of social economy organizations in Portugal, and concluded that these organizations show a fragile form of social entrepreneurship, reflected on state dependency both in terms of models of financial management and the definition and regulation of activities, recipients and social intervention. Also, Pais and Parente (2015) focused on the issue of how work-teams are represented and work in social economy organizations. Resorting to a case study methodology, they concluded that no significant differences between the way teams work in these organizations and in profit-making organizations were found.

Social economy organizations need to rethink their operating logic, without, however, neglecting the purposes for which they were established, so it seems particularly relevant the establishment of structured practices on strategic management and innovation. These weaknesses can be addressed through a program to support the development and qualification of individuals and organizations, integrating actions of training and consultancy.

Thus, one can argue that these organizations can apply principles, methodologies and practices of strategic and innovation management that for-profit organizations also regularly apply. The use of these principles and practices is not incompatible with their not-for-profit nature and, on the contrary, can provide a basis on which their activities and their purposes can be pursued and achieved on a more consistent, sustainable and effective way. In the following paragraphs elaborations are made on the concepts of strategy and innovation management and their articulation with the activities and purposes of social economy organizations. Specifically, the arguments are based on a resource-based perspective of the organization, where specific competencies provide the means by which organizations can leverage their resources and fulfil their purposes.

Strategic Management and the Resource-Based Perspective

To Rumelt, Schendel and Teece (1994, 1991) strategic management (also called "policy" or "strategy") is related to the course of an organization, including the issues that are at the heart of top management preoccupations and those who are associated with the reasons why a business succeeds or fails. Hitt, Ireland and Hoskinsson (2011) state that "the strategic management process is the full set of commitments, decisions, and actions required for a firm to achieve strategic competitiveness and earn above-average returns", or in other words, it is the successful formulation and implementation of a strategy

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that creates value. These statements are perfectly applicable to social economy organizations, if terms such as "competitiveness" are replaced by "effectiveness", and terms such as "returns" or "value" are understood in the context of non-profit objectives.

The basic elements constituting the cycle of strategic management are the analysis of the environment, the formulation and implementation of strategy, assessment and monitoring. The analysis of the environment includes analysis of: the general environment, the industry/sector, competition, organizational structure, organizational culture and the resources that the organization has at its disposal. The process of formulation of strategy is closely linked to the progress of long-term plans in order that an organization deals effectively with the opportunities and threats that it faces in its environment, in light of its strengths and weaknesses. Strategy formulation is then made by the mission, objectives, strategies, (comprehensive description of how the organization will achieve its mission and objectives) and policies (which are lines of action that will support decision making). Strategy Implementation is related to the execution/implementation of strategies through the explanation of programs (activities necessary for the completion of a plan), budgets (programs in financial terms) and procedures (sequential steps that describe in detail how to perform a specific task or function). Assessment and control are processes that allow the tracking of activities and results of the organization in order to be able to compare the actual to the desired performance, allowing the introduction of measures to mitigate the observed deviations.

Hrebiniak (2006) argued that there is a gap between strategy formulation and strategy implementation. A possible reason for that is the fact that managers are not trained to implement strategy as well as they are to plan and formulate strategic intentions (Barbosa & Romero, 2014). Another problem is related to the general conviction that strategy implementation plays a minor role in terms of the hierarchy of strategic actions, being more adequate for lower levels of management, forgetting that management commitment is essential to a successful implementation. The author also argues that the top six obstacles that managers face are: (1) inability to manage change; (2) poor or vague strategy; (3) not having guidelines or a model to guide implementation efforts; (4) poor or inadequate information sharing; (5) unclear responsibility and accountability; (6) working against the organizational power structure. The case study addressed in this article shows the importance of such items, and the role that competencies related to strategy formulation and implementation can play in the performance of the organization.

The gap between strategy formulation and strategy implementation can be analyzed through the lens of the resource-based view theory of the firm (Hadjimanolis, 2000), which, we argue, can be applicable to social economy organizations taking due account of their different motives, management preoccupations and priorities and objectives in terms of the services that are provided and to whom they are provided. In any case, whether it is a for profit firm or a nor for-profit organization, both types of organizations need to acquire, integrate, develop and deploy competencies and skills that are needed to the provision of goods and services to their customers or to the recipients of their services, in a way that it is effective and sustainable (Vézina, Malo, & Selma, 2017). The resource-based view theory of the firm tries to explain the source of sustained competitive advantage of a firm by asserting that such a sustained and competitive position is dependent on the acquisition and leverage by the organization of valuable, rare, inimitable and non-substitutable (VRIN) resources and capabilities (Kraaijenbrink, Spender and Groen, 2010). Among the many resources and capabilities that an organization can master, there are specific types that seem particularly important to achieve that aim, which are the so-called "dynamic capabilities". According to Teece (2007) "…dynamic capabilities can be disaggregated into the capacity (1) to sense and shape opportunities and threats, (2) to seize opportunities, and (3) to maintain competitiveness

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through enhancing, combining, protecting, and, when necessary, reconfiguring the business enterprise's intangible and tangible assets…" (Teece, 2007, pp. 1319).

These capabilities are intimately linked to the obstacles faced by managers and referred to above. Social economy organizations face particular challenges regarding these issues, due to a somewhat differential approach to the style and practice of management, which is not exclusively based on hierarchal systems, typical of for profit firms, but are instead based on a more cooperative and collaborative stance, where employee loyalty and common value sharing may condition the management approach of the organization (Sanzo-Perez, Álvarez-González, & Rey-Garcia, 2015).

Strategy and innovation are distinct concepts both in terms of definition and function, being innovation a source of competitive advantage which grows out of specific (dynamic) competencies that are developed inside the organization. In the context of non-profit organizations, the "competitive" advantage of the organization is translated into its capacity to deliver the goods and services in a sustainable and effective way, under certain identified resource restrictions. Thus, innovation and strategy are complementary and feed on each other (Dobni, 2010). According to the Oslo Manual (2005), which establishes the guidelines for the collection and interpretation of data on innovation, developed by the OECD: "An innovation is the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organizational method in business practices, workplace organization or external relations". Social economy organizations provide and develop essentially services, which have a set of characteristics that distinguish them from goods: (1) Intangibility; (2) Heterogeneity; (3) Simultaneity; and (4) Perishability. According to Dantas and Moreira (2011), and Booz, Allen and Hamilton, cited by Edvarsson et al (2000), innovation in services can be classified into categories that range from "Worldwide new services" to "Cost reductions". Social economy organizations output could also be eventually classified into those categories, although the purpose of this chapter is to look at the internal organizational innovation, and so at the innovations classified by the Oslo Manual (2005) as "process innovations", but also, and primordially, at innovations classified as "organizational innovations".

Organizational change is the process of converting an organization from its current state to a desired future state (O'Sullivan & Dooley, 2009). All innovation results in change, but not all change is innovation. The core techniques referred in the management literature for managing organizational change include: (a) Strategic planning: The changing areas are called objectives or strategies and are intended to guide the teams in the development of ideas or projects to achieve objectives; (b) Performance Evaluation: Assign measures or indicators to critical aspects of organizational performance; (c) Management of Creativity: Generating ideas or problem solving; (d) Project Management: Need to effectively manage multiple tasks and initiatives; (e) Knowledge management: How to effectively manage change for managing the information associated with the change.

All these techniques are potentially applicable within the environment of social economy organizations, with due adjustments that reflect their nature, their management ethos and practices, and their "costumers" (Rodriguez & Guzman, 2013). To define and implement a structured process of strategic management and innovation, it is important that the organization defines how it creates, delivers and gets value (business model). The business model is like a plan for a strategy to be implemented through organizational processes and systems structures. The application of this concept is new in the area of social economy (Picciotti, 2017). In the remainder of this chapter, through the presentation of a case study, it will be shown how these concepts and elements were applied in this area, namely how an organization acquired management competencies and dynamic capabilities related to strategy and innovation.

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RESEARCH METHOD

The research strategy used in this work was the case study. This methodology is used as a valid way of exploring existing theory and as an exploratory way to provide an integral vision and a general understanding of a phenomena (Yin, 2009). The research qualitatively describes and analyses the phenomena of organizational change operated on a Social Portuguese Organization. It was an intentional and thought out process that the organization implemented within a defined time period and in collaboration with an external consultancy organization. The case study is focused on this specific event that changed the whole organizational structure of the Foundation and, as such, it disregards intentionally other events and phenomena, for which information was collected, but that do not have meaningful implications on the specific phenomena of organizational change. The decision to include or exclude events from the description and the analysis of the case is based on the subjective perception of the researchers. The research process was made in two distinct phases. The first phase consisted of a literature review. The two main themes addressed in this review were strategic management and the social economy. Other subthemes addressed consisted of the resource-based view and social innovation. The main, but not exclusive, query on the literature review was the search for studies that integrated the main themes and subthemes on specific situations. The second phase consisted on the collection of data from the object of study. Secondary data was extracted from reports and other documents of the Foundation. Primary data was obtained from in-depth interviews conducted with eleven managers in Luiz Bernardo de Almeida Foundation. The fact that the primary data was obtained from several managers of the organization, which occupied different hierarchical positions and had different responsibilities, made it possible to compile a much more complete perspective of the change phenomena, than it was otherwise possible if the interviews were restricted to just one or a few top managers. This primary data constitutes the main empirical evidence on which the case is based. The integration of the different sources of the primary data into a coherent perspective, and using conceptual frameworks provided by the literature review, was made by the authors.

The methodology is not prone to generalizing the results, which is a characteristic of the case study strategy, and due to the specificity of the context, but it highlights a set of practices concerning the key factors for the establishment of an effective innovation and sustainability strategy for social economy organizations, based on established conceptual frameworks from the management literature.

CASE STUDY DESCRIPTION

The Luiz Bernardo de Almeida Foundation (hereafter LBAF) is located in the municipality of Vale de Cambra, district of Aveiro, Portugal, and was established in 1957 in order to fulfil the testamentary disposition of Commander (by honorable distinction) Luis Bernardo de Almeida. Its heritage consists on the assets of its founder and the other values acquired throughout its existence. The institution provides a diverse set of services aimed at the elderly and the children. The institution started functioning with a nursing home in 1972, and in 1985 implemented a Home Support Service, directed at the elderly. This service was one of the first to be created at the District level. The institution also manages a Day Centre, where the beneficiaries are also elderly people that are independent in terms of mobility. In 1999 an Office of Family and Community Support was created. In October 2004, a nursery school was built. The Family Support Service is directed at kindergarten level children.

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In fact, social economy organizations with their links to local communities and their ability to harness resources from those communities, play an important role on the provision of social services, particularly for those more vulnerable groups of the society (such as the elderly and the young), and in that way fostering social inclusion (Noya & Clearence, 2007). However, due to the increasing concern with long-term financial sustainability, social economy organizations (such is the case of LBAF) need to develop new organizational structures and adopt new business models to allow them to achieve both their social and economic goals and to ensure their future sustainability (Hudon & Huybrechts, 2017). Furthermore, for those social economy organizations that rely heavily on public funding (such is the case of LBAF) that dependence may become problematic if a decline in public support is experienced. In the last six years, the Portuguese state budget was faced with severe financial constraints which prevented public funding from growing at an appropriate rate to support organizations of the social economy. In this context, revenue diversification is crucial to ensure longer-term financial sustainability.

A broader forward-looking long-term perspective is needed if the socio-economic success of the social economy organizations is to be achieved. One possibility to explore is to call for a strategic management perspective and a focus on the adequate process of organizational change and innovation. As pointed out by Kinyuira (2017), social value creation and economic performance management should be seen as a strategic process capable of making wealth creation more effective and fair, implying the adoption of a systematic management and reporting framework integrating both social and economic dimensions. In the particular case of the LBAF organization some of the most important weakness found (as will be described and explained in more detail in the following section) were: slow level of organizational response compared to environmental changes; difficulties on inter-departmental communication; narrow vision of the organizational objectives; lack of unity of command and difficulty in determining the extent of the authority and competence of managers and inadequate control range. To overcome these problems and to the accomplishment of their social and economic mission, management ability and skills need to be improved, enabling the LBAF to adapt to the new environment in which it operates.

THE PROCESS OF ORGANIZATIONAL CHANGE

The Initiation of the Process

The process of organizational change begun when the board of LBAF took certain decisions that proved to be crucial for the survival of the institution. These decisions were followed by an application to the so-called Q3 Program (Qualifying the 3rd Sector), a national program that aims at developing skills and organizations of the 3rd sector, improving the quality of their services, the effectiveness of management and contributing to their competitiveness and sustainability through participated and sustained processes of consultancy and training. The aim of the board was to ensure the sustainability of LBAF, and the improvement of the quality of services. There was a strong belief that the organization had a poor organizational performance, which was translated into weak economic and financial results and on poor service provision, so it would be extremely important to know the causes of this poor performance in order to mitigate or even eliminate them.

Besides providing financial support, the Q3 Program would provide access to an integrated, impartial and experienced vision by an external and recognized entity, that would identify the main problems that the institution was facing and provide a framework to manage the actions to mitigate or extinguish those

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problematic situations, through actions of training and consulting made to fit the organization profile, its size, the problems identified and the defined objectives. The Q3 Program involves a strong partnership between some important organizations in Portugal: AEP (Chamber of Commerce and Industry), Fenacerci (National Association of Social Solidarity Cooperatives), Minha Terra Federation (Portuguese Federation of Local Development Associations), CPCCRD (Portuguese Confederation of Culture, Recreation and Sport communities), UTAD (University of Trás-os-Montes and Alto Douro), among others. The intervention follows a model, which involves several phases: recruitment and selection, conducting a diagnosis, preparation of a development plan, implementation measures, review plan and recommendations. All activities are evaluated externally and internally validated, and all actors (consultants and trainers) have certified skills in order to act in accordance with the procedures to ensure the quality and effectiveness of the intervention. The intervention on the organization had a duration of about one year and followed the steps described below.

In analytic terms, and under the resource-based perspective, this phase corresponds to the efforts of organizations in sensing and trying to learn, acquire and integrate the required resources and capabilities that would benefit the organization. The following phases, described in the following sections, corresponds to the efforts of integration and leverage of resources and new capabilities, which involved the reconfiguration of tangible and intangible assets of the organization.

Organizational Diagnosis

This phase began with the signing of the Development Contract - the document which defines the commitments between the organization and the organization that manages the intervention in order to promote the desired organizational development of the beneficiary of the intervention.

The organizational diagnosis is essential because at this stage all the problems are identified and the goals that are the target of the intervention are defined. It is, therefore, necessary to resort to the holders of the knowledge of the organizational reality, elements that experience the daily life of the organization and make the exploration of problematic situations. The idea is to maximize the participation of the whole organization in gathering problems, where the consultant only assumes the role of a listener/agent/moderator.

In the realization of the organizational diagnosis, the main reference activities that sustain it are: (1) Listening to people; (2) Documentation review, (3) Sectoral framework and context; (4) Problem tree; (5) Current Situation/Desired Situation; (6) Objectives Tree.

In addition to listening to people, there are also, at this stage, activities that promote their participation in all stages of the process: (1) Meetings with Top Management; (2) Meetings/contacts with an internal facilitator; (3) General Sessions held for the entire organization. On the analysis of the tree problem, a key tool of the diagnosis, it was found that the general problem of LBAF was a poor organizational performance. Seven intermediate problems were identified as causes of this general problem: poor organizational structure; poor planning of activities; poor management practices in human resources; scarcity of financial resources; poor implementation of quality and a lack of employee skills, having been detected 85 terminal problems as causes of these intermediate problems.

To analyze the organizational structure, five basic components of it were considered (Mintzberg, 1999), where some terminals problems of LBAF were fit:

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- **Strategic Level:** The strategic level comprises the organizational decision makers, here materialized in the board function. The problems identified relating to this component were, among others: poor strategic management and reduced operational presence of the board.
- **The Techno-Structure:** Comprising the rules and procedures for managing the behaviors of employees. In this component were identified, among others, issues of horizontal and vertical differentiation, which were manifested in a poor communication between hierarchical levels and lack of team spirit; problems of formalization as a poor definition of roles and tasks and also problems located at the level of centralization, such as an excessive number of tasks and responsibilities centralized in the Technical Director.
- **The Support Staff:** Includes employees that are not directly involved in producing goods or services. However, they have the responsibility to support the primary activities, such as, for example, cleaning and feeding. In this field, several problems were detected, including deficient HACCP (a quality norm related to food processing) and cleaning practices.
- **Intermediate Level:** Includes managers who make the connection between the strategic level and the operational level. The services and technical direction, as well as the sector supervisors, are included in this level. In this component, problems such as poor management of teams (inadequate control range), lack of sectoral meetings, lack of performance evaluation, and a poor distribution of tasks were identified.
- **Operational Level:** Includes all employees of the institution running the production of goods or services. Here problems were also detected, among others, difficulties in interpersonal relationship, resistance to change and lack of a training plan.

Although the weaknesses of each component of the structure were identified above, the weak points in this structure, in general terms, were due to a slow level of organizational response compared to environmental changes, to inter-departmental communication difficulties, to a restricted vision of the organizational objectives, to a lack of unity of command, to a difficulty in determining the extent of the authority and competence of managers and to inadequate control range.

The Process of Implementation

The Development Plan

In this section the development plan established to bring change to the organizational structure is presented, showing the main results of the actions made. A summary of the evaluation of these actions is made in the next section.

On this phase, it was crucial to develop two enabling dimensions: (1) an active participation of all members of the organization in order to promote an open debate, generating and sharing ideas to jointly achieve the targeted objectives and (2) an approach based on management by objectives (MBO) in order to establish appropriate objectively verifiable indicators, using the SMART (Specific, Measurable, Assignable, Realistic and Time-related) philosophy to monitor and evaluate the implementation and to decrease the resistance to change.

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The Development Plan establishes the training actions which allows the transition from the current situation to the desired situation. The plan is based on the following tools: (1) Actions tableau; (2) Actions tableau by activities; (3) Project Planning by Objectives Matrix; (4) Implementation Schedule. In the development plan we look for appropriate and feasible solutions to solve the problems of the current situation and achieve the goals of the desired situation. The technical expertise of the consulting team and of the elements of the organization was instrumental, seeking to expand the use of the knowledge hold by these elements, and using creativity to find the most appropriate, diversified and financially encompassed solutions.

Under the Q3, all the predicted actions are of a training nature, and may fit into the following types:

- **Employees Qualification:** Within this typology the following training activities directly related to the problems of organizational structure identified above were established: (1) Operations Management; (2) Interpersonal and conflict management; (3) Quality Management - Food Area and (4) Customer Service.
- **Implementation of Improvement Projects:** Within this typology, the following training activities aimed at solving problems related to organizational structure were established: (1) Strategic Management Practices; (2) Quality Management System; (3) Cooking Techniques; (4) Geriatrics; (5) Team management and (6) Human Resources Management.
- **Thematic Workshops**.

The development plan was pre-validated by the management and was discussed with everyone in the organization before the final version, benefiting, therefore, of the participation of all in the definition/specification of the actions to implement. The presented development plan solely corresponded to the set of eligible actions under the Q3 Program, although the board itself draw up a set of own actions in order to simultaneously eliminate or mitigate problem situations not eligible by the Q3 Program.

Implementation Schedule

The capacity to monitor and control the development plan was essential to the success of the implementation. There were some mandatory mechanisms and requirements which were necessary to achieve that: (1) an external team of consultants that provided a detached and an independent view of the work; (2) a high degree of commitment and skills of the liaison consultant in charge of the process, namely his capacity to monitor and control the process and his capacity to articulate the functioning of a team, in particular regarding the specialists consultants in charge of the implementation of the specific measures and actions, through a clear and fluid communication channel; (3) knowledge of the development plan and active participation of the members of the organization in its execution which established a commitment of the entire organization with the external team in order to achieve the goals without deviations from the original plan.

A timeline was stipulated for the implementation of training activities leading to the resolution of identified problems, which had a duration of five months. The entire project had a one-year duration, and it was composed of approximately one hundred hours of consultancy and two hundred and forty hours of training activities.

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In the initial diagnosis eighty-five terminal problems were detected that resulted in eighty-five goals. Thirty of these were not achievable by conducting training activities, so the eligible objectives supported by Q3 funds were fifty-five. These resulted in twenty-three results to be achieved. In addition to the actions recommended in the Q3 Program, eight actions were established in conjunction with the board of the organization, in order to achieve the objectives not covered by the Q3 Program. An activity tableau of ten actions/activities was prepared, but it was possible to perform one more action in addition to the initial proposal (Management Control).

Results of the Actions

Results Achieved

All twenty-three expected results were achieved. In addition to these, the intervention allowed for several changes, which affected several areas of management and operation of the organization, particularly with regard to its organizational structure. From the results achieved, it is particularly important to stress those that are most directly related to the organizational structure. A new organizational structure was defined whose main goal was to move from a mechanistic bureaucratic structure to a horizontal structure. The main motives which motivated the development of this type of structure were related to greater customer proximity based on speed, efficiency and quality of services, a greater flattening of the organizational structure, the search for competitive advantage in a turbulent external environment, the creation of real teams and the facilitation of collaboration, a greater emphasis on operational processes as a creator of value, a delegation of work to the lowest level.

In order that the implementation of the new organizational chart was successful, the chart was redesigned, adding activities and services actually rendered by the organization and which were not reflected in the older chart, having as a direct result the ability to clearly define the roles, tasks and responsibilities of each member in the organization.

It was also implemented a methodology for evaluating the individual and team performance and development, identifying the training needs of each element in order to maximize their performance at the individual level or at the level of working groups. In order to simplify procedures and minimize the resistance of employees in its implementation, two training actions were undertaken in quality management systems, and the organization decided to move forward in the implementation of the ISO 9001: 2008 standard in its five dimensions.

A final observation is due related to the conduction of training activities directed to all managers, in order to develop skills in implementing effective leadership, and two training activities designed to improve the skills of employees in teamwork and conflict resolution.

Summary of Actions Assessment

In order to know if the problems were solved and what improvements the organization experienced, the opinion of the organization leaders and the facilitator were sought considering the Actions or Activities implemented and the most important results, either in the immediate or short term. There was a strong commitment in the implementation of the Actions and in achieving the expected results, which led to a successful result. All the implemented measures were considered very important by the leaders and the

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facilitator. The measures that were believed to have a greater impact in the organization, and that fitted the problems related to the Organizational Structure of LBAF identified above, were the following:

- Quality Management System.
- Quality Management-Food Area.
- Strategic Management Practices.
- Human Resources Management.

Regarding the results achieved which had the greater impact, they were those derived inherently from the above actions:

- Implementation of Quality Management System in Social Responses.
- Implementation of HACCP System.
- Strategic objectives definition.
- Organizational Structure Restructuring materialized in the design of a new organizational chart, with a consequent redefinition of roles, tasks and responsibilities.

In general terms, it can be said that the following constituted good practices in the implementation of the organizational process of change:

- The involvement of Top Management.
- The involvement of the operational teams.
- The existence of a structured, tested and friendly methodology.
- Independence, experience, openness and involvement of the external consultant.
- Tailor made to the problems of the organization.

DISCUSSION OF FINDINGS

Social economy organizations are being promoted as a responsive and innovative way for the provision of public services (Millar & Hall, 2013), based on the idea that such social organizations have the potential to deliver greater responsiveness, efficiency and cost effectiveness. But at the same time, those organizations are increasingly requested to demonstrate the social and economic value they create. In this context, such organizations need to have (or implement) formal standards and administrative procedures that allow to measure their performance. However, it is often argued that emphasis on outcomes and evidence-based performance misses out important features of the social economy organizations functioning (Millar & Hall, 2013).

From the findings presented in the previous section, one can have an idea of the perception of the Board of LBAF about the strengths and weaknesses of the Q3 model intervention, and the results of the external evaluation, conducted by UTAD (University of Trás-os-Montes), regarding the implementation of the program. The board of LBAF recognized that the positive aspects or strengths far outweigh some of the negative aspects or existing weaknesses. The managers interviewed even had some difficulty in identifying negative aspects or weaknesses of the intervention. The concentration of the implementation of the various steps/activities within a relatively short period of time, five to six months, was the weak

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point mentioned by the interviewees. This resulted, for example, in the reduction of the availability of time by managers and employees in the implementation of the actions, which in some periods was very demanding. In general, the strengths of the intervention were highly valued by the leaders of the organization.

The Q3 project increased motivation and the degree of participation of the people in the organization; it identified in a clear way the existing needs; it improved internal operations (e.g., by redefining organizational structure, new processes and services); it forced members of the organization to look inward and to look for solutions; it allowed new learning through training focused on very specific needs; it allowed to have an enlarged, both external and internal, vision. Essentially, the project's strong point was the creation of favorable conditions for change in the organization which, as mentioned above, involved large parts and several dimensions of the organization, and which is a fundamental dynamic capability that fosters innovation and sustainability of the organization.

The methodology of participatory action training, implemented by external elements with facilitation skills and processes in the field of management, as well as sensitivity and experience in the context of non-profit organizations, is an efficient and effective tool for organizational change, adaptable to various circumstances. However, their success depends largely on its appropriation by the organizations, through the commitment and participation of managers, technicians and employees. In addition, the state of necessity and awareness of the urgency of change in organizations is also a factor of great importance (Baptista, 2011).

The final evaluation report of the implementation of the Q3 Program, conducted by UTAD in partnership with CETRAD praised the implementation of the Q3 program in LBAF, considering it an example of best practice in implementing change that crossed several fields of management and operation of the organization. It highlighted the participation of the leaders, including the Board, its commitment and permanent participation (it followed daily activities, being present in the training sessions), the degree of employee involvement, which was marked by adherence to the process and the interest and potential that they saw on it. These results corroborate the idea of Granados, Mohamed and Hlupic (2017) that social economy organizations may rely on external sources of knowledge to support their operations and strategies. This knowledge transfer is essential to accurately tackle and assess their social impact. Furthermore, Bastida, Marimon and Tanganelli (2017) stressed that alliances with other stakeholders are important for social economy organizations, because they are mainly of relatively small and medium size and need to collaborate to improve their access to resources and knowledge, so that they can improve their performance and enhance their creation of social and economic value.

This case study showed how the process of change in a social economy organization was sustained by an approach based on the acquisition of competencies related to strategy formulation and implementation, and to practices of innovation management, leading to the development and consolidation of dynamic capabilities, which, according to the resource-based view of the organization, are important factors that provide competiveness and sustainability to organizations, and in particular, to social economy organizations, that can benefit from this management perspectives to improve their service providing potential. Dynamic capabilities that were acquired during this process included capabilities related to developing and integrating learning processes, capabilities to strategically manage processes and procedures and capabilities related to establishing and maintaining a network of external relations. Resources developed by these processes included the new organizational layouts, the improved processes for interdepartmental communication and the revised roles for managers and employees, among many others. The acquisition of competencies was made possible through the financial support of a government program and by the

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intervention of a set of external actors that acted as vehicles of knowledge transfer. As stated above, it is difficult to generalize the perceptions of this case study, but it seems that some factors may be very important points to have in consideration: a structured approach to strategy formulation and implementation, a systematic consideration of innovation practices, an interface between external knowledge providers and the organization to enable effective knowledge transfer ad a capacity and willingness to acquire and absorb knowledge.

Social economy organizations play an extremely important role not only in attaining economic growth but also achieving sustainable social development (Juliani, Silva, Cunha & Benneworth, 2017). Taking into account that those organizations cannot grow or develop without a forward-looking long-term perspective, adequate processes of strategic management and of organizational change assume a preponderant role also in these organizations of the social economy. Some of these organizations succeed, while others fail, so the strategy adopted by their top decision-makers is important (e.g. in terms of social value creation, meeting the needs of their target public/community, and the motivation of their employees). The definition of this strategy is based on the identification of the actions that the managers intend to put into practice, in order to achieve a higher level of performance and a competitive advantage.

A difficulty that social economy organizations face is related to the fact that their main source of revenue is, essentially, government funding (López-Arceiz, Bellostas & Rivera-Torres, 2017). Given the financial constraints on which the Portuguese economy, in general, and the public administration, in particular, went through in recent years, these state-sponsored support is becoming increasingly scarce, causing an important negative impact on those organizations. Confronted with this situation, the challenge that social economy organizations face is to find other sources of revenue and forms of funding, in order to ensure their future sustainability. In this context, it is understood that the implementation of a strategic action that takes into account an adequate process of organizational change coupled with a clear focus on social entrepreneurship initiatives is essential to contribute to the creation of social value while ensuring its economic-financial viability. However, as pointed out by Noya and Clarence (2007, p. 20), it is necessary to recognize that "there is no simple solution to how social economy organizations can achieve financial sustainability, although it is evident that social economy organizations need the opportunity to exploit the full range of potential resources". In this context, sharing knowledge, experiences and good practices across social economy organizations might play an important role if these organizations intend to have a major impact upon the lives of individuals and communities.

The practice of social economy organizations points to a successful and sustainable experience due to the multiple interactions and social relations established with all the stakeholders. Thus, their impact is felt not only on the social and economic dimensions but also on the cultural and territorial ones. They contribute to community development, through job creation, increased income and poverty eradication, and to overcome problems of social exclusion, especially those affecting more vulnerable and disenfranchised groups of the society. As highlighted by Hudon and Huybrechts (2017), in the practice of social economy organizations, democracy, a participatory mode of governance and collective action are implemented to empower stakeholders that are not traditionally given a voice in the shaping of organizations, promoting social justice and social change and helping to increase the well-being and social capital of people as well as to respond to the emergence of new societal needs.

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CONCLUSION

Due to their characteristics, social economy organizations have been responsible for the existence of a different approach to socio-economic activity, which is to privilege people instead of capital. Until recently, the frontiers of the social economy were seen as a blurred concept between the market and the state (Defourny & Nyssens, 2013). However, nowadays social economy represents an important part of the economy and social economy organizations face significant challenges in terms of management ability and knowledge, resource allocation, social entrepreneurship, and social accountability (Besana, 2017), while, at the same time, they thrive through the effort of dedicated individuals and organizations committed to ethical entrepreneurship (Amin, 2009). Those organizations can be seen not only as organizations producing goods and/or services, but also as enablers of social connections and collaborative action, a fundamental aspect for the creation of social value and social capital. Actually, these kind of organizations are well-placed to address the grand challenges of the 21st century, namely ageing of population, high rates of unemployment, inequality in income distribution, and social exclusion problems, as well as, to foster active citizenship, solidarity, and democratic participation (Cunha, Benneworth & Oliveira, 2015).

The current empirical study offers a significant contribution to the literature on the use of the strategic management approach and the process of organizational change in the context of a social economy organization, providing an important contribution to assessment of the validity and appropriateness of those tools in that kind of organization. However, it should be bear in mind that the empirical study was focused on only one case study, within the specific context of a social care provision institution, and conducted at a particular point in time. Thus, one should be careful when trying to generalize the findings to other contexts. From the actions and/or activities implemented the following main results were achieved. Firstly, a new organizational structure was defined, whose main goal was to move from a mechanistic bureaucratic structure to a horizontal structure. Secondly, the organizational chart was redesigned, adding activities and services actually rendered by the organization and which were not reflected in the older chart, having as a direct result the ability to clearly define the roles, tasks and responsibilities of each member in the organization. Thirdly, a methodology for evaluating the individual and team performance and development was implemented, identifying the training needs of each element in order to maximize their performance at the individual level or at the level of working groups. Finally, it should be stressed that a strong commitment in the implementation of the actions and in achieving the expected results, which led to a successful result, was observed. As underlined by López-Arceiz, Bellostas and Rivera-Torres (2017), it is most likely that the success of social economy organizations is due to their capacity to seek new opportunities, diversify their activities, innovate, and develop new strategies and management models.

The social economy can be seen as an important incubator for the support of social innovation initiatives (Hubrich, Bund, Schmitz & Mildenberger, 2012). Social economy organizations might be a fruitful ground for social and organizational innovation contributing to solve social needs and to achieve social change (Juliani, Silva, Cunha & Benneworth, 2017), which means that start-ups and innovation in the social economy need to be encouraged. In fact, the development process of social economy organizations shares some characteristics with the social innovation process, namely in terms of being a localized, bottom-up process, with multiple actors, democratic governance, a social inclusion and cohesion perspective (Benneworth & Cunha, 2015), and with an objective of transforming the policy framework in order to advance new agendas (Vézina, Malo & Selma, 2017).

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KEY TERMS AND DEFINITIONS

Organizational Change: Occurs as a response to the drivers of change, leading organizations to implement new strategies and management models that can ensure success in the process of adaptation to the environment in which they operate.

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Organizational Innovation: Relates to changes in an organization's organizational methods and structures in order to gain a competitive advantage over its competitors. This type of innovation has a more intangible nature than product or process innovation.

Social Economy: Includes those organizations with their own management and positioned between the market and the state. Such organizations view the possibility of profit as a mere instrument rather than an end in itself, since they are more focused on accomplishing social goals. The main objective is to serve the population, always based on the private sphere of the society.

Social Economy Organization: An organization that delivers a service and is social mission oriented in order to create social value.

Social Entrepreneurship: A field of action involving different kinds of actors, in which sociocultural and historical contexts emerge as key features, where individuals, the social entrepreneurs, construct outcomes, using entrepreneurial alertness and motivation to solve societal problems.

Social Innovation: A true social innovation is systems-changing by developing novel solutions in border spanning learning communities to create social value and promote community development, challenging existing social institutions through collaborative action developing wider networks.

Social Mission: The willingness of an individual or organization to pursue social goals focused on helping social excluded citizens, improving the quality of social services, and contributing to increase social responsibility.

Social Value: The value that accrue to society from social entrepreneurship/social innovation initiatives and that allow to solve social problems and create social capital.

Strategic Management: Relates to the definition by the top management of an organization of its main objectives and action plans to achieve those objectives, taking into account the resources available in the organization and an assessment of the internal and external environments in which the organization operates.

ENDNOTE

[1] A review of the literature about the concept of social economy is beyond the scope of this chapter. The working definition presented in the introductory section is assumed to fit the needs of the current chapter.

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Chapter 17
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 (Casselman, 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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Social Enterprise UK narrowly defines the key characteristics of social enterprise such as reinvestment requirements and autonomy from the state. Table 1 summarizes the various views on social enterprise.

As shown in Table 1, social enterprises have been referred to as not-for-profit private organizations (Defourny & Nyssens, 2010), legal forms (OECD), businesses (Bull & Crompton, 2006; Social Enterprise West Midlands; Social Enterprise UK; Thompson & Doherty, 2006), and hybrid forms which mix for-profit and not-for-profit (Social Enterprise Magazine Online). In all definitions, primary objectives are social purposes or missions rather than personal/shareholder wealth or profit.

Table 1. Definitions of social enterprise

Sources	Definition
Social Enterprise Alliance (https://www.se-alliance.org)	Social enterprises are businesses whose primary purpose is the common good. They use the methods and disciplines of business and the power of the marketplace to advance their social, environmental, and human justice agendas.
Social Enterprise Magazine Online (http://www.socialenterprisemagazine.org)	Mission-oriented revenue or job creating projects undertaken by individual social entrepreneurs, nonprofit organizations, or nonprofits in association with for-profits
NESsT (http://www.nesst.org)	A social enterprise is a business created to further a social purpose in a financially sustainable way. Social enterprises can be both non-profit and for-profit in form.
Organisation for Economic Co-operation and Development (OECD) (http://www.oecd.org)	Social enterprises are organizations that take different legal forms across OECD countries to pursue both social and economic goals with an entrepreneurial spirit. Social enterprises typically engage in delivery of social services and work integration services for disadvantaged groups and communities, whether in urban or rural area.
Social Enterprise UK (http://www.socialenterprise.org.uk)	Social enterprises are businesses that trade to tackle social problems, improve communities, people's life chances, or the environment. They make their money from selling goods and services in the open market, but they reinvest their profits back into the business or the local community.
Social Enterprise West Midlands (http://www.socialenterprisewm.org.uk)	A social enterprise is a business that trades for social or environmental purposes. Social or environmental purpose is central to what they do. The profits they make are reinvested towards achieving that purpose.
UK Central Government's Department for Business, Innovation & Skills (https://www.gov.uk)	Social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners.
Korean Social Enterprise Promotion Agency (http://www.socialenterprise.or.kr)	Companies and organizations which pursue social mission as a top priority and perform business activities as well.
Smallbone, Evans, Ekanem, & Butters (2001)	Social enterprises are 'not-for-profit' organizations, involving some measure of community ownership and control, aiming to contribute social or community benefits.
Bull & Crompton (2006)	Businesses with the specific purpose of addressing 'social', 'community' or 'environmental' aims through a business structure that allows them to be sustainable.
Thompson & Doherty (2006)	Social enterprises are organisations seeking business solutions to social problems.
Defourny & Nyssens (2010)	Social enterprises are not-for-profit private organizations providing goods or services directly related to their explicit aim to benefit the community. They generally rely on a collective dynamics involving various types of stakeholders in their governing bodies, place a high value on their autonomy, and bear economic risks linked to their activity.
Johanisova, Crabtree, & Fraňková (2013)	Social enterprises are loosely defined as organisations involved at least to some extent in the market, with a clear social, cultural and/or environmental purpose, rooted in and serving primarily the local community and ideally having a local and/or democratic ownership structure (one member- one-vote rather than one-euro-one-vote).

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Business Models

A business model is a relatively new term. The term rose to its prominence at the end of 1990s with the prevalence of the web and e-commerce (Ostenwalder, Pigneur, & Tucci, 2005). Mayo and Brown (1999) argue that a company should design key interdependent systems that create and sustain a competitive business. Many successful ventures have been created based on innovative business models that provide unique values to customers. However, a business model has not been clearly defined and a number of terms have been used alternatively, including strategy, business concept, revenue model, and economic model (Morris, Schindehutte, & Allen, 2005). In the literature, a business model is defined as a statement (Stewart & Zhao, 2000), a system of interdependent activities (Zott & Amit, 2010) an articulation (Teece, 2010), the organization (Timmers, 1999), a representation of management thinking and practice (Chararbaghi, Fendt, & Willis, 2003), and a method (Afuah & Tucci, 2003; Rappa, 2004). Zott, Amit and Massa (2011) find that the business model has been employed mainly in trying to address or explain three phenomena: (1) e-business and the use of information technology in organizations; (2) strategic issues, such as value creation, competitive advantage, and firm performance; and (3) innovation and technology management. A business model can become outdated through competition or shifts in technologies and markets (Linder & Cantrell, 2001). The competitive advantage resulting from a previously successful business model vanishes. For example, Blockbuster, one of the successful video rental stores, went of business after Netflix introduced online movie subscription business model. The web and e-commerce are changing the way the companies do business and are a principal driver of the surge of interest in electronic commerce (e-commerce) business models (Zott, Amit, & Massa, 2011). More studies are needed to understand business model dynamics and model development issues.

A number of studies have presented the logically interrelated components of a business model. For example, Morris et al. (2005) suggest six fundamental components: value proposition, customer, internal processes/competencies, external positioning, economic model, and personal/investor factors. Johnson, Christensen, and Kagermann (2008) propose four interlocking elements: customer value proposition, profit formula, key resources, and key processes. Like the definition of the business model, there exists no general agreement on the required components of a business model. Table 2 summarizes various definitions and components of a business model developed by the prior studies.

In sum, all these definitions share a common idea: it concerns what is produced and sold, how, and to whom it is sold. How is the value of the product or service derived? What is the business logic behind the revenue generation? Across these 14 definitions, one can find 53 different business model components. To derive essential components among the business models, we categorize the various components into groups based on their underlying similarity. We identify six major categories: value proposition, organizational governance, market scope, networked activities, resources, and sustainability.

Unique Characteristics of Social Enterprise

In developing a business model for social enterprise, it is imperative to identify the unique characteristics of social enterprise that should be embedded in the business model. Austin, Stevenson, and Wei-Skillern (2006) present the following four dimensions to guide the comparison between social enterprise and commercial enterprise. First, commercial enterprise' social market failure gives rise to social enterprises which can take advantage of the market failure. Commercial enterprises failed to meet the social needs (Weisbrod, 1975) or service beneficiaries could not afford the services. Social enterprises fill the gap

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Table 2. Definitions and components of a business model

Study	Definition	Components
(1) Venkatraman & Henderson (1998)	A business model is a coordinated plan to design strategy along three vectors: customer interaction, asset configuration, and knowledge leverage.	Customer interaction, asset configuration, and knowledge leverage
(2) Timmers (1998)	An architecture for the product, service and information flows, including a description of the various business actors and their roles; a description of the potential benefits for the various business actors; a description of the sources of revenues.	Business actors and their roles, benefits, and sources of revenues
(3) Mahadevan (2000)	A business model is a unique blend of three streams that are critical to the business. These include the value stream for the business partners and the buyers, the revenue stream, and the logistical stream.	Value Stream, revenue stream, and logistical stream
(4) Amit & Zott (2001)	The content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities	The content, structure, and governance of transactions
(5) Chesbrough & Rosenbloom (2002)	The business model is the heuristic logic that connects technical potential with the realization of economic value.	Value proposition, market segment, value chain structure, revenue generation and margins, position in the value network, and competitive strategy
(6) Dubosson-Torbay, Osterwalder, & Pigneur (2002)	A business model is nothing else than the architecture of a firm and its network of partners for creating, marketing and delivering value and relationship capital to one or several segments of customers in order to generate profitable and sustainable revenue streams.	The products and services, the relationship capital, the infrastructure and the network of partners, and the financial aspects
(7) Afuah & Tucci (2003)	The method by which a firm builds and uses its resources to offer its customers better value than its competitors and to make money doing so.	Customer value, scope, pricing, revenue sources, connected activities, implementation, capabilities, and sustainability
(8) Morris et al. (2005)	A business model is a concise representation of how an interrelated set of decision variables in the areas of venture strategy, architecture, and economics are addressed to create sustainable competitive advantage in defined markets.	Value proposition, customer, internal processes/competencies, external positioning, economic model, and personal/investor factors
(9) Shafer, Smith, & Linder (2005)	A business model is a representation of a firm's underlying core logic and strategic choices for creating and capturing value within a value network.	core logic and strategic choices for creating and capturing value
(10) Brousseau & Penard (2006)	A pattern of organizing exchanges and allocating various costs and revenue streams so that the production and exchange of goods or services becomes viable, in the sense of being self-sustainable on the basis of the income it generates	Costs stream, revenue streams, production and exchange of goods or services, and income generation
(11) Johnson, Christensen, & Kagermann (2008)	A business model consists of four interlocking elements that, taken together, create and deliver value.	Customer value proposition (CVP), profit formula, key resources, and key processes
(12) Demil & Lecocq (2010).	Articulation between different areas of a firm's activity designed to produce a proposition of value to customers.	Resources and competences, its organizational structure, and its propositions for value delivery
(13) Teece (2010)	A business model articulates the logic, the data and other evidence that support a value proposition for the customer, and a viable structure of revenues and costs for the enterprise delivering that value.	The design or architecture of value creation, delivery and capture mechanisms
(14) Casadesus-Masanell & Ricart (2011)	A business model comprises choices and consequences.	Choices (policy, assets, governance) and consequences (flexible, rigid)

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in the underserved market. Second, the mission of the social enterprise is to create social value for the public good. On the other hand, the commercial enterprise is motivated to generate maximum profit. Profit making activities of the social enterprise are the means to achieve their social mission. Third, resource mobilization restriction of the social enterprise makes them more difficult to tap external financial resources from investors than the commercial enterprise. It would be more difficult to recruit and maintain qualified staff due to limited monetary compensation than the commercial enterprise. Fourth, the performance measurement of the social enterprise is more complicated than the commercial enterprise due to the measurement challenges of creating and measuring nonfinancial social values which are often non-quantifiable. It is noted that there is a continuous spectrum from the pure social enterprise to the commercial enterprise and all social enterprises may be explained with distinctive positions on the continuous spectrum of the above-mentioned four dimensions.

DEVELOPMENT OF SOCIAL ENTERPRISE BUSINESS MODEL

Social enterprises often times fail despite the presence of market opportunities, innovative business ideas, good resources, and talented entrepreneurs. A possible reason is the deficiency of the underlying business model driving the business operation (Morris et al., 2005). While there exists an abundance of studies on the classifications, theories, and operations of social enterprise, little attention has been given to a business model development. The available research on social enterprise business modeling tends to be anecdotal, only citing success stories and different types of social enterprises. In light of the current research gap in this area, it is urgent to establish research questions or establish research agenda related to social enterprise business models.

In this section, we elaborate on the business model for social enterprises and explore how the unique characteristics of social enterprises can be reflected in the model components. We identify both the similarity and difference in social enterprises and commercial enterprises for each model components. Social enterprises have tended in the past to be grant-dependent and self- insufficient. To support their social value, social enterprises should pursue their endeavors in a thoroughly entrepreneurial way (Chell, 2007).

While the social enterprise business model was not given its much deserved attention, several studies focus on performance metrics of social enterprises. Rotheroe and Richards (2007) propose the social return on investment (SROI) analysis to operationalize performance management systems in order to quantify the value it creates. One criticism of the metric is that it may underestimate the true social value creation, because one cannot monetize certain impacts. Bull (2007) outlines the development of a sector specific business performance measurement tool called 'Balance', drawing on Kaplan and Norton's Balanced Scorecard (1992), and Kolb and Fry's organizational learning cycle (1975) as a conceptual framework. While these two measurement tools are useful for the ex-post analysis of social enterprise performance, they by no means help create innovative social enterprises ex-ante. Austin, Stevenson, and Wei-Skillern (2006) attempt to apply a commercial entrepreneurial model to social entrepreneurship. They apply Sahlman (1996)'s PCDO model with four interrelated components (the people, the context, the deal, and the opportunity) to social entrepreneurship. It is noted that the PCDO model is a business planning tool and therefore focuses on the "how" of entrepreneurship. A business model should be established before a business plan is developed.

A business model should be reasonably simple, logical, measurable, comprehensive, and operationally meaningful (Morris et al., 2005). Since there is no accepted definition of a social enterprise business

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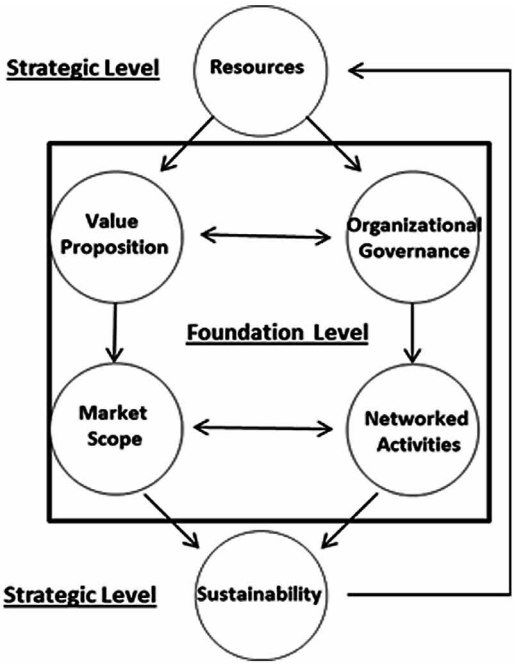
model, we develop a definition using the following two principles as guides. First, the definition should integrate and synthesize the earlier work in this area. Second, the definition should be simple enough so that it can be easily understood, communicated, and remembered (Shafer, Smith, & Linder, 2005). We define a social enterprise business model as:

A social enterprise business model is a decision-making framework for developing logically coherent activities to support social mission-driven value creation and formulating strategies to sustain competitive advantages.

Along with this definition, we adopt the six logically related business model components categorized in Section 2: value proposition, organizational governance, market scope, networked activities, resources, and sustainability (Lee, 2015). These components interact with each other to generate social value and economic value to achieve sustainability of the social enterprise.

These six components are divided into two levels: the foundation level (value proposition, organizational governance, market scope, and networked activities) and the strategic level (resources, and sustainability). The foundation level is concerned with decisions related to creation, delivery, and management of social value and economic value. The strategic level is concerned about creating competitive advantages in the market through the combination of resource and sustainability of social enterprise. The strategic level helps social entrepreneurs find ways competitive advantages can be created and provides measurable metrics for the sustainable competitive advantages. Later, an award-winning social enterprise will be analyzed using the proposed social enterprise business model. Figure 1 shows the relationships between these six components. The rationale and description of each component follows. The unique characteristics of social enterprise are reflected in each component and emphasized in italic style.

Figure 1.



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Foundational Level: Creating Value

At the foundation level, four components have been identified based on the various prior studies, including those summarized in Table 1. Considering the unique characteristics of social enterprise and the commonality of different types of social enterprises, four components are selected: value proposition, organizational governance, market scope, and networked activities. The details of each component and theoretical foundations are as follows.

Value Proposition

Value proposition is a classical concept in marketing and can be understood as the relationship between an offer and customer needs (Porter, 1998). Value proposition refers to a description of the customer problem and needs, the solution that addresses the problem and needs, and the value of this solution from the customer's perspective. The creation of value is often thought of as a fundamental cornerstone of the management discipline (Anderson & Narus, 1999).

For social enterprises, value proposition may include (1) the value of products/services to the target group, which is an underserved, neglected, or highly disadvantaged group of people that lacks the financial means or educational background to achieve desired state on its own, (2) the value of providing employment/training of the target group, and (3) the value of products/services to target consumers for profit that is in turn used for the social mission.

These three types of products/services may exist in any combination. The value of products and services to the target group must exceed the cost of the products and services to have a sustained business (Porter, 1998).

Organizational Governance

Governance is formally defined as "systems and processes that ensure the overall direction, effectiveness, supervision and accountability of an organization" (Cornforth, 2003). Organizational governance typically decides the size of the organization, the type of the organizational structure, and organizational policies. A social enterprise's organizational governance sets the goal of the social mission, establishes objectives of the social mission and profit-seeking activities, develops metrics for performance evaluation, evaluates the performance against the metrics, and maintains transparency to the stakeholders.

The particular organizational governance of a social enterprise should be based on the consideration of which governance structure would most effectively mobilize the resources and accomplish social mission and sustainability.

Pearce (2003) argues that accountability to the organization's constituents and the wider community shall be a fundamental principle of social enterprises. Transparency of organizational governance is especially important for social enterprises, since social enterprises engage in a social mission as well

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as profit-seeking and in part are operated with the financial support of donors. The expectation of the organizational governance of a social enterprise differs from that of a commercial enterprise, since the performance reward from a social market is not based on the economic value, but based on the social value.

There is no one-size-fits-all type of governance structure. Social enterprises can choose from a wide range of governance structures such as a management team, a single board, committees, advisory board, council, multi-tier (such as a board of directors and a management team), and task forces. A combination of these structural options can create various forms of hybrid structures.

The members of the governance structure may include internal stakeholders such as staff and owners and external stakeholders such as community leaders and government officials. Some governments have recognized special needs for social enterprises and established legal forms that protect the social mission as well as financial needs of the social enterprises. These legal forms include Benefit Corporations (B-Corps), Low-profit Limited Liability Companies (L3Cs), Community Investment Company (CIC), and Social Purpose Corporation. The decision on the governance structure may be influenced by tax rates and geographical locations. It is expected that governance structures evolve over time with changing environments. For more details on organizational governance, refer to Schöning et al. (2012).

Market Scope

Market scope determines specific market segments for the products or services that have appealing value propositions to the target groups. The market scope will be determined by a number of factors such as the particular social mission, needs of the market, competition in the market, and human and financial resources. A precise market segmentation study can be conducted by geography (e.g., cities, states, regions, and counties), demographics (e.g., age, income, gender, family size, occupation, education, and ethnicity), and psychographics (e.g., lifestyles, beliefs, values, interest, activities, and attitude).

The social enterprise's market is quite distinct from the commercial enterprise's market. The size of the former often is much smaller and provides fewer consumption alternatives to social beneficiaries than the latter. In addition, most of the social beneficiaries have little economic means to pay for the products and services provided by the social enterprise. For the commercial enterprise, the market size must be large and their industry must be structurally attractive. However, a recognized social need, demand, or market failure usually creates a more than sufficient market for a social enterprise. (Austin, et al., 2006)

Networked Activities

Social enterprises commonly operate through networked activities with partners, suppliers, government agencies, and other social enterprises. Partners of the network include internal stakeholders (shareholders, employees, and board of directors) and external stakeholders (government, community, donors, large corporations, suppliers, dealers, retailers, competitors, and non-governmental organizations) that add value to the supply chain of the products/services.

The significance and weight of the stakeholders are ranked by the magnitude of their value addition to the products/services. That is, the higher the value the stakeholder generates, the greater the role the

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stakeholder played in the network. These high-value stakeholders would need special attention in the supply chain. Wood and Jones (1995) suggest that

… the stakeholders are the ones who assess the degree of success of the companies' response to social issues. Some external stakeholders stipulate that the company perform socially desirable activities. It is critical for the social enterprise to proactively create their own network of strong supporters and invest time and effort in communicating the social value to stakeholders and expediting the value creation process. The innovative use of the social networks of donors and volunteers becomes a key success factor for the social enterprise, since the social business operations hardly will reach a breakeven point without donations and government grants, even with entrepreneurial earned-income operations. (Foster & Bradach, 2005)

Strategic Level: Creating Sustainable Competitive Advantages

The foundation level activities are easier to replicate due to the widely known best-practice business logic and programmable business processes readily applicable to the four components. To gain a competitive advantage, social entrepreneurs need to develop hard-to-imitate resources and strategies. The unique resources and innovative strategies are more difficult to imitate. This strategic level is concerned about creating sustainable competitive advantages through resources and sustainability. The details of each component and theoretical foundations are as follows.

Resources

This component provides a conceptually grounded framework for assessing sustainable and developmental resources, and enables these resources to be examined in terms of the opportunities and threats for establishing sustainable competitive advantages. From a resource-based view, every firm has a unique set of resources that the firm can leverage to exploit opportunities and counter threats (Wernerfelt, 1984). Since not all resources are equal in creating sustainable competitive advantages, many researchers focused on identifying advantage-creating resources. Barney (1986, 1991) suggested that the advantage-creating resources must be firm-specific, rare, and difficult to imitate. In a changing environment, a social enterprise must continuously invent and upgrade their resources if they are to maintain a competitive advantage and growth.

Resources are strategic and a source of competitive advantage when they are valuable, rare and difficult to imitate or substitute (Reed & De Fillipi, 1990; Barney, 1991). In general, intangible resources would be more difficult to transfer and imitate than tangible resources (Carmeli, 2001). Each social enterprise has a different set of firm-specific resources to utilize. Two important questions for social entrepreneurs are:

1. What kinds of existing resources the social enterprise can leverage, and
2. What resources it needs to differentiate itself from the competitors.

The key resources of a social enterprise include the employees, donors, volunteers, technologies, products, facilities, equipment, marketing channels, and brand. All of these resources are utilized to deliver the value to the targeted customers and achieve social purpose. Acquiring and retaining resources are key

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resource development activities including hiring qualified workers, employee relationship management, recruitment of volunteers, enlisting of donors and volunteers, government relations, and public relations.

Social enterprises compete with each other for donations, government grants and contracts, volunteers, clients or customers, and public recognition within their communities and societies. The resource related challenges of social enterprises include limited access to and retention of the best talent, fewer financial institutions and instruments, low employee compensation, and inherent strategic rigidities. (Austin et al., 2006)

Sustainability

Sustainability is concerned with the development of the ways a company can gain a sustainable competitive advantage in the market. While being sustainable, companies can maintain their competitive advantage in the market (Johnson & Scholes, 2002). This component lays a ground work for how a social enterprise will attempt to develop a sustainable competitive advantage and use it to improve its competitive position in the market.

The missions of the social enterprise are alleviating social problems in the society and community. However, the sustainability of the social enterprise is achieved only through the revenue and capital that they generate. (Dacin, Dacin, & Matear, 2010; Woolley, Bruno, & Carlson, 2013)

To achieve sustainability of a social enterprise, two types of performance metrics should be established: (1) nonfinancial performance (social mission performance and product/service performance), and (2) financial performance. Financial performance measurement is used by social enterprises to check their financial accountability (Bagnoli & Megali, 2011). Nonfinancial performance such as social mission performance also becomes important in assessing a social enterprise's success (Bagnoli & Megali, 2011). In general, a high level of nonfinancial performance and high level of financial performance will have better sustainability than a low level of nonfinancial performance and low level of financial performance. In addition, performance-enhancing strategies must be developed for a long-term nonimitable competitive advantage. While profit making is not the primary objective, social enterprises need to generate appropriate profit to become self-sufficient in the long run and to reinvest in the business to assure its sustainability.

Among nonfinancial performance categories, social mission performance may measure the environmental mission outcomes, community development outcomes, and other social mission outcomes. Product/service performance measures quality of products and services, innovation in products and services, and consumers' company/product/brand awareness, repurchase intention, and positive recommendation. Typical financial performance measures include government grants, individual and corporate donations, donation per employee, operating profit per employee, donation/grant to total asset, and liquidity ratio.

Figure 1 shows the dynamic interactions among the components. The dynamic changes occur in any component of the business model and lead to changes in other components directly and indirectly. For example, a change in the value proposition may affect the market scope and the organizational governance, which in turn can lead to changes in the networked activities of its employees, partners, volunteers, and sponsors. The change in the sustainability (e.g., strategy) may strengthen or weaken the

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existing resources and competences, which in turn can lead to changes in the value propositions and organizational governance. While the internal changes initiated by the social entrepreneurs are the main driver of the model dynamics, external factors such as government regulations, competition, and the economy may also affect the model dynamics. For detailed discussions on the business model evolution, refer to Demil and Lecocq (2010).

A CASE STUDY OF PACIFIC COMMUNITY VENTURES (PCV)

The objective of this case study is to provide an empirical exploration of how a social enterprise may use the social enterprise business model in their entrepreneurial activities. While this case can only provide limited empirical evidence for grounded theory building, it illustrates the business model from a practitioner point of view and may lay the groundwork for future research. Below we choose Pacific Community Ventures (PCV) and analyze their business activities with the proposed social enterprise business model. PCV was selected as one of the Top 33 Social Entrepreneurs in 2011 by Forbes (Impact 30, 2011). PCV is a *hybrid social enterprise* which has a for-profit unit for community development venture capital investment and an affiliated not-for-profit unit which provides such social impact services as free business advising for SMEs and research services to investment and philanthropic institutions. The strategic challenge for this type of hybrid social enterprise is the integration and balance of public and private value (Florin & Schmidt, 2011). This case study uses qualitative data as the main source. The qualitative case study can benefit professional practice or evidence-informed decision making (Creswell, 1998). Data were collected using business publications, Internet sources, and corporate materials from both internal and external organizational sources. Construct validity has been adequately addressed by using multiple sources of information (Yin, 2009).

Pacific Community Ventures

Pacific Community Ventures (PCV), founded by Bud Colligan in 1998, is a fifteen-year-old California-based company headquartered in San Francisco. Its mission is to provide capital and business expertise to small and medium-sized enterprises (SMEs) that can bring economic benefits to low- and moderate-income (LMI) communities in California. In 1998, Bud Colligan explored the possibility of applying a venture capital model to SMEs as a means to alleviate poverty in underserved communities in California. PCV developed a robust business model that has sustained turbulent times including the aftermath of 9/11 and the crash of Wall Street in 2008 that devastated the US economy. Since its founding in 1998, PCV has grown rapidly, invested prudently, and achieved social missions for the LMI communities in California. The following describes the business model of PCV.

Foundation Level

Value Proposition

PCV's value proposition is to provide both double-bottom line funds and business advising to SMEs in the LMI communities in California, particularly in ways which will have a direct impact on the success of the SMEs and their low-income employees. PVC noted that SMEs are an important element for

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community economic development, yet many SMEs operating in the LMI communities in California are not connected well from the financial resources needed to grow their businesses. PCV attempts to breaking down the barrier to the financial resources for SMEs in LMI communities. The social return is an essential component of PCV's value proposition. To seek financial resources from PCV, SMEs must pass a social return screen, in which PCV considers a company's employment opportunities or "job quality" for LMI employees.

In addition to the financing services to qualified SMEs, PCV provides two other services: free business advising services and InSight. PCV's network of advisors, entrepreneurs, and partner organizations provide qualified SMEs with free business advising services to help them and their employees excel. PCV developed InSight, which is an independent evaluation instrument for social and environmental outputs. InSight is used by some of the most prominent investment and philanthropic institutions in the US.

Organizational Governance

The organizational governance of PCV consists of the board of directors and the core management team. The independent board of directors is a group of high-caliber individuals with experience in venture capital, marketing, business management, legal services, and community networking. Out of eleven members, three are internal members. These directors act as champions for PCV and enlist their own business networks to secure ongoing funding and partnerships.

Market Scope

PCV designed a hybrid profit/nonprofit marketing program, refined over the past fifteen years, to deliver capital and free business advising for SMEs, and research services to investment and philanthropic institutions in the US. PCV targets growth-oriented SMEs that typically go under the radar of venture capital firms but that demonstrate a sound growth capability and the potential to provide quality employment in the LMI areas in California (Caplan, Irie, & Cheplick, 2006). Their market profile include equity investment, California businesses with focus on the San Francisco Bay Area, Los Angeles, San Diego, and/or Central Valley, portion of work force from low- or moderate-income communities, primary industry focus on food products and distribution, low-capital-intensive manufacturing, and other high-growth sectors, including sustainable and green businesses, alternative energy, health and wellness, trade schools, and for-profit education (Innamorati, 2011).

Networked Activities

PCV secures funding from investors who are willing to explore ways to balance their community values and their interest in superior financial returns. These investors include banks, pension funds, insurance companies, and other institutional and individual investors. PCV utilizes networks of PCV's volunteer business professionals to act as PCV champions in market expansion, to expand to established community/economic development organizations, and to encourage SME owners to participate in PCV's business advising program. In the business advisory service, SME owners work individually with volunteer advisors to address key business development objectives and to solve management problems. In making these one-on-one matches, the PCV staff analyzes the functional fit between an advisor's qualifications and

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an SME's needs with the consideration of industry experience, interpersonal dynamics, and logistical constraints (Caplan, Irie, & Cheplick, 2006).

PCV also created a business network of experienced entrepreneurs and business people and provides SME owners with access to their business network. Before joining PCV's business network, most PCV financed SMEs lacked access to business networks that could support them with management resources and innovative ideas. Through PCV's growing business network, SME owners continue to maintain informal connections and receive new management knowledge and skills even after the end of their financing period.

Strategic Level

Resources

PCV's critical resources include investment funds, internal staff, community partners (business advisory service volunteers, media sponsors, and PCV partners), donors (corporate sponsors, individual cash donors, foundation grants, and in-kind sponsors), organizational infrastructure (best-practice business processes and a web-based information system), and government contracts. Through the business advising program, PCV recruits local business leaders to volunteer their time to help SMEs exploit their business potential. PCV's community partnerships create strong presence in their business locations and facilitate knowledge sharing and information exchange in the communities. PCV recruit high caliber internal staff who can ensure superior product/service quality, effective communication, and efficient business process execution across different geographic locations.

Sustainability

While PCV's investment fund business is sustained by the fees they receive, PCV's business advising program relies on donation to support the bulk of their activities. PCV envisages that these services will eventually be supported by the income generated by investment funds. PCV's network of volunteers, board members, and SMEs has facilitated service expansion into new locations. Securing strong private sector leaders from the local community to serve as program champions has also been a key to successfully replicating the PCV model in new geographic locations. These local leaders establish a ground work for creating local ownership for the program. In addition, PCV made sure that business processes are well articulated to guarantee consistent program quality and provide process compatibility among different locations.

Realizing that local SMEs usually do not have the potential for exponential growth, PCV shifted their funding target from early-stage SMEs to growth-stage SMEs (Caplan, Irie, & Cheplick, 2006). This is an example of PCV's learning-from-failure organizational culture which led to positive results for investors as well as the entrepreneurs. At organizations, successful learning-from-failure requires context-specific strategies. Detection, analysis, and experimentation are three essential activities of all successful organizations (Edmondson, 2011). PCV detected the funding problems to the early stage SMEs, analyzed the problems, and successfully experimented with funding to the growth-stage SMEs.

According to the 2012 financial report, PCV generated a total revenue of $3,191,512 (fund returns & management fees 17%, government 26%, insight project fees 16%, foundation 25%, corporate 9%, individual 4%, and board directed investments 2%) and a total expense of $2,889,955 (program: insight

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33%, business advising 30%, investment services 21%, general & administration 11%, and fundraising 4%). PCV achieved a net profit of $0.3 million in 2012. In terms of the social mission outcomes, PCV-financed SMEs created 198 new quality jobs in LMI communities and an LMI employment growth rate of 7% compared to 1.69% job growth in the nation. PCV worked with 147 small businesses through their business advising program and affiliated equity funds (PCV Annual Report, 2013).

In the past fifteen years, PCV has established a focused and differentiated market presence in California. To enhance their social mission, product/service, and financial performances concurrently, PCV successfully employed resource-based, differentiated, replication of the best-practice, and learning-from-failure strategies.

Dynamic Interactions Among Model Components of PCV

During the first few years of the establishment, PCV had to determine whether equity or debt was the better form of value proposition for their purposes. Eventually they chose equity as the best investment vehicle, since it allowed them to be more involved and to offer additional support to their financed SMEs (Innamorati, 2011).This decision also led to a change in their market scope in terms of an optimal investment size and target industry.

Similar to the change in the PCV's equity investment, PCV made a change in the value proposition of its business advising services during the first eight years and led to a shift in the market scope for the services. In the early years, nearly all PCV financed SMEs received both advising services and equity investment. In 2002, as PCV shifted its investment targets to larger, more developed SMEs, the number of SMEs in the PCV's advising services began to dwindle due to the decline in the number of the financed SMEs. In 2003, PCV developed new advising services to target the early-stage SMEs that PCV had once served before shifting its investing focus to the more mature SMEs.

The sustainability issue also led to the change in the market scope of PCV. PCV believes that long-term financial sustainability is positively related to social and environmental performance, which is often not reflected in the short term investment analysis. In 2000, PCV invested in SMEs with $250,000 to $3 million in annual revenues. Realizing the equity investment was not right for the SMEs in these revenue scales and sustainability of PCV is in jeopardy, they shifted their market scope to SMEs with $1 million to $5 million in annual revenue. Finally, PCV shifted their targets further to $5 million to $50 million SMEs.

MANAGERIAL GUIDELINES

Based on the analysis of the case in Section 4, this section will discuss the managerial guidelines for social enterprise business model development.

Evolution of the Social Enterprise Business Model

Many previous studies analyzed the business model in a relatively static point of view. However, the static view has limitations in describing the evolutionary nature of the business model. Business model evolution is viewed as a fine-tuning process involving intended and emergent changes both between and within its core components (Demil & Lecocq, 2010). In the dynamic view of the business model, the

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business model transforms itself over time and manifests its evolution with the dynamic adjustment of the components in interaction with the environments. Different types of accumulated resources interact with each other and with other parts of the firm's infrastructure, thereby creating unique combinations that will vary within the firm, and which produce and determine the firm's idiosyncratic set of capabilities (Kor & Mahoney, 2000). With a new set of capabilities, the social enterprise can build new value propositions and tap new markets.

Our case study shows that PCV continues to evolve their business model in terms of their value propositions and market scope. PCV is growth-oriented and entrepreneurial with strong leadership constantly seeking new opportunities to further their social mission. PCV began in 1998 as a small social-mission-oriented startup in San Francisco. Through the expansion in program and location, PCV now serves the state of California from its headquarters in San Francisco. Learning from investment failure in the early stages of the company, PCV shifted their funding targets from early-stage SMEs to growth-stage SMEs, which ultimately enhanced PCV's sustainability.

Taking Advantage of Network Externality for the Social Enterprise Business Model

The benefits of expanded business network can be explained with network externality. Network externality theory was used to explain the increased value of telecommunication adoption by a large number of subscribers in the 1970s (Rohlfs, 1974), and the theory has been developed and refined over time to model many organizational technology adoption decisions (Economides, 1996).

As more SMEs and business professionals join the PCV business network and free business advising services, still more people want to be part of the PVC business network and free business advising services. To strengthen their network externality, PCV adopted social networking services extensively. PCV uses private blogs and public social networking services such as Twitter, Facebook, and LinkedIn to disseminate knowledge and connect internal staff with SMEs, business advisors, and donors. PCV's web-based advisory hub represents PCV's entrepreneurial spirit and disciplined approach to creating, developing, and scaling technological solutions to community and economic development efforts. LinkedIn is used to recruit volunteer business advisors who can help promising SMEs grow and create jobs in the LMI communities.

Fit of the Social Enterprise Business Model

In the strategy area, the internal fit between the strategy and the structure of firms (Learned, Christensen, Andrews, & Guth, 1965) and the external fit between the structure and the environment of firms (Pennings, 1987) have been widely studied. The internal fit among reinforcing activities can create and sustain a competitive advantage because it makes competitors' imitation difficult (Porter & Rivkin, 1998; Rivkin, 2000).

For the social enterprise business model, the internal fit can be achieved via both coherence and mutual reinforcement among the components of the social enterprise business model. On the other hand, the external fit can be achieved by developing a business model consistent with environmental conditions in the market, industry, and economy.

To achieve the internal fit, PCV recruited high caliber, business-oriented professionals who have a good fit with PCV's diverse set of stakeholders, value proposition, and social mission. As PCV has expanded

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into new markets, they tried to ensure consistency in the model and refined the PCV business model with the unique needs of the local communities. PCV's solid organizational infrastructure, which consists of standardized processes and a web-based system, has also been critical to ensuring the internal fit.

Replication of the Social Enterprise Business Model

The business model replication is one strategy for early and rapid expansion of innovation. Szulanski and Jensen (2008) suggest that significant growth often requires more than innovation of the firm. It requires exploitation in the form of replication in order to maximize growth potential. According to Winter and Szulanski (2001), business model replication refers to the innovative firm's activities of choosing the essential components to replicate in the model, developing capabilities to routinize knowledge transfer, and maintaining the replicated model in operation.

Business model replication is one of the important drivers of success at Pacific Community Ventures. PCV starte in the San Francisco Bay area, and then expanded geographically with model replication. PCV now serves the state of California from its headquarters in San Francisco. To achieve the successful replication of the business model, PCV made sure that PCV's processes are standardized and sophisticated to guarantee consistency of program quality, compatibility of business processes, and scalability of business operations at different locations in California.

CONCLUSION

Reflecting the unique characteristics of social enterprise, this paper developed the two-level six-component social enterprise business model. These six components should be coherently developed and fit with the environment to maximize the social enterprise's double-/triple-bottom line. The foundation level of the social enterprise business model consists of value proposition, organizational governance, market scope, and networked activities. These four components define the standardized set of decisions that can be operationalized. The strategic level consists of resources and sustainability. These two components define resource base, performance metrics, and strategies to gain a sustainable competitive advantage. The proposed social enterprise business model can help social entrepreneurs conceptualize innovative business ideas and refine them through iterative model building processes.

After the case study of PCV's business model, four managerial guidelines of the social enterprise business model were presented. The social enterprise business model must evolve over time to adapt to the changing environment and social mission needs. In addition, the development of the business model should take the internal and the external fit into consideration to deliver the best-fit contextual business model. Social media has now become an indispensable tool for the cost-effective and timely realization of the network externality. Finally, business model replication should be considered for the early and rapid expansion of innovation, especially when social enterprises expand into different locations with the same or similar value propositions.

Despite the long history of social enterprise studies, there is still a paucity of studies on the business modeling side. This lack of a social enterprise business model makes it very challenging for social entrepreneurs to make effective decisions in regard to operational and strategic activities. Our study is one of the first studies on the social enterprise business model and sheds valuable insights into critical modeling activities. Our study contributes significantly to the literature of social enterprise by linking

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social enterprise with a business model in the strategy area, defining the social enterprise business model, establishing the essential model components, and presenting guidelines for effective model management.

Finally the following limitations to this study are acknowledged. First, only a few articles on the use of business model for social enterprises have been published in journals. Therefore, theories and literature review to support the development of the social enterprise business model is limited. Second, due to the interdisciplinary nature of the social enterprise business model, the literature is widely divergent ranging from social entrepreneurship to business models. The literature review was extensive, but lacked a focus to some extent. Third, although our case study could be justified as a qualitative case study, the research is limited to a single case. Therefore the generalizability is limited.

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KEY TERMS AND DEFINITIONS

Business Model: A decision-making framework for developing logically coherent activities to support value creation and formulating strategies to sustain competitive advantages.

Governance: Systems and processes that ensure the overall direction, effectiveness, supervision and accountability of an organization.

Social Enterprise: Social mission oriented not-for-profit, for-profit, or governmental agencies which pursue profit to sustain their social missions.

Social Enterprise Business Model: A decision-making framework for developing logically coherent activities to support social mission-driven value creation and formulating strategies to sustain competitive advantages.

Value Proposition: A description of the customer problem and needs, the solution that addresses the problem and needs, and the value of this solution from the customer's perspective.

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Chapter 18
Implementation of a Social Innovation Model for Economic Value Creation

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ABSTRACT

This chapter reviews and discusses the multidimensionality of social innovation literature and relates it to some aspects of economic value creation. Moreover, it proposes a model for micro-businesses creation as a solution to reduce asset poverty. The model, characterized as a social innovation, was adapted to an academic program at the Tecnológico de Monterrey, which is one of the largest private universities in Mexico. The results of the pilot implementation clearly showed a positive impact in the increase in sales, job creation, and –consequently– the creation of economic value. Finally, the chapter highlights social innovation as an important input for governmental economic plans because the development level of a country is more important than its economic growth.

INTRODUCTION

Increasingly, private firms, public organizations and community groups are becoming aware of their responsibility and role in solving social problems that have not been attended by traditional approaches (Lettice & Parekh, 2010). New generations are now engaged in innovative ways of value creation and exchange that might contain the basic elements of true knowledge organizations. In academy, the term social innovation is present in Economics, Sociology and Political Science, hence new journals have

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been created (e.g. Stanford Social Innovation Review, International Journal of Social Entrepreneurship and innovation). Even more interesting is the extraordinary upsurge of social innovation forms that have emerged: mutual self-help, microcredit, cooperatives, trade unions, reading clubs, think thanks, foundations among many others.

It is the purpose of this chapter to review and describe the social innovation literature and some aspects of economic value creation, in order to clarify the variety of approaches and the different nature of lines of inquiry. In addition, the chapter describes a case study of an academic course that contributes to reduce asset poverty through the development of a program that promotes the micro-businesses creation. Such program can be characterized as a social innovation.

The implementation of the case study was based on a model that considers a continuous learning process focused on the quality of the person and the business (Walton, 1986). In order to measure the effect of the model, 25 Mexican business owners participated in the program and were supported by students and mentors from the Tecnológico de Monterrey (a private Mexican University). The results showed that the model, characterized as a social innovation, had important positive effects in promoting sales, jobs creation and growth acceleration of the microbusinesses.

The chapter concludes highlighting the importance of social innovation in our rapidly changing world, its multidimensionality and systemic approach. The main contributions of the chapter are the social innovation literature review that maps the current academic view and the case study description in an interesting context. Moreover, the chapter presents some implications of social innovation for leaders, policy makers, funders, academic and practitioners. Finally, the chapter reveals further research lines.

SOCIAL INNOVATION

Theoretical Background

As in other fields like Knowledge management, Social innovation has grown up as a field of practice with a relatively little attention to theory. Over the last two centuries, innumerable social innovations have emerged. They include the invention and spread of trade unions and cooperatives, the spread of collective insurance against sickness and poverty, the spread of new models of the university in the 19th century, the spread of the kindergarten, among many others (Mulgan, Tucker, Ali & Sanders, 2007). Actors behind such social innovations have changed in history. During some periods, civil society provided the impetus driving the mutual self-help and microcredits in the 19th century. In some others, social movements took the lead, as was the case of the antislavery movement in late 18th century. Governments also have been main characters, for example in 1945 when democratic governments built welfare states and schooling systems. It is hard to think in any field in which social innovation has not played an important role (Mulgan, et. al, 2007).

Academic literature on social innovation goes back to Max Weber (1922) and the concept of social action, as well as the analysis of action systems based on it by Talcott Parsons (1951). In 1934, Joseph Schumpeter created another theoretical landmark by establishing the fundamental role of innovation and structural change in the organization of society and the role of the entrepreneur as a driver of development. The social innovation concept currently draws from four theoretical sources: innovation, social investment, change and open society (European Commission, 2011). The literature related to innovation,

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which comes from management studies, stresses the social processes in which innovation has to be embedded. The literature on social investment and social capital brings to the fore the relationship between social innovation and economic growth (Heckman & Navarro-Lozano, 2004). The literature on change helps to confront the theories on how change occurs, and peer-to-peer and open-society literature drawn from IT open source systems are forging new business and community value models.

Social Innovation Definitions

Recently, a number of scholars have focused their attention on studying Social Innovation. As a result, several definitions have emerged. After a review of social innovation literature and based on Michelini (2012), a list with the main definitions in chronological order was integrated (see Table 1).

As it is shown in Table 1, social innovation definitions are broad in the sense that some of them focuses on the process, the outcomes, the actors involved, the motivations, among many other aspects. For such reason in the next lines a discussion of some of the main concepts is presented.

Anderson, Curtis and Wittig (2014) categorized social innovation definitions by focus and by nature. Focusing in the noun "innovation", the authors suggests that social innovation is driven by the transition from an industrial to a knowledge and services based society. In a similar vein, Degelsegger and Kesselring proposed to conceptualize social innovation as a new paradigm of innovation management, research and assessment rather than being considered a distinct form of innovation in itself (2012, p.70). In this sense, all innovations have social effects, and accordingly innovation theory needs a new paradigm to reflect this, rather than attempting to find a distinctive definition for social innovation (Anderson, et. al, 2014).

Another line of inquiry is the focus on the adjective "social", framing their definitions within the theoretical framework of the social sciences and emphasizing the distinction of social innovation from other forms of innovation. In particular, economic and technological innovations, arguing that social innovation is more than a "mere requirement, side effect and result of technical innovation" (Howaldt & Schwarz, 2010, p.8). Such definitions mainly focuses on social practices in certain areas of action or social contexts. A more direct focus on social outcomes defined by the practice, intention, and outcomes of social justice is apparent in the definition proposed by Martinelli (2012, p. 172). The definition characterizes social innovation by its contribution in satisfying human needs that would otherwise be ignored, empowering individuals and groups, and changing social relations (Anderson, et. al, 2014).

Accordingly, a definition focused on intention and outcome and perhaps one of the most spread in the academic literature is "a novel solution to a social problem that is more effective, efficient, sustainable, or just than existing solutions and for which the value created accrues primarily to society as a whole rather than private individuals" (Phills et al., 2008). In similar vein, Hochgerner suggests "social innovations are new concepts and measures that are accepted by impacted social groups and are applied to overcome social challenges" (Hochgerner cited in Howaldt & Schwarz, 2010, p.23).

A number of broad definitions that expand the notion of social innovation to include activities across a range of sectors and varying levels of society also exists (Anderson, et al., 2014). For example, "Social innovation may be considered any activity that expands the capability to act (of parts or the whole of society), and enables or leads to concrete action" (Hochgerner, 2012, p.91). To sum up, there is a huge variety of definitions focusing in different aspects and derived from a theoretical perspective. In this chapter, a definition of social innovation considered as a conceptual framework is: "to apply new ways to overcome social problems in a more effective approach, compared with the existents, where the

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Table 1. Main definitions of social innovation in chronological order

Source	Definition
OECD/LEED forum on Social Innovations (2000)[6]	"Implies conceptual, process or product change, organizational change and changes in financing, and can deal with new relationships with stakeholders and territories. Social innovation seeks new answers to social problems by: • Identifying and delivering new services that improve the quality of life of individuals and communities; • Identifying and implementing new labor market integration processes, new competencies, new jobs, and new forms of participation, as diverse elements that each contribute to improving the position of individuals in the workforce.
Centre de recherche sur les innovations sociales (CRISE / UQAM) (2003)	A social innovation is an intervention initiated by social actors to respond to an inspiration, to provide for a need, to benefit from an opportunity to modify social relationships, to transform established patterns of behavior, or to propose new cultural orientations.
Christensen et al. (2006)	Social innovation is a subset of disruptive innovations whose primary objective is social change.
Little (2006)	Social innovation is the use of social, environmental or sustainability drivers to create new ways of working, new products, services and processes, and new market space.
Skoll World Forum on Social entrepreneurship and Social innovation (2007) / (Skoll, in Westall, 2007)	Social innovation can simply be understood as new ideas that work to address social or environmental needs. It may occur as a result of addressing new needs, reframing circumstances to make unmet social needs clear and urgent, or changing organizational structures to grasp the opportunities to add social value. New programmes, models, or ways of thinking—sometimes a combination of all three—may be the result. Social innovation is more than just invention. Diffusion or the scale of ideas is an integral part of making its impact effective, as is coordinated actions by a wide range of people and organizations spanning social, government and business sectors.
Mulgan (2007)	innovative activities and services that are motivated by the goal of meeting a social need and that are predominantly developed and diffused through organizations whose primary purposes are social"
Nussbaumer and Moulaert (2007)	Social innovations can be macro or micro, structural or local, they are introduced by an entrepreneurial spirit and through solidarity, either to improve the functioning of the organization or to transform the organization into a social enterprise, an enterprise with social objectives, an organization pursuing social objectives or to empower it with a more participatory governance system.
National Endowment for Science, Technology and the Arts NESTA (2008), United Kingdom,	Social innovation refers to: • New ideas (products, services and models) developed to fulfill unmet social needs; • Many of those supported by the public sector, others by community groups and voluntary organizations; • Social innovation is not restricted to any one sector or field; • It can take the form of a new service, initiative or organization, or a new approach to the organization and delivery of services; • Social innovation can either spread throughout a profession or sector—like education or healthcare – or geographically from one place to another.j
Phills, Deiglmeier and Miller (2008) / Stanford Social Innovation Review	Any novel and useful solution to a social need or problem, that is better than existing approaches (i.e., more effective, efficient, sustainable, or just) and for which the value created (benefits) accrues primarily to society as a whole rather than private individuals. A social innovation can be a product, production process, or technology (much like innovation in general), but it can also be a principle, an idea, a piece of legislation, a social movement, an intervention, or some combination of them.
Pol and Ville (2009)	An innovation is expressed as social innovation if the implied new idea has the potential to improve either the quality or the quantity of life.
Bisgaard (2009)	New products, services, business models, processes, distribution channels and so on, that are able to solve global challenges related to both environmental issues and social problems.
Harris and Albury (2009)	Innovation that is explicitly for the social and public good; innovation inspired by the desire to meet social needs which can be neglected by traditional forms of private market provision or be poorly served or unresolved by services organized by the state. Social innovation can take place inside or outside of public services and can be developed by the public, private or third sectors, users and communities; however, some innovations developed by these actors do not qualify as social innovation because they do not directly address major social challenges.
Westley and Antadze (2010)	"a complex process of introducing new products, processes or programs that profoundly change the basic routines, resource and authority flows, or beliefs of the social system in which the innovation occurs. Such successful social innovations have durability and broad impact"
OECD (2010)	Social innovation seeks new answers to social problems by: identifying and delivering new services that improve the quality of life of individuals and communities; identifying and implementing new labour market integration processes, new competences, new jobs, and new forms of participation, as diverse elements that each contribute to improving the position of individuals in the workforce. Social innovation therefore can be seen as dealing with the welfare of individuals and communities, both as consumers and producers. The elements of this welfare are linked with their quality of life and activity. Wherever social innovations appear, they always bring about new references and processes. Social innovation is different from economic innovation because it is not about introducing new types of production or exploiting new markets in themselves but is about satisfying new needs not provided for by the market (even if market intervene later) or creating new, more satisfactory ways of insertion in terms of giving people a place and a role in production.
European Comission (2011)	Innovations that are social in both their ends and their means – new ideas (products, services and models) that simultaneously meet social needs (more effectively than alternatives) and create new social relationships or collaborations. They are innovations that are not only good for society but also enhance society's capacity to act. Social innovations take place across boundaries between the public sector, the private sector, the third sector and the household
Social innovation Europe (2012)	Social innovations are new ideas, institutions, or ways of working that meet social needs more effectively (than existing approaches).
Bachra, Chisholm, King, Pike and Stanton (2015)	"Social Innovation creates systemic change by engaging the public, private, and non-profit sectors to solve serious social problems that affect the wellbeing of citizens in ways that improve effectiveness, efficiency, sustainability, or justice, such that the value created accrues primarily to society as a whole rather than to private individuals"

Source: Own elaboration based on Michelini (2012).

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participation of different stakeholders from private and public institutions is required and the expected outcome is to create socio-economic value".

Laura Michelini (2012) analyzed social innovation literature in order to capture the common denominators of existing definitions and came out with a list of social innovation's main features. The first feature is the social goal, which refers to generate a positive social impact as for example maintaining quality at a price that is affordable. The second feature is the motivation, which goes from generating profit to only creating social impact. The third aspect is the novelty (i.e. new forms of ideas, activities, products, services, business models), because innovations should be new to the user, the context, or the application. The fourth characteristic relates to the actors that promote social innovation (i.e. governments, private sector, and civil society). The fifth feature is the scalability that consists on increasing the scope or reach of an activity, program, project, or initiative so that it serves more people. The sixth aspect is sustainability, meaning that social innovation must meet economic and environmental challenges.

From a more practical perspective, it is considered as a good characterization of social innovation the one proposed by the European Commission in its reports of 2012 and 2013[12]. In general, social innovation approaches are open rather than closed when it comes to knowledge-sharing and the ownership of knowledge. Tends to be multi-disciplinary and more integrated to problem solving than the single department or single profession solutions of the past. Internally, the main characters are participative and empowered citizens and users, rather than 'top down' and 'expert-led.' The approach is definitely demand-led rather than supply-driven. Interestingly, it is tailored rather than mass-produced, as most solutions have to be adapted to local circumstances and personalized to individuals (European Commission, 2013).

Social innovations can be schematically classified into three broad categories. Firstly, the (generally) grassroots social innovations that respond to pressing social demands not addressed by the market and are directed towards vulnerable groups in society. Second, a broader level that addresses societal challenges in which the boundary between 'social' and 'economic' blurs and which are directed towards society as a whole. Third, the systemic type that relates to fundamental changes in attitudes and values, strategies and policies, organizational structures and processes, delivery systems and services (European Commission, 2011).

Social Innovation Process

Some scholars assumes that social innovation is a process and for such reason have focused on modelling its phases or stages (Bachra, et. al, 2015; European Commission, 2013; Mulgan, 2006). According to Bachra et. al, (2015), stage one focuses on identifying problems and generating ideas for solutions. Stage two involves testing ideas against metrics for success in order to determine which ideas merit the investment of scarce resources. Stage three centers on gaining access to financial and other forms of capital that are necessary to expand an innovation beyond the pilot-project stage. Stage four incorporates examination of what has occurred so far, assessment of what new priorities have emerged as a result, and determining how to institutionalize and build upon the innovation project.

Mulgan (2006) suggests that the first stage of an innovation is to identify an idea of a need that is not being met and couple it with an idea of how it could be met. The second phase involves taking a promising idea and testing it in practice. The third stage of the process comes when an idea proves itself in practice and can then be grown, replicated, adapted, or franchised. In a fourth stage, innovations continue to change, learning and adaptation turns the ideas into forms that may be very different from

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the original. The author explains each of the phases and exemplifies them for social innovation. He also clarifies that the linear account innovations provides a useful framework, but not necessarily, the stages are always consecutive.

For the European Commission (2013), social innovation describes the entire process by which new responses to social needs are developed in order to deliver better social outcomes. This process is composed of four main elements. The first one consists of the identification of new/unmet/inadequately met social needs. The second regards the development of new solutions in response to those social needs. The third, lies on the evaluation of the effectiveness of new solutions in meeting social needs. The last one entails the process of scaling up the effective social innovations (European Commission, 2013).

Regarding social innovation inhibitors, The European Commission have identified three main obstacles to the development and mainstreaming. First, the traditional risk-averse and cautious organizational cultures of administrations. Second, closed systems which favors single-issue solutions developed within clusters of organizations, lacking mutual awareness, communication, networking and trust, fragmented capacities (resources, infrastructures and intermediaries) and skills (training, design tools, monitoring, validation and evaluation) preventing the development of a rich 'eco-system' for enabling social innovations. Third, insufficient stable, seamless and sustainable funding throughout all stages of the innovation cycle (European commission, 2011). The field of social innovation remains fragmented and there is a need for more developed networks as well as innovation intermediaries for brokering the connections needed to nurture and scale up social innovations. To sum up, inhibitors of a social innovation are power monopolies, restrained communication and lack of independent sources of money.

From the point of view approached in this chapter, which is on social innovations that derives on replicable models and programmes, two drivers of innovation are identified. On the one hand, innovation becomes an imperative when problems are getting worse, when systems are not working or when institutions reflect past rather than present problems. On the other hand, awareness of a gap between what there is and what there ought to be, between what people need and what formal institutions (e.g. governments, private firms and NGO s) offer. Such gap is constantly widened by a variety of factors, as is the emergence of new technologies and new scientific knowledge (Mulgan, et. al, 2007).

ECONOMIC VALUE CREATION

The primary purpose of business is to create and maintain value (Sirmon, Hitt & Ireland, 2007). Consequently, understanding what value is and how value is created has attracted scholars' attention over the past decade (Anderson, Narus & van Rossum, 2006; Bowman & Ambrosini, 2009; Lepak, Smith & Taylor, 2007). Different lines of inquiry have emerged regarding concepts like social value (Dees, 1998), shared value (Porter & Kramer, 2011), co-creation value (Prahalad & Ramaswamy, 2004) and collaborative value (Austin & Seitanidi, 2012). Social value refers to the combination of resources, inputs, processes or policies to generate improvements in the lives of individuals or society as a whole. Shared value focuses on identifying and expanding the connections between societal and economic progress. The concept rests on the premise that both economic and social progress must be addressed using value principles. Co-creation value suggest that both the firm and the consumer jointly create value, and the aim is to create experiences more than just product or services. Finally, collaborative value refers to value that is created by the independent actions of one of the partners or it can be created by the conjoined

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actions of the collaborators. It is noteworthy to mention that this is not an exhaustive list of the different approaches regarding value and value creation, but an example of the variety.

Some of the main arguments proposed in previous studies regards the source of value creation and the level of analysis (Lepak, et. al, 2007). In particular, Bowman and Ambrosini (2000) introduced and differentiated two types of value at the organizational level of analysis: use value and exchange value. On the one hand, use value refers to the specific quality of a new task, product, or service as perceived by users in relation to their needs, such as the speed or performance level. On the other hand, exchange value is either the monetary amount realized at a certain point in time, when the exchange of the new task, good, service, or product takes place, or the amount paid by the user to the seller for the use value of the focal task, job, product, or service (Lepak, et. al, 2007). The exchange value derives from different point of views, for example Moran and Goshal's (1996) formulation of value creation as arising from the combination and exchange of resources.

Furthermore, previous studies have indicated that value creation is a dynamic and multi-stage process involving different users of value (O'Cass & Ngo, 2011). For example, economic actors as firms, customers, resource suppliers, employees (Bowman and Ambrosini, 2000) and targets of value like individuals, firms, consumers, government, society (Lepak, et. al, 2007). Based on Bowman and Ambrosini arguments, it can be said that value creation depends on the relative amount of value that is subjectively realized by a target user or buyer, who is the focus of value creation. Such target could be an individual, an organization or a society, and value realization must at least translate into the user's willingness to exchange a monetary amount for the value received.

In other words, it can be said that economic value is one of many possible ways to define and measure value. In addition, that economic value creation is generated in business when customers are willing to pay more than it costs to produce the good or service being sold. The profit (revenue minus costs) that a venture generates is a reasonably good indicator of the value it has created (Dees, 1998). Also in business, value creation occurs via the process of innovation, whether that is innovation in strategy, business model, products, processes, or services (Bingham & Spradlin, 2011). It is well known that customers are more willing to pay for innovative products or services, but also that returns above average are obtained when innovative strategies and business models are well implemented in organizations. In the next section, the relationship between social innovation and economic value creation is detailed, at an individual, organizational and regional level.

SOCIAL INNOVATION AND ECONOMIC VALUE CREATION

On the one hand, measures of economic value are standardize and commonly supports the basis for most economic activities in the world. It is based on individual preferences, choices and tradeoffs, given certain constraints as income or available time. On the other hand, social value is created when resources, inputs, processes or policies are combined to generate improvements in the lives of individuals or society as a whole. Social innovation is in the middle of such continuum because it creates socio-economic value by making use of resources, inputs, or processes; increasing the value of these inputs, and by then generating cost savings for the public system or environment of which the entity is a part (Emerson, Wachowicz, & Chun 2001).

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Social innovation can deliver socio-economic value by developing a prosperous economy, providing equal opportunities, and ensuring environmental sustainability, which impact directly to the wellbeing and quality of life of citizens. It can do so by unleashing the creative potential of public policymakers, non-profit operators, social and traditional entrepreneurs, and for profit companies. Programme and policy design can yield successful innovations that are both scalable and make a difference at the societal level (European Commission, 2013). If applied well, social innovation can deliver using fewer resources, for such reason, the challenge for policy makers is to identify which ideas are the most promising to take to the pilot stage, and to identify which pilots are best able to improve on existing models of practice. Then selecting from among those pilots, the projects that should be implemented to become sustainable ventures and the ventures that should be scaled up to achieve systemic changes (European commission, 2013).

A natural environment to foster social innovation are the so-called social innovation ecosystems (SIE). A SIE is a deeply inter-connected set of actors, institutions, and resources that combine to produce new ideas, organizations, and innovations. In order to be sustained over time, social innovation must take place within a dynamic ecosystem characterized by continual realignment of actors and resources that promotes harmonious system growth and agility in response to changing internal and external forces (Bachra, Chisholm, King, Pike & Stanton, 2015).

Examples of activities that generate socio-economic value are supported employment programs for the disabled or homeless, job training or entrepreneurship programs, or other initiatives that provide employment for those presently receiving public support and divert individuals away from public systems and toward private markets. In this sense, entrepreneurs and universities can contribute to social innovations and to economic development.

On the one hand, according to Schumpeter (1936), entrepreneurs are the innovators who drive the "creative-destructive" process of capitalism. In his words, "the function of entrepreneurs is to reform or revolutionize the pattern of production." They can do this in many ways: "by exploiting an invention or, more generally, an untried technological possibility for producing a new commodity or producing an old one in a new way, by opening up a new source of supply of materials or a new outlet for products, by reorganizing an industry and so on." Schumpeter's entrepreneurs are the change agents in the economy. By serving new markets or creating new ways of doing things, they move the economy forward. On the other hand, universities can provide the training to increase entrepreneur's abilities and possibilities to have success. In addition, the connectivity and physical infrastructure, as well as the human capital are assets that academic institutions can facilitate to promote entrepreneurship.

In the next section, a model to promote and encourage successful entrepreneurship, based on the participation of a University, its students and professors, all of them aiming to have an impact on economic development is described. Such model, contains the different stages where the entrepreneurs should develop competencies and skills to create social enterprises. In addition, the entrepreneurs count with the mentoring from the teachers and the students, whom monitors the process and facilitates the networking. This model is named SERCREA + Model, and according to the reviewed literature it could be characterized as a social innovation.

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MBIP AND SERCREA + MODEL

Some scholars have identified that the mechanisms for social innovation are the exchange of ideas and values, shifts in roles and relationships and the integration of private capital with public and philanthropic support (Phillis, et. al, 2008). According to Mulgan and his colleagues (2007), there are some opportunities for new creative solutions that could become social innovations: Rising life expectancy, growing diversity of countries and cities, stark inequalities, rising incidence of long-term conditions, behavioral problems of affluence, difficult transitions to adulthood and happiness. As is stated, sometimes, social innovations are initiated and encouraged by actors that shift their conventional role, as in this case a university getting involved in promoting economic development.

Micro Business Incubator Program (MBIP)

One particular model promoted at the Tecnológico de Monterrey is the Micro Business Incubator Program (MBIP), that is part of the strategy to foster the economic development of Mexico, aiming to support entrepreneurs in the growth and progress of their micro enterprises. The main objective of the program is that entrepreneurs develops the skills that help them to increase and strengthen their own business, as well as productive projects that promote social mobility in order to increase the quality of life and social inclusion.

The specific objectives of the MBIP are the following:

1. To form social leaders through the integration of young people in higher education system in the task of advising micro enterprise.
2. To enable growth and consolidation of existing microenterprises.
3. To promote and provide entrepreneurial culture accessible to all people.
4. To provide training, information and networking with other entrepreneurs, as well as access to distribution channels to promote their products.
5. To provide microcredit alternatives to support the growth and strength of existing microenterprises, and financing new projects.

The MBIP boots the development of existing micro enterprises through productive strategies by identifying business opportunities that advance the economic development of the country with strong bases. The stages of incubation model include three phases, accordingly with the maturity level of the micro enterprises Pre-incubation, Incubation and Post-incubation. It is worthy to mention that along the three phases tutoring service and expert advice is offered.

In Pre-incubation, entrepreneurs receives basic training and defines a structured idea. Moreover, in order to develop a viable project, the entrepreneur has the opportunity to take different business courses like marketing, finance, operations, legal aspects, among others.

In Incubation, entrepreneurs start operations in their own businesses, develop different business skills in order to survive the Death Valley (i.e. a business development stage where most of the companies die) and implement intelligent business strategies. Along this stage, special mentors and advisors in different business areas support entrepreneur's decisions.

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In Post-incubation, entrepreneurs have to achieve growth and consolidation of their micro enterprise. In addition, a business assessment by a public or private structure is performed. Entrepreneurs initiate their own board of directors in order to receive recommendations about the progress of their businesses. At this stage, entrepreneurs have meetings once a month and follow the action learning dynamic that consist in talking about their own businesses experience and share solutions with the rest of the group to particular problems.

The MBIP model was successful and well implemented by Tecnológico de Monterrey, but somehow required a complementary approach. For such reason, the SERCREA + model was proposed and implemented in one particular location of the university. In the next section, such model is described.

SERCREA+ Model

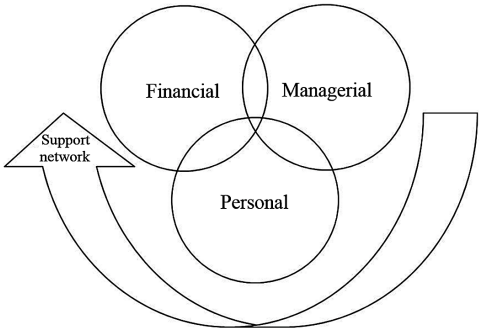
In Mexico, most of the management programs focus on the economics of the company and not so much on change management as an essential element for the training of entrepreneurships to ensure their medium and long-term sustainability, as well as to increase their productivity. One way to deal with this problem is through the SERCREA+ model that facilitates creation and development of new businesses in Mexico, in order to allow the emergence and formation of high-quality entrepreneurships to enhance Mexican business activities (Muñiz, Galindo & Méndez, 2012). In particular, through the SERCREA+ model it is possible to assist managers and business owners in carrying out the following tasks:

1. The prior feasibility of the project,
2. Consultancy,
3. Training,
4. Technical assistance, and
5. Follow-up of productive initiatives developed by individuals and social groups.

According to Guzmán and Santos (2001), the development of an entrepreneur should cover three dimensions: personal, financial and managerial (Figure 1).

Traditionally, a lot of attention has been given to the financial and managerial areas through excellent management training programs and funds specifically designed for entrepreneurs. However, SERCREA + posits its success on the personal sphere, as it is vital to encourage the entrepreneur to move forward. In the next paragraphs, each of the elements of the models is explained.

Figure 1.



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Phase One: Personal Sphere

The personal sphere is the starting point for the work of mentors (i.e. mainly professors) and students. The purpose is to identify entrepreneur's attributes and motivations, as well as considerations of the business environment. The personal sphere contains:

1. **Personal Characteristics of the Entrepreneur:** It assesses whether the entrepreneur has leadership traits, perseverance, compliance, etc.
2. **Motivations:** It diagnosed entrepreneur's ability to identify an opportunity, the evaluation of such idea and its relationship with the entrepreneur.
3. **Environment:** It analyzes the context in which the entrepreneur is immersed.

Phase Two: Financial Sphere

The financial sphere refers to the viability of the business idea and the entrepreneur's abilities to work with resources. At the intersection between personal and financial sphere, the entrepreneur's life plan is developed together with the mentor. In such plan, the person's dreams and desires are visualized and detailed in goals.

Phase Three: Managerial Scope

In this sphere, the success chain proposed in the Model SER + (Sánchez, 2006) is created. The success chain highlights the humanistic vision of the company and shows how to use the business to make entrepreneur's dreams a reality. In this model, the company, the dreams and the environment connects in a single system.

On the one hand, the SERCREA+ model focuses on the quality of the entrepreneur. SER + (Sánchez, 2006; Walton, 1986; Shewhart and Deming, 1939) is a model of integral development based on the hypothesis that the company would be as efficient as is the manager, and that any one individual would be as good as a director as he is a person (Sánchez, 2006). The model is based on the following elements: S = dream; E = execute; and R = review. On the other hand, also focuses on the CREA + (Muñiz, Galindo & Méndez, 2012) which includes the process and management of the performance of the business, in particular on Analyzing, Structuring, Building and Redefining (i.e. CREA + by its acronym in Spanish).

The model considers a continuous process including a change management spiral model focused on the quality of the person and of the company (Walton, 1986). Its component Dream (Sánchez, 2006; Walton, 1986; Shewhart and Deming, 1939) refers to the self-motivation an entrepreneur shows when carrying out an entrepreneurial activity; therefore, it collects the entrepreneur's personal philosophy. The Execute element (Kaplan & Norton, 2004; Senge, 2006; Imai, 1986; Bolton & Thompson, 2004; Argyris & Boocock, 2002; Minniti & Bygrave, 2001) refers to the way in which the business activity generates goods and services. Finally, Review (Kaplan & Norton, 2004) is the act of making diagnoses to measure indicators of each of the procedures carried out by the manager, which are then compared to short-term objectives in order to find trends that allow the achievement of long-term goals.

SERCREA + is a model proposed to:

1. Promote local economic development and people skills.

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2. Incorporate a system to encourage production and business activities of individuals and social groups.
3. Promote, through academic Micro Planning classes, prospective schemes of self-sustaining productive projects for local development.
4. Monitor the performance of the projects and their impact on capacity building and social organization.
5. Create a support network among entrepreneurs aiming that project initiatives have an immediate impact.
6. Promote a culture of entrepreneurial support among Monterrey Tec students to live the experience as a learning process and not only as an activity to approve the subject.
7. Raise awareness among faculty mentors, which will act as class leaders and in turn monitors the development and progress of business projects.

Phase Four: Support Network

After starting the company, the Mentors support the students by tracking the development of the company with experiential learning tools to achieve a support network "Club of Entrepreneurs". In other words, the Club is a group of entrepreneurs that regularly meet to discuss common problems and possible solutions. They meditate and learn from their experiences, while strengthen their social network. Thus, entrepreneurs have access to a system of aid and contacts that connects them to the business world and the socio-economic structure. At the end, entrepreneurs become independent business owners.

In the next section, it is described the implementation of a pilot project based on the SERCREA + Model, which followed a case study approach.

SERCREA+ Model: Implementation of a Pilot Project

The operation of the model requires a feasibility analysis before another activity. Such analysis aims to identify the potential entrepreneur, the viability of its business project and the possibility to develop the project in the community where he or she lives. Afterwards, the development of a business plan starts, in order to incorporate marketing, operations, human resources, and the financial side. Then, it is necessary to work with the entrepreneur's personal finances in order to teach them to distinguish the money from the family and the company. Later, entrepreneurs work with a business simulator in order to learn how to start a business and to take decisions in a controlled environment but with real business experiences. Finally, the microenterprises starts operations with mentors support and the support network is formed.

Table 2 shows the stages, activities, roles and final products in the implementation of the SERCREA + model.

As presented in Table 2, students and mentors performed different roles throughout the process. They are:

1. Headhunters, to identify those with potential to be a successful entrepreneur;
2. Entrepreneur counselors, when working with entrepreneurs to maximize their potential;
3. Business advisors to meet specific situations in different areas of the company;
4. Instructors, by transferring knowledge in an academic way; and
5. Supervisors, when accompany the process, summarize the results and make corrections.

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Table 2. Summary of the implementation of the proposed model "SERCREA +"

	Stage	Activity	Mentor Rol	Final Product
Personal	1	Identify the entrepreneur	Headhunter	Diagnosis of entrepreneurial profile
	2	Explain and design with the entrepreneurial life plan	Instructor - Advisor	Entrepreneur life plan.
	3	Identify with the entrepreneur the business ideas	Business Advisor	Idea description and evaluation
	4	Analyzing environmental	Executor	Evaluation of the opportunities and threats of the entrepreneurial environment
	5	Analyze the potential environmental impact of the project	Executor	Rubric of the possible environmental impact of the project
	6	Develop pre-feasibility Project	Executor	Pre-feasibility of the project to determine if it continues
Financial	7	Develop the business plan with the entrepreneur	Executor	Business plan
	8	Train entrepreneurs in family finances	Instructor	Family financial plan for the entrepreneur
Managerial	9	Play the business simulator	Facilitator	The entrepreneur understands the business life cycle.
	10	Train entrepreneurs in business management (Metodo SER+)	Instructor	Activities plan to implement and managerial the business
Network support	11	Frequent visits from the mentor to the entrepreneur business	Advisor and supervisor	Tracking and monitoring
	12	Create and develop the support network	Facilitator	Support network for the entrepreneur

Source: Own elaboration based on Muñiz, Galindo, and Méndez (2012).

The SERCREA+ Model assumes the following methodology:

1. The company started with a dream and goals that generally arise from the entrepreneur's personal or business philosophy.
2. Business philosophy founded a group of policies that govern each of the strategic activities of the company, by a group of procedures for each of the links in the chain of success.
3. The entrepreneurship proceeds to design and to enforce the activities proposed by the policies designed.
4. The established procedures produce results that must be reviewed by a battery of diagnostics and must be compared with the original dream goals.
5. The review could imply, if difficulties in achieving the goals appear, the introduction of decisions to correct the situation, trying to obtain continuous improvement and the achievement of the dream goals.

The action learning methodology (Gill & Beaty, 1992; Torres, 2005; Wenger, 1998; Taylor & Thorpe, 2004; Argyris & Schön, 1978; Revans, 1983) refers to the formation of networks of support (Wenger, 1998) to enable the entrepreneur to create a working group, stating that through a learning process (Argyris & Schoön, 1978; Dewey, 1999; Thompson, 2006; Argyris & Boocock, 2002;Wenger, 1998)

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experience (Boussouara & Deakins, 1999; Sullivan, 2000) and reflection (Argyris & Schön, 1978), he can obtain more and better solutions to the problems that arise in the business activity.

Case Study

The objective of the pilot implementation was to identify which where the main variables that positively impact into the development of a sustainable social entrepreneurship during a particular period. The analysis performed consisted on an analysis of hierarchical clusters in order to search for groups on a set of observations. According to the criterion of similarity or distance, those belonging to the same group were considered to have similar aspects, while those that belong to different groups were dissimilar. In this case, the analysis started from a situation in which each observation is a cluster that joins in successive steps, so that finally all the observations are in a single cluster.

Tecnológico de Monterrey is a Mexican educational institution with presence in the national territory through 31 campuses, in 25 cities, and internationally in 11 countries through 20 locations and liaison offices[3]. This Institution is one of the largest private universities in Latin-American with over 90,000 students at high school, undergraduate and graduate academic programs. The university has an educational offer of 60 undergraduate programs, 42 masters and 12 Ph.D. graduate programs[4]. Such programs are accredited by recognized organizations as the EQUIS European Quality Improvement System; and more recently 5 stars at the QS Stars University Rating[5].

Additionally, the institution transfers knowledge to create, develop and grow businesses through 15 technology parks, a network of 33 business incubators and 16 business accelerators; thus contributing to the generation of employment, the development of an entrepreneurial culture and the strengthening of the national economy. Some of the results of such efforts are: 4,417 companies supported by incubators, 323 by accelerators, 170 companies by technology parks; and 19,419 jobs generated from 2009 to 2012.

In the case study, the SERCREA + program took place with a total group of 25 microenterprises located in the region of Querétaro Mexico. The whole program was supported by the Entrepreneur Academy of the Tecnológico de Monterrey Querétaro. In the program, 25 students leaded by a Mentor monitored and tutored the micro entrepreneurs.

In order to obtain a greater impact on the sample group, the micro entrepreneurs were segmented according to their maturity level (See Table 3):

Plan A: Carried out the design and creation of the company;
Plan B: Was the starting point of the company;
Plan C: Focused on the growth of the company; and
Plan D: Was the completion and development of the company.

The selection process began with a personal interview with each of the entrepreneurs and business owner. The topics were the business idea, their interest in starting a business, their skills and motivations, the time they want to devote to their projects and its short, medium and long-term objectives. The information collected allowed the correct assignment to the right stage.

The sessions of the Club of Entrepreneurs were held every three weeks for six sessions. A group of business owners meets to discuss topics of interest, learned from their own experiences and established business networks.

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Table 3. Stages of SERCREA +

	Project Status	Class	Points to Develop		Network Support
			Company	Entrepreneur	
Preincubation	Idea	Planning A (Profile A)	Pre - Diagnosis	Person	Tracking and monitoring
			Deep diagnosis		
			Action plan		
		Planning B (Profile B -$)	Pre - Diagnosis	Person / Financing	
			Action plan		
			Implementation		
Incubation	Startup	Planning C (Profile C)	Deep diagnosis	Person / Managerial	
			Action plan		
			Implementation		
		Planning D (Profile D -$)	Deep diagnosis	Person/ Financing/ Managerial	
			Action plan		
			I Implementation		
Postincubation	Business strengthening	Entrepreneur Club	Entrepreneur meetings	Network support between entrepreneur	

Source: Own elaboration.

During 10 months, a SERCREA+ pilot program was conducted. A final survey was designed and responded by the 25 micro entrepreneurs. The survey focused on the following stages: 1) assessment of the idea, 2) entrepreneurial profile, 3) environmental impact, 4) pre-feasibility of the project and 5) life plan. The research design was approached with a mixed method, because the survey included qualitative and quantitative data.

The variables for the analysis were:

P1: Impact on the creation of enterprises;
P2: Improvement of the product or service;
P3: Increase in sales;
P4: Generation of profits;
P5: Generation of employment;
P6: Creation and sustainable development of the company;
P7: Documenting business processes; and
P8: Club of entrepreneurs.

The questions designed for each of the variables are the following:

1. Do you consider that SERCREA+ model could have any impact in the creation and development of entrepreneurs' projects and micro-enterprises?
2. Does the SERCREA+ model contributed significantly to improve the product or service of the projects of entrepreneurs and micro - enterprises?

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3. Does the SERCREA+ model contributed significantly to achieve an increase in sales for the projects of entrepreneurs and micro - businesses?
4. Does the SERCREA+ model contributed significantly to assure that the projects of entrepreneurs and micro-enterprises have profits?
5. Does the SERCREA+ model contributed significantly to assure that the projects of entrepreneurs and micro-enterprises create jobs?
6. Do you consider that the model could be crucial in the creation and sustainable development of the projects of entrepreneurs and micro-enterprises?
7. Do you consider that the model would help to document the key processes of the projects of entrepreneurs and micro-enterprises?
8. Do you consider that regular meetings with entrepreneurs (support network) are fundamental in the creation and development of the projects of entrepreneurs and micro-enterprises?

Furthermore, a contingency analysis was performed in order to present different scenarios based on qualitative assumptions. The scenarios allowed identifying if an interaction between the variables existed.

The results provided an interpretation for the following hypothesis:

H1: The creation of a group of support (Entrepreneurs Club) is essential for the creation and sustainable development of enterprises.
H2: SERCREA+ model is essential in the creation and sustainable development of entrepreneurship projects. In this case, it also relates to increasing sales and to employment generation.
H3: SERCREA+ model is positively related to the increase in sales of the company.

Results

264 responses were obtained from the final survey. Such responses were grouped and organized into clusters in order to better understand their responses. The clusters are the following:

Cluster 1: 7 Mentors (PM).
Cluster 2: 194 students (A).
Cluster 3: 12 expert consultants (EC).
Cluster 4: 5 Micro Coordinators (CM).
Cluster 5: 25 Social Entrepreneurs (ES).
Cluster 6: 11 Successful Entrepreneurs (EE).
Cluster 7: 5 Experts on Poverty (EP).
Cluster 8: 5 Government Officials (FG).

The results of the contingency analysis are described in the next lines.

1. From the people that agreed that the Entrepreneur Club is fundamental for business creation and that SERCREA+ Program has and impact in the creation and development of enterprises:
   a. 84.6% confirms that the Program contributes to improve their product/service companies.
   b. 85.6% confirms that the Program is essential for the creation and sustainable development of the company.

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   c. 83.5% confirms that the Program can help to document the key business processes.
2. From the people that agreed that the SERCREA+ Program is essential for the creation and sustainable development of the company and the Program has and impact in the creation and development of enterprises, 95% confirms that the Entrepreneur Club is essential for business creation.
3. From the people that agreed that the Entrepreneur Club is fundamental for business creation and that SERCREA+ Program contributes to improve their product/service companies, 96.2% confirms that Program is essential for the creation and sustainable development of the company.
4. From the people that agreed that the Entrepreneur Club is fundamental for business creation and the SERCREA+ Program contributes to improve their product/service companies, 95% confirms that Program can help to document the key business processes.
5. From the people that agreed that the SERCREA+ Program is essential for the creation and sustainable development of the company and contributes to improve their product/service companies, 94.3% confirms that the Entrepreneur Club is essential for the creation of business.
6. From the people that agreed that the Entrepreneur Club is fundamental for business creation and the SERCREA+ Program contributes for the creation and sustainable development of the company, 97.7% confirms that can help to document the key business processes.
7. From the people that agreed that the SERCREA+ Program is fundamental for business creation and development and contributes for the creation and sustainable development of the company, 95% confirms that the Entrepreneur Club is essential for business creation.
8. From the people that agreed that the SERCREA+ Program is fundamental for business creation and development and the Program can help to document the key business processes, 95% confirms that the Entrepreneur Club is essential for the business creation.
9. From the people that agreed that the SERCREA+ Program contributes to job creation and increased sales, 83.8% confirms that Program helps to generate profits.
10. From the people that agreed that the SERCREA+ Program contributes to generate profits and increase the sales, 68.9% confirms that Program helps to job creation.
11. From the people that agreed that the SERCREA+ Program contributes to increase the sales and generate profits, 68.9% confirms that Program helps to job creation

To sum up, the SERCREA+ program had a positive impact for the Queretaro Region. The variables relating to the generation of employment through the contribution of SERCREA+ model and the creation and development of sustainable businesses with support of the model are related. For such reason confirms H2 y H3. That is, the model facilitates the sustainability of the companies over time, and this allows the creation of jobs. Entrepreneurs club has a significant impact on the creation and sustainable development of enterprises, therefore confirming H1. There is a relationship very significant between entrepreneurs club and increase in sales perhaps because of the advice and experiences of other entrepreneurs.

CONCLUSION

In our economy, new perspectives are required to diagnose the real social problems and to solve them. The multidimensionality by which social innovation is approached, help to diagnose, design solutions and evaluate implementation feasibility, in order to generate positive impacts for the society. In this chapter, it was proposed a model characterized as a social innovation because it facilitated the interaction of dif-

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ferent actors and resources, in order to create socio-economic value. In particular, a university facilitated the access to human capital (professors and students) to micro-entrepreneurs and business owners, as well as infrastructure (physical facilities) to promote the creation and acceleration of micro-businesses. Knowledge creation and sharing was basal for the program, immersed in the whole process, from the planning to the implementation.

The results of the model implementation allowed the identification of interesting points to be considered in the traditional approaches of training and mentorship in entrepreneurship. First, entrepreneurs need a structure to follow in order to be efficient in the activities they performed, but such structure must be flexible and should be adapted according to the personal sphere of each participant in the program. Second, the entrepreneurs club proved to be successful for the participants in the program. Learning occurred by means of structured and formal activities, but also by the opportunity to interact in an informal manner. The club consisted of group sessions taking place regularly where business owners and entrepreneurs got together to discuss interesting topics and share lessons learned in the operation of their business. Third, monitoring and follow up of projects, was also a key activity in the program. Students and Mentors in a planned schedule, assessed the advances and provided support in terms of feedback of the managerial sphere, but mostly in terms of counselling in the personal sphere.

The implementation of the model had important externalities, for example regarding educational aspects. Students were highly involved in the program, sharing their knowledge and helping to solve particular issues to the micro entrepreneurs. Surprisingly, students devoted more time to the projects than the agreed, showed a substantial compromise to find additional resources (e.g. contacts, funds) and felt a sense of belonging by being responsible of a positive impact in their local context. From the educational point of view, students applied in a real situation the concepts revised during the academic course, which can be translated as Learning by doing. Professors that acted as mentors guided the students but also updated their knowledge by being close to experts and business owners.

Social innovation contributes to economic development, therefore it may be considered in the sectorial government plans. For such reason, an effective assessment is essential to ensure a good level of understanding of what social innovation can achieve, and how it can be developed quickly but competently. That means having in place metrics and knowledge on the field of social innovation for policy-makers. Nevertheless, the assessment is not easy because of a variety of factors. The complexity of relationships in social innovation makes it hard to attribute effects, therefore qualitative assessment are needed to reveal the essence of what is often a complex picture; The mutability of social innovation, particularly at the prototyping stage; The lack of knowledge regarding the concept; Its cross-cutting nature, because is not a specific sector it is not an easily defined activity; lastly, the diversity of measures of impact. Many tools and frameworks are available – each with different concepts and metrics. For example, SROI is a model that derives a monetary figure to show socio-economic impact. The two key indicators are based on monetary measures and can be collected through a randomized survey of program users. The results, therefore, provide quantitative evidence as to whether a program is having an impact on the financial situation of participants and assesses the level of impact on the larger economic environment (Bernard, 2003). As a future research line, development and testing of assessment models is the most prominent one.

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KEY TERMS AND DEFINITIONS

Action Learning: A method to solve complex problems through implementation and reflection on the results. It is commonly used to support organizational and business development.

Economic Value Creation: The act of creating wealth in a particular context and in a period of time.

Entrepreneurial Club: A group of entrepreneurs that meet frequently in order to support each other and share their experiences.

Micro Business Incubator Program (MBIP): A support program to improve entrepreneurial skills and competencies in three dimensions; personal, managerial and financial.

SERCREA + Model: A theoretical model that approaches the development of the three spheres of entrepreneurship (personal, managerial, and financial) in order to identify the most important elements in the entrepreneurial process.

Social Entrepreneurship: A way to find solutions to societal problems from a business perspective, and therefore, measured by a positive return to society as well as economic profit and return.

Social Innovation: New ways to overcome social problems in a more effective approach.

ENDNOTES

1 The Social Innovation Europe Initiative (SIE) is a project run by a consortium of partners. It was funded by the European Commission's DG Enterprise and Industry.

2 Guide to social innovation. European Commission (2013).

3 Tecnologico de Monterrey website. http://www.itesm.mx

4 Tecnologico de Monterrey anual report.

5 QS Top Universities website. http://www.topuniversities.com/universities/tecnol%C3%B3gico-de-monterrey-itesm/undergrad

6 OECD Social entrepreneurship and Social Innovation. http://www.oecd-ilibrary.org/industry-and-services/smes-entrepreneurship-and-innovation/social-entrepreneurship-and-social-innovation_9789264080355-50-en

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Chapter 19
The Business Model of a Public Social Partnership: Contextual Determinants

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ABSTRACT

The authors discussed the dynamic evolution of the public management manifesting innovative and collaborative methods of social service delivery transcending the public authorities' individual boundaries. The chapter purposely presented the inter-organizational cooperation and public social partnership as an effective business model for public/social value creation unleashing the potential of public organizations and empowering social actors in democratic and collaborative policy/decision making. The chapter identified two public social partnerships in Poland and Spain. The research was conducted in the regime of constructivism. As suggested by R. Rorty (1982), the researchers posed a question as to why the research was being conducted and then adapted the research strategy to it (a case study). In order to analyse obtained data, the so-called thick description was used revealing the contextual determinants that influence the architecture of the researched models.

INTRODUCTION[1]

A fundamental problem faced by the developed countries is to find such practices for public funds management that will allow for the effective achievement of social goals defined in the process of political choices made by citizens. As a consequence, the governments of many countries undertake initiatives aimed at the reform of the public sector (Pollitt & Bouckaert, 2000). One of the key issues for the public

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sector is the effective provision of social services to citizens. Innovative solutions in this area often involve the cooperation between organisations that adopts the institutional format of a public social partnership.

The effective operations of a public social partnership rely heavily on the selection of organisations that will act as partners. The resources, values and goals of these organisations should be matched in such a way that the outcomes they produce can contribute to the creation of social value expected by stakeholders. The business logic of the public services where production and consumption occur simultaneously and involve co-production between professionals and users, leads the public management models into a new direction of inter-organizational network and sustainability growth mechanisms. Public services, as the result of complex service delivery systems being relational and process-based, require functional architecture and sustainable business models (Osborne, Radnor, Vidal, & Kinder, 2014, pp. 167-169). The reform strategies and business models for public services delivery need cultural change within public sector (Osborne, Radnor, Vidal, &Kinder, 2014, p. 169) and thus, this chapter aims to identify and compare the building blocks of the business models for public social partnerships established to provide social services. Therefore it examines some examples from Poland and Spain.

The chapter structure starts with a brief summary about the current need for innovation in the social service delivery systems, which gradually leads to the public social partnerships overview as a new significant model of inter-organizational collaboration for more effective social service identification, design and the social needs fulfilment. While the new social delivery systems are becoming highly complex, the authors discuss the business model definition and architecture that is relevant for public social partnerships. The authors refer to the Osterwalder's and Pigneur's (2002, p. 5-23) definition that describes the business model as a firm's architecture and its network of partners for creating, marketing and delivering value and relationship capital to one or several segments of customers. For better understanding of the building blocks of the networking architecture, the authors present two examples from Poland and Spain on the basis of the proposed Business Model Canvas that enables to analyse the sustainable business models of the sophisticated public social partnerships.

BACKGROUND

The harmonious development of a state is only possible if social needs that are satisfied with public funds are identified correctly. The institutional state ensures the fulfilment of social needs recognised by citizens as important and its obligation is to build the effective system for the provision of social services that meet these needs. It is in the process of determining social policy goals that the decisions on what services are necessary and how they should be delivered are made, while practical measures that allow for the implementation of these decisions are part of public management.

Social policy is a concept commonly used in public space to describe the socio-economic outcomes of a state's activity as a public authority. The scope and depth of the measures adopted in social policy practice reflect the economic, political and legal doctrines pursued by a given state. Additionally, social policy practice is also the product of historical and ideological conditions. Contemporary researchers increasingly often endorse the idea that the way in which social policy goals are pursued is strongly affected by a society's organisational culture and its manifestations in collective and individual activity.

The analysis of the Polish and Spanish social policy – or rather the way in which it is implemented – supports the assumption that it should gradually evolve towards the solutions that embrace institutional change defined as social innovation, the essence of which is cooperation on all organisational levels

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– between organisations representing all sectors of the economy – and empowerment. All European trends in social policy management recognise the dominant role of initiatives aiming at the inclusion of a variety of actors in the process of pursuing social policy priorities in creating the rules for socio-economic growth (Grewiński, 2014). This means the necessity to build models embracing the cooperation between different organisations.

In terms of the scientific discipline of public management, the proposed thesis translates into the necessity to create organisational conditions conducive to the effective delivery of social services.

So far, the observation of practice supports the statement that organisations working together, choosing common goals and jointly deciding on how to use their resources often develop an ability to create new structures. The new structures, taking advantage of adopting the idea of collaboration, are capable of generating more positive outcomes than each of the organisations operating on its own.

In the public sector, the entities that create network relationships are a relatively young organisational phenomenon, the origin of which should be linked with the growing popularity of the idea of collaboration between organisations from different sectors. The emergence of network organisations offers a response to the challenges of practice, where it has been noticed that the solving of complex problems requires varied skills and resources, often held by many different actors of the economic life – not only businesses, but also public institutions and non-governmental sector organisations (Czakon, 2005, pp. 429-437).

New forms of cooperation between different actors, in particular partnerships and alliances, require such management practices that will facilitate the processes involving clashing interest and coordinate joint activities – hence the need for research into and reflection on them.

Social services – as services of general interest SGI, of which they are one component – underpin human dignity and guarantee the universal right to social justice and to full respect of fundamental rights, as set out in the *Charter of Fundamental Rights of the European Union (2000)* and in international commitments such as the revised European Social Charter and the Universal Declaration of Human Rights. The purpose of social services is to ensure social, territorial and economic cohesion by implementing the principles of social solidarity. The significance of social services for building the foundations of a modern state's growth was first strongly emphasised in the Lisbon Strategy, only to return in the *European Parliament resolution of 14 March 2007 on social services of general interest in the European Union*,[2] and Europe 2020 strategy

In terms of theory, the last conclusion the researchers observes the shift of the research focus from an individual organisation to the emerging multi-actor cooperation formations treated as social innovations (Wronka-Pośpiech, Frączkiewicz-Wronka, & Lara Montero, 2015, pp. 27-43).).

Social innovations play a crucial role especially in the sectors where the existing models of innovation are unsuccessful, obsolete or unable to take advantage of the opportunities arising in the environment (Mulgan, Tucker, Ali, & Sanders, 2007). These sectors are primarily education (Loogma, Tafel-Viia & Ümarik, 2012, pp. 1-19), health care (Beinare, McCarthy, 2012, pp. 889-893), environmental protection (Maruyama, Nishikido, & Iida, 2007, pp. 2761-2769), public finance (Philips, Laforest, & Graham, 2010, pp. 189-199), public and social services (Teets, 2012, pp. 15-32) and urban planning (Moulaert, Martinelli, Swyngedouw, & González, 2005, pp. 1969–1990). The literature review (Nicholls & Murdock, 2012; Caulier-Grice, Davies, Patrick, & Norman, 2013) reveals that social innovations emerge in the context of the following five areas:

- Social transformation (the role of civic society in the process of social changes and the role of social economy and social entrepreneurs in achieving economic growth and social integration;

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the role of business in social change – corporate social responsibility and the role of enterprises in implementing the next wave of innovation and productivity through focusing on 'social' areas such as education or health care);

- Organisational management model (developing business strategies, embracing changes in human, institutional and social capital, which enhance organisational efficiency and improve competitiveness; organisational restructuring, the modernisation of industrial relations, and improved human resource management; non-profit management);
- Social entrepreneurship (developing new and innovative ways to deal with social challenges by engaging 'socially sensitive' entrepreneurs. Social enterprises are, first of all, enterprises with a social purpose and their surpluses are reinvested in the organisation);
- The development of new products, services and programmes (fulfilling social needs, innovations in the public sector and public services delivery by social enterprises and organisations of civic society; the delivery of public services and other redistribution means in the manner that can ensure budgetary savings in the welfare state);
- Governance as a management model manifesting the strengthened position and increased capacity of social institutions (enhanced relationships between different social actors, the improved skills, competences and social capital of social actors engaged in the development and implementation of social and economic programmes and strategies) (Wronka-Pośpiech, 2015, p. 128).

In further considerations, social innovation will be understood as a management model, clearly manifested in the concept of governance. In this particular case, the model of governance that is slowly becoming a new paradigm for organisations delivering social services and, more widely, for social policy the tasks of which remain within a state's remit, but are nowadays increasingly frequently performed by actors from different sectors.

There are numerous attempts to introduce changes in the public sector policy framework and architecture, both in the European Union (e.g. Joinup, the common portal for e-Government solutions) and globally (e.g. the OECD's Observatory of Public Sector Innovation) (European Commission, 2013a, p. 5). The necessity for innovation in the public sector has been underlined by the European Union in the recent research proving that there is a call for the 'New Public Movement' (European Commission, 2013b, p. 1). The latest comprehensive report of the Expert Group on Public Sector Innovation (European Commission, 2013b) describes the motives and significance of change and the crucial steps in the powering of the public sector and the creation of its new architecture. Relating to the report's findings, 'there is an urgent need to power innovation within the public sector itself in order to unlock radical productivity improvements and efficiency gains, to foster the creation of more public value and a better response to societal challenges' (European Commission, 2013b, p. 1). The European Union proposes four principles of the public sector innovation movement: (European Commission, 2013a, p. 6)

- Co-design and co-creation of innovative solutions (with other Member States, other
- Parts of government, businesses, the third sector and citizens);
- Adopting new and collaborative service delivery models (across public, private and non- governmental actors, both within and across national borders);
- Embracing creative disruption from technology (the pervasive use of social media,
- Mobility, big data, cloud computing packaged in new digital government offerings);
- Adopting an attitude of experimentation and entrepreneurship (government itself

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- Needs to become bolder and more entrepreneurial).

Moreover, the change in the paradigm of public/social services delivery and changes in the environment cause that the process of providing complex and innovative services requires today inter-organisational collaboration irrespective of the sector in which an organisation operates (Agarwal & Selen, 2009, pp. 431-475; Lewandowski, 2013a).

The key drive of the public sector innovative actions is the proper value delivery determined by the frequently changing society requirements. From the general viewpoint, each organisation that strives for success in the modern competitive global market needs to create new value embedded in its products or services. Accordingly, public organisations aiming to operate effectively in the so-called new economy should seek a model that will allow them to deliver high quality services to citizens. The understanding of the notion of "value" may vary. Koźmiński and Jemielniak (2008) state that "value is something precious, something that people desire, strive for and act in order to get" (p. 419). The simplest way – typical of market organisations – is to define value in terms of above-average profit. Obłój (2002) proposes that a firm creates new value when it generates profits that are above the industry average and when they exceed alternative, safe ways of investing. In the situation when an explicit measure of success such as profit is not available, it becomes much more complicated to clearly define what constitutes profit for the customers of public organisations and what they perceive as desired value. This difficulty also translates into problems involved, on the one hand, in the identification of the factors contributing to the success of public organisations, on the other hand, of the ways of achieving this success.

The analysis of the reference literature confirms that value creation in every organisation stems from the application of such management methods that ensure concentrated effort, bring the focus on key value creating factors and their adequate integration, and facilitate the process of making strategic and operational decisions. As a result, an organisation's success relies on whether it can act in an integrated manner allowing for the flexible adjustments to the requirements of the market and environment, in other words, whether it is able to design and implement a business model for its operations. To perform this task, it has to identify value creating factors, define the areas where value is created, and discover the method for its creation. Every organisation creates value for its key stakeholders, while each participant of the economic and social process creates specific added value, contributing to the value chain. The key stakeholders, that is everybody who has a vested interest in the value created by the organisation, can be defined as: partners who benefit from their contacts with the organisation in terms of an increase in the value that they achieve; the organisation as such or rather different groups of its internal stakeholders; intermediaries who deliver value between the organisation providing the product and its end users. In this context, Moore's concept of public/social value is of particular relevance (Moore, 1995; Moore, & Khagram, 2004). Although the notion itself comprises the word "public", it is worthwhile to mention that in his texts the author uses it interchangeably with "social". The concept focuses more on understanding what creates this value and how it can be applied to the public management perspective rather than defining the final outcome. In this article, the Authors concentrate on the approach proposed by Moore in 1995, which proposed what the managers of institutions that are not profit-oriented should do in order to deliver value to society. Based on a series of interviews that he conducted with public administration workers, Moore concluded that the greatest difficulty lied in defining the goals, determining the methods to achieve them and measuring the outcomes in such a way that local communities perceived them as valuable. The conceptualisation of the goals important for all the stakeholders appears to be a critical factor for initiatives undertaken in the public sector and determines the overall framework for a relevant

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business model. The observation of the practice of public organisations indicates that the collaboration of actors in the area of public/social service provision is becoming a value creating factor increasingly often (Frączkiewicz-Wronka, Szołtysek & Kotas, 2012, pp. 231-255). In public management practice, the collaboration between organisations from different sectors – aimed at the effective pursuit of shared goals – is becoming necessary (Frączkiewicz-Wronka, 2011, pp. 72-81). The well-designed configuration of partners within the collaboration framework creates an opportunity to develop and implement such a business model for a public social partnership that will respond to the needs emerging in a local community and that the outcomes achieved as a result of its operations will contribute to the survival and growth of the organisations making up the partnership though the creation of the desired public/social value.

THE SIGNIFICANCE OF INTER-ORGANIZATIONAL COLLABORATION FOR THE EFFECTIVE FULFILMENT OF THE NEEDS IDENTIFIED AS SOCIALLY IMPORTANT AND THE EFFICIENT SOCIAL SERVICES DELIVERY

The observed practice of the public sector confirms that public institutions tend to deliver social services within relationships with other autonomous private, quasi-public and voluntary organisations more and more frequently. This trend is one of the symptoms of social, political and economic changes taking place in the last two decades in the concepts concerning the management of the public sphere. Another shift concerns the role of public authorities, which move from their position of a service provider to the role of an institutional facilitator and controller of the process of service delivery as well as a collaboration moderator.

Modern public organisations undertake actions in the public interest and pursue their goals mainly by establishing relationships of collaboration with other organisations or groups of actors in the socio-economic life (Kożuch, 2011, p. 14), because this increases the value of an organisation, as numerous studies confirm (Conteh, 2013, pp. 501-521; Lewandowski, 2013b, pp.172-182). This means that the outcomes of their operations are becoming increasingly dependent on external partners (Frączkiewicz-Wronka, 2012, p. 275; Kożuch & Sienkiewicz-Małyjurek, 2013, pp. 82-95), with whom the inter-organisational bonds are created (Kastberg, 2016, pp. 33-56). As a consequence, the public sector is, to a growing extent, organised and steered by the relationships with external entities (Peters, 1998) and inter-organisational bonds (Hood, 1991).

The evolution – as a consequence of seeking a premium on the value created to meet stakeholder expectations – of the principles underpinning the public sector towards embracing first market mechanisms (NPM) and then network mechanisms (Governance) is a driving force behind the change in the actors operating in the domain of the public sector and it contributes to the development of public management theory. In their search for more effective methods of social services delivery, organisations seek solutions transcending their individual boundaries. An innovation and relational premium can be earned when organisational projects based on the collaboration between actors from different sectors are implemented in practice.

As a result of the emergence of new ways for delivering services, the level of interdependence between actors establishing institutional forms of collaboration is increasing (Klijn & Teisman, 2008). One of the reasons is the willingness, or sometimes even the necessity, to acquire resources that remain at the disposal of other organisations (Frączkiewicz-Wronka, 2014), which creates the need to build new

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organisational projects and, in consequence, the new architecture of collaboration – unique for a given configuration – is developed (Fjeldstad, Snow, Miles & Letti, 2012, pp. 734-750). Bringing together organisations varying in terms of their legal form and ways of operating causes a number of problems in the process of negotiating shared goals and values that need to be defined in order to ensure the proper definition of collaboration principles and the development of a business model.

The fact of collaboration means that the organisations involved in it can be perceived as structures building a unique form of the operation, or rather co-operation, of private and/or social and/or public actors or as formations that are new structures created by the mentioned actors in the pursuit of a shared goal (Kożuch, 2011, pp. 109-134), which is social/public value creation. As Bryson argues (2004, pp. 28), a public organisation that wants to achieve success needs to present to its customers such a set of goals that respond to the questions about what the organisation is, what it does, why it does it, and what value its operations offer to end users. This realisation means moving towards the creation of such a business model that will contribute to the organisation's success in a local community and win the approval for its actions granted by local authorities. The accomplishment of the goals adopted requires the combination of the organisation's decisions and actions such as: participation, designing strategic actions, building a winning coalition, or implementing a strategy. Bardach (1998) defines it as "a method of interaction in a given situation that ensures the achievement of the goals and helps to seize some hidden opportunities to create value" (p. 36).

The process of building collaboration/networks increases the need to identify the conditions and components essential to designing such a business model for collaboration that will give the partners the foundations for long-term growth. The formal expression of such collaboration may be a public social partnership, which may be treated as an innovation.

The Overview of Public Social Partnerships

The new vision of the public sector and the recognition that the government does not hold monopoly in the delivery of social services require a more entrepreneurial and participatory approach of public institutions. Public collaboration with a wider range of partners 'can help unleash the potential of an innovative public sector with the capacity for generating new ideas and implementing them to create value for society, covering new or improved processes (internal focus) and services (external focus)' (European Commission, 2013b, p. 1). Therefore, the OPSI[3] highlights that public results are strongly determined by the contribution from multiple actors (OECD, 2016a), of which public social partnerships are a very significant mode of overcoming the public sector barrier to be transformed into an effective 'growth engine' for the local and European economy (European Commission, 2013b, p. 1).

Partnerships are widely accepted as an invaluable instrument for stimulating more sustainable socio-economic development and they are crucial to achieve the EU 2020 targets in the area of employment, social cohesion, economic development, environmental sustainability and the quality of life within the EU (European Commission, 2013c, p. 2). Nevertheless, the term is not commonly used and understood across Europe. In the literature discussing relations between the state and social partners, a number of terms are used to describe similar arrangements. The social partnership is the most widespread and commonly used term in Austria, Denmark, Germany, Ireland, France, and the Netherlands, whereas the more specific 'concertation' is prominent in Italy and Spain. In Great Britain, the expression that is more common is 'corporatism', which is the form of a social organisation where key political and social decisions are made by corporate groups in conjunction with the government (Boyd, 2002, p. 3).

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"In Austria and many other Western European countries, public policy making continues to be the outcome of explicit negotiated formal or informal agreements between the government and social partners" (Boyd, 2002, p. 4). The social partnership can take different institutional forms across countries but its purpose is the same: "the government is prepared to offer the social partners a role in public policy making" (Boyd, 2002, p. 4).

Through the involvement, adequate consultation and participation of stakeholders, partnerships develop cross-cutting perspectives and integrated approaches to multidimensional problems that are 'too complex and interdependent for any one institution to effectively respond to alone' (European Commission, 2013c, p.1). Thus, public social partnerships are perceived as strategic partnering arrangements enabling more efficient delivery of public services and 'with more person-centred outcomes for users of services, by putting co-production at the heart of service design' (The Scottish Government, 2013, p. 4). With reference to European Economic and Social Committee, (European Commission, 2013c, p. 2) partnerships have become a key instrument of collective commitment and an important policy tool that contributes to better efficiency of public expenditures and public policies. According to ILO,[4] the partnership approach evokes social dialogue that leads to democratisation of social and economic policy-making and reduction of social conflicts (ITC, 2012, p. 13). It reflects the democratic principle, included in Article 11 of the Treaty on the European Union, that representative associations should be able to express their views, to be consulted by, and hold dialogue with the public authorities', and that workers and employers should be 'involved in decision-making on issues that affect them closely.'(European Union, Social Europe Guide, 2012, p. 12). The European Social Fund (ESF) Regulation refers to partnerships as a governance mechanism (ESF Reg., Art. 5) as well as territorial alliances (ESF Reg., Art. 3) 'through stimulating the involvement of diverse actors and approaches; clearly defining target groups, objectives and priorities; and building participatory democracy through collaborative decision-making' (European Commission, 2013c, p. 2). The Copenhagen Centre for Partnership Studies (Andersen & Mailand, 2002) defines the social partnership as a tri or multi-partite arrangement involving employers, trade unions, public authorities and/or others (e.g. the voluntary sector), which is concerned with areas of economic and social policy and might be based on a binding agreement or declaration of intent. Moreover, it does not necessarily require an institutional setting and can be described as a mode of policy making characterised by actively seeking compromise (Boyd, 2002, p. 3).

Nevertheless, public social partnerships are not always easy to set up as they are not suitable for every organisation or service, and they demand accurate level of trust or commitment and proper knowledge or tools to efficiently manage inter-organizational network. (The Scottish Government, 2013, p. 4; Daglio, Gerson, & Kitchen, 2015, p. 32). The European Commission (2013c) underlines the significance of partnerships in the labour market, where public employment services (PES) need to adapt to changing environments and work in close cooperation with other stakeholders to 'maximise job matching, secure pathways for vulnerable groups and improve labour market intelligence in the context of the new skills agenda' (European Commission, 2013c, p. 2). The partnership approach in the labour market area, inter alia, concerns partnerships at the local level between local employment offices and other stakeholders to ensure a co-ordinated strategic service offer and easy referral of individuals to support services and partnerships with employers and providers of education and training services in order to improve the way in which the training offer is tailored to demand (European Commission, 2013c, p. 2). Partnerships enhance competences and resources, which creates the mechanism that helps to solve problems in the labour market more readily than by institutions working in isolation. (European Commission, 2013c, p. 3). Partnerships are also crucial in the design and administration of public pension schemes. They play a

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formal (public pension schemes through tripartite bodies) or informal (permanent, tripartite, or bipartite consultative bodies) advisory role in many European countries. In Belgium, social partners jointly manage the National Pension Office, while in France, they actually supervise the day-to-day management of the national pension fund in the private sector (Duchemin, & Weber, 2013). The more limited role of social partner organisations in tripartite decision-making may be seen in Cyprus, the Czech Republic, Malta and the UK, which can be attributed to different traditions of industrial relations. However, in some countries, such as France, Italy, Latvia, Spain, Poland, Slovenia, or Slovakia, the government is legally obliged to consult social partners via established bodies (Duchemin, & Weber, 2013). Furthermore, Innovation Labs as entities facilitating the development of public social innovation (PSI) models have become an important trend in the recent years. Labs are cross-government bodies or independent organisations whose mission is to generate ideas for the renewal of the government's operations by bringing together small interdisciplinary teams, bridging organisational and sector boundaries, with experience and expertise that reflect the complex nature of policy challenges. Denmark is a leading example in Europe through the establishment of MindLab in 2002 (Leon, Simmonds & Roman, 2012, p. 15; Daglio, Gerson, & Kitchen, 2015, p. 33).

Public Social Partnerships in Poland

In the Polish society, the culture of acting through partnership is growing very slowly and reluctantly, only after three decades following the political transformation. The associations involving inter-organisational collaboration tend to be negative and often relate to such expressions as "connections" or cronyism. This concerns both the social and economic sphere of life and is obviously rooted in the low level of social capital. In the Polish practice of developing inter-sectoral collaboration, Rymsza (2007) indicates three major periods of adopting relevant legislation. The first one is the phase of building space for civic initiatives while at the same time creating a set of "privileges" for formalized forms of civic activity (pp. 23-35). The phase comprised the years 1989-1993 and it was concluded with the adoption of the Act of Law on Associations (1989)[5], creating the legal framework for the realization of the freedom of association, and the granting of tax incentives to non-governmental organisations, which boosted the growth of the third sector organisations. The second period – the years 1993-2001 – was the phase of the declarative support given to the third sector by the state, while in fact its role was marginalized when it came to the social policy reforms.

At that time, the third sector organisations that did not have enough clout to be invited as partners in the social reforms stalled, though it needs to be stressed that the principles constituting cooperation – of subsidiarity and social dialogue – were included in the Constitution of the Republic of Poland. The adoption of this legal norm resulted in the first attempts to launch cooperation on the local level. The third period, comprising the years 2001-to date, has been the phase of defining the principles of inter-sectoral collaboration. The momentous event of the period was the adoption of Act of Law on Public Benefit and Volunteer Work (2003)[6] – the first legal act that regulated the issues relating to non-governmental organisations in a comprehensive manner and imposed the obligation of cooperation between non-governmental organisations and public administration. At the same time, efforts were undertaken to lay the foundations for institutional collaboration and develop standards for its management rules and practices. Collaboration between organisations, as a rule, is initiated to solve social problems through the delivery of social services. The legal act mentioned above addresses the issue of collaboration in a comprehensive way, providing its definition, listing its forms, and describing the rules for its implementation. The main

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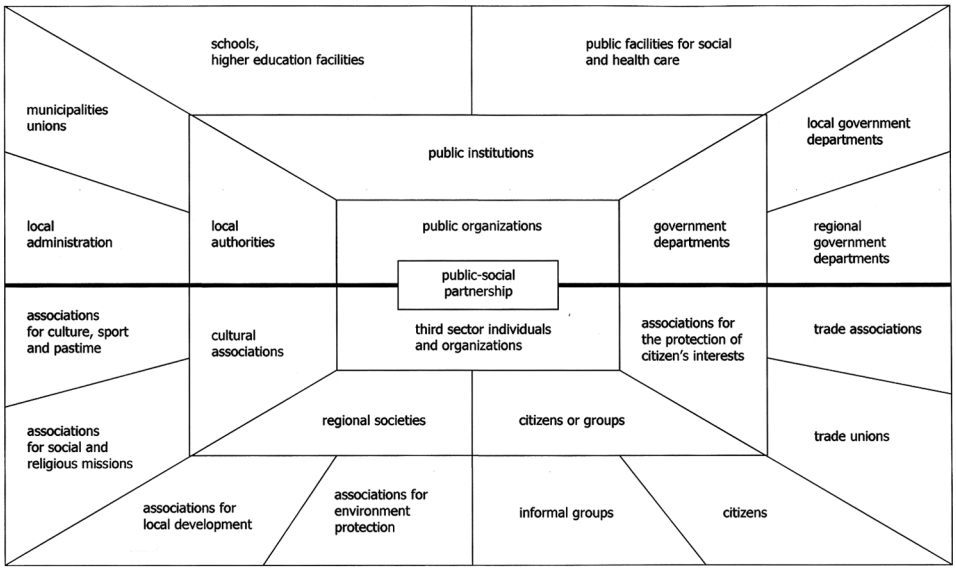
Figure 1. Organisational actors with a legal capacity to cooperate in the framework of a public social partnership
Source: own elaboration



principles determining the model of the cooperation between public administration and non-governmental organisations are the principles of subsidiarity, sovereignty, partnership, effectiveness, and transparency.

The contents of the principles determines the main forms of collaboration between non-governmental organisations and public administration, stipulated by the act of law, and it is these two types of actors that enter public social partnerships. The chart below shows the actors that can form public social partnerships in Poland.

Ontologically, public social partnership is the essence of the constitutional principle of subsidiarity, the special importance of which is conveyed by Luhmann's (1994, p.88) statement: as little state as possible, as much state as necessary. Public social partnership is an expression of public participation and new form of cooperation between local authorities and NGOs.

Public Social Partnerships in Spain

Spain does not have a long tradition of social partnership. For the greater part of the previous century, Spain's historical development was characterised by deep, violent social and political conflicts and confrontation, rather than co-operation and compromise, in industrial relations and politics, which caused the absence of the partnership approach. The constructive dialogue between the government and social bodies has been sporadic since the demise of Franco's dictatorship in 1974. Nevertheless, there was a period when agreements between the government, trade unions and employers were widely used in Spain leading to changes in policy. From 1977 to 1986, a number of income policy "grand pacts" were signed, which was the result of employers' willingness to respond to union strength at a time of immense political uncertainty (Boyd, 2002, p. 37).

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The Spanish Economic and Social Council established in 1991 played a significant role in allowing the economic and social agents to participate in economic and social policy decision-making. The ESC was established to provide a formal channel for the participation of the economic and social partners in the process of introducing laws concerning socio-economic and labour matters, provide a permanent institutional forum for dialogue and debate between social partners and encourage social partners to review and consider economic and social issues (Boyd, 2002, p. 38). The number of partnerships on inclusion as well as on broader employment related issues increased in Spain during the 1980s and especially the 1990s. However, the multiplicity of levels, together with unclear divisions of responsibility led to very little co-ordination. (Boyd, 2002, p. 40). On 20 June 2002, Spanish trade unions called a general strike that was mainly triggered by opposition to the newly announced (May 25, 2002) government reform of the unemployment compensation scheme. One of the main oppositions related to the authoritarian decision making process without consultation of trade unions and social partners (Chabanet & Faniel, 2012, p. 167).

Political conflicts, confrontations, the lack of social dialogue or the participatory approach have caused distrust in the government in Spain. According to the 2013 Eurobarometer, the overall tendency to distrust the government reached 91% of respondents in Spain, which is 26 percent points above OECD-EU countries. The same high level of distrust is also evidenced at the regional/local level, where 78% of respondents do not trust the local authorities. As a result, Spain ranks third among OECD countries with the highest level of distrust of the government, which indicates a significant shortage of involvement of social partners in the policy-making process and the lack of transparency of the government (OECD, 2014, p. 229).

Responding to social challenges, Spain's government became a member of the Open Government Partnership (OGP),[7] a platform aiming to increase standards of Open Government sharing experiences at an international level. The government of Spain considers transparency as a current core principle of public action where only with accessible Public Institutions the citizens can participate in public decisions that concern them with better understanding of the government and higher trust in public decisions (OGP Spain, 2016). The main goal is to transform the bureaucratised, formalist, process-centred model of administration to a new kind of public management with mechanisms that facilitate citizens' direct supervision of public action increasing transparency, accountability and democracy (OGP, Action Plan, 2012, p. 1-2). Within the policies being carried out by the government of Spain, two action plans were published for the periods of 2012-2013 and 2014-2016 (OGP Spain, 2016). The recent commitments relate, inter alia, to public integrity increase through the Preliminary Draft of the Transparency, Access to Public Information and Good Governance Act, which has a three-fold purpose: 'expand and strengthen transparency in public activity, which is set forth as an obligation of the public administration and public agencies at every level; recognise and guarantee access to information, which is regulated as a far-reaching right; and establish the good governance obligations to be met by public officials' (OGP, Action Plan, 2012 p. 4). Additionally, the Spanish government has been recently working on channels and tools to engage the participation of social bodies in policy making and a number of proposals concerning IT projects that have been developed to enable citizen interaction through social networks and web-based technology (OGP, Action Plan, 2012, p. 7).

In recent years, the actions towards public sector innovation have become a strong tendency in Spain and, according to the Observatory of Public Innovation (OPSI), the Spanish government has been promoting innovation activities in the General Framework for the Improvement of Quality of Public Services in Central Administration. A number of initiatives have been implemented, such as the Span-

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ish Inter-administrative Network, created in 2005 as a forum composed of central, regional and local administrations, as well as the National Agency for the Quality Evaluation and Accreditation. It indicates inter-organizational cooperation to share innovative experiences and knowledge aiming at the development of innovative initiatives, public sector management and 'the common framework of continuous improvement and innovation on the road towards excellence' (OECD, 2016a).

A BUSINESS MODEL: THE GENERAL CHARACTERISTICS OF THE CONCEPT

In the reference literature, a business model has not been defined in clear terms yet. The notion of a business model was first used in 1957 to consolidate in the late 1990's. Originally, the notion referred only to the practice of business organisations, but at the beginning of the 21st century it became a management instrument in organisations operating in the sectors that are not profit-oriented. Both in the public and social sectors, this is a new management concept that struggles to win acceptance, because for many years nobody has recognised the necessity of outcome oriented management in such organisations. In the authors' opinion, if an organisation has a proven method of creating, delivering and applying value, it also has a business model. The conviction that a business model is a concept created solely with reference to business organisations is wrong. Every organisation that wants to achieve results, create value and survive in its industry has to clearly formulate and develop a business model as it will not operate effectively without a stable model. It is of no significance whether it operates in the profit-oriented or not-for-profit sector, since all organisations have a business model, although some managers may still be unaware of this. The business model can be treated as a general concept that provides the framework for how the business is run and determines such characteristics of this business as innovativeness or competitiveness. The identification of the components of the business model contributes to the successful definition of value offered to customers, resources, operations, and relationships with partners, which all serve the creation of this value and ensure the success of the organisation. The skills involved in the suitable definition of the business model in not-for-profit organisations are crucial for their success, as they help to concentrate on the elements that contribute to value creation, while a well configured system of connections and causal links between particular components of the business model ensures the accomplishment of the goals designed by the organisation.

While analysing the meaning of the words making up the concept of a business model, the Authors conclude that a model is a simplified image of the reality, while business is an activity involved in value creation (Palo & Tahtinen, 2011, p. 378). The approaches to the business model rely on three basic ways of defining this category.

The first group of definitions relates to the concept of the value chain, the second one to the resource-based view, whereas the third one focuses on the interpretation of the business model as business architecture with the value creation process as its key component. Rudny (2013), quoting Demil and Lecocq, states that, "in general, the category of the business model refers to the description of relationships between elements the co-existence and collaboration of which ensure the creation and delivery of value for the customer and, as a consequence, for the enterprise" (pp. 12-13). Amit and Zott (2007, p. 181) argue that the business model can be treated as a kind of matrix that illustrates how the organisation runs its operations, how it delivers value to stakeholders, and how it links factor and product markets. The design of a business model is primarily affected by the sector since it is the way in which the organisation runs its activity in the environment that it identifies and diagnoses itself. This way embraces a unique

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combination of resources, actions and products and services, offered by the organisation, that ensures the creation of value for the customer.

The successful design of the business model requires the knowledge of the sectoral context in which the organisation operates, as the model has to be rooted in a specific environment that determines the key assumptions adopted for the design and implementation of the activities planned by the organisation. This comprehensive understanding of the context is related to the definition proposed by Johns (2006, pp. 384-388) and places emphasis on such situational opportunities and constraints that affect the occurrence and meaning of the behaviour inside the organisation and of the organisation itself as well as shape the relationships between variables. The context in a narrower sense, on the other hand, can be defined as the aspect sensitizing an organisation to the way how particular environmental factors can act as temporal or spatial determinants of the business model (Cappelli, Sherer 1991, pp. 55-110). The complexity of the context affects the nature of actions undertaken both in business and not-for-profit sectors. Rudny (2013) and Nogalski (2009) alike argue that it is the character of the environment that gives meaning to business models and determines their usefulness.

The Business Model According to A. Osterwalder and Y. Pigneur

Originally, Doubosson-Torbay, Osterwalder and Pigneur (2002, p. 5-23) defined the business model as a firm's architecture and its network of partners for creating, marketing and delivering value and relationship capital to one or several segments of customers in order to generate profitable and sustainable revenue streams. Later on, they offered a more rigorous version of the definition, describing the business model as the conceptual and architectural implementation of the strategy and as the foundation for business processes.According to the scholars, the business model illustrates the fundamental premises for the organisation to create value and earn profits from this value. In general terms, the business model determines the ways of generating revenue in the organisation. A good business model aims to achieve or maintain competitive advantage. The structure of the business model Canvas proposed by the scholars quoted above is built from the sum of resources and actions that a given organisation manages and implements in order to deliver specific value to the specific customer.

The central part of the model is a value proposition. The value proposition for specific groups of customers is the core around which the revenue and cost parts of the business are built. They are arranged against the background of nine key elements, describing the model of every organisation's operations, irrespective of its market position and growth phase, such as: key partners, key activities, key resources, value proposition, channels, cost structure, revenue streams, customer segments, and customer relationships. While analysing the activities of a number of organisations, those authors argued that every business consists of the same areas presented above and they are most suitably represented as a graphic template which clearly shows all the relationships. The business model, on the other hand, is the sum of all the identified and mutually depended elements. When a business model is constructed, the adequate order of accounting for every element has to be maintained – the first one is always the value proposition, marked with digit 1, which is followed by the identification of the customer (who is the target for the value proposition developed by the organisation). The final element in the construction of the model is the cost structure, marked with digit 9. The first two elements are the key coordinating the composition of the resources and actions that are necessary for the creation and delivery of value for the customer. However, more extended business model frameworks have been also elaborated, like for circular economy for instance (Lewandowski, 2016).

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The corporate link of business model has been recently reinvented into social area and public entrepreneurship and its various partnerships in social services delivery. So far, the Lean Model Canvas[8] has been very broadly used among social entities, however, the dynamic development in social economy sector and the turbulent environment has influence the emergence of various types of social bodies, survival strategies, networks or partnerships whose complexity has started to require different and more sophisticated models (Osborne, Radnor, Vidal, Kinder, 2014). The public social organizations have moved beyond traditional and narrow perspective as they are no longer just single organizations but 'systems' that need interactive sustainable models, complex architecture and knowledge that to be successfully transformed into effective public services delivery must by processed through relational mechanisms rather than discrete and transactional ones (Osborne, Radnor, Vidal, Kinder, 2014, pp. 167-170). As the single organizational profitability is no longer a measure of public entrepreneurship sustainability, the Business Model Canvas helps clearly articulate the architecture of the mutually inclusive partners or activities and other symbiotic elements in the inter-organizational network within public services delivery. The social economy development and the cultural change in social organisations has influenced numerous business model frameworks within social sector worldwide. The level of functionality of the social partnerships models and their architecture vary among countries, which encourages to observations and further deeper insight into the models active in Spain and in Poland.

The Identification of the Business Model for a Public Social Partnership Operating in Poland

The partnership that is the subject of this case study was launched in Rybnik, a city located in Upper Silesia (Sielsia Voivodeship, Poland) with the population of 141,400. Despite its dynamic socio-economic growth, it still has the districts where most residents are at the risk of social exclusion, hence the need to undertake initiatives aimed at combating poverty and social exclusion. The observed practice reveals that the highest chances for success lie with activities that are initiated in cooperation with various organisations (public and social) and the local community.

The leader of the partnership is the Social Welfare Centre (OPS), whose employees launched the project "Seize the chance", co-funded by the European Union within the EU Social Fund. The prime goal of the partnership was to raise the level of activity among the residents of the target districts and local institutions so that they could address the problems related to the risk of social exclusion themselves. The aspiration was to develop the model of community work based on cooperation with residents, volunteers and institutions operating in a given district. The conviction was that the initiative should contribute to a change occurring in the local community. In order to formalize the cooperation between the organisations operating for the good of the residents in the district, a public social partnership was established. The leader of the partnership was a public organisation – the Social Welfare Centre – that initiated collaboration with 6 public and 11 social organisations. The partnership was based on the following principles: voluntary participation, the equality of partners, shared goals, the sharing of risks and benefits, the involvement of residents, and supporting local initiatives. The analysis of the operations run by the partnership allowed for the creation of the description of the business model, based on the assumptions developed by Ostewalder and Pigneur (2010) and presented below.

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The Identification of the Business Model for a Public Social Partnership Operating in the Basque Country, Spain

The analysed partnership was established in Gipuzkoa province in the Basque Country in northern Spain. The Basque Country is divided into three provinces: Araba, Bizkaia and Gipuzkoa. The number of population in Gipuzkoa reaches 709,991 in total, which exceeds Araba (321,777), but it is lower than in Bizkaia (1,141,442). Gipuzkoa is the second biggest province in the Basque Country (EUSTAT, 2015).

Currently, there are many initiatives aiming at social innovation in the Basque Country. The Basque Government, for example, has included the promotion of social innovation in several of its plans – the Science, Technology and Innovation Plan and the Public Innovation Plan. The three Provincial Governments of Bizkaia, Gipuzkoa, and Araba have developed different policy instruments for the generation and selection of social innovation initiatives. Importantly, Basque authorities underline that social in-

Table 1. The public social partnership business model in Rybnik, Poland

8. Partners Who are our key partners and suppliers who enable us to create value for our customers?	**6. Key activities** What activities do we have to undertake to make sure our business model works effectively?	**1. Value proposition** What specific value proposition do we address to our customer segment?	**3. Customer relationships** How can we acquire, increase and retain the value of our customer in the long term?	**2. Customer segment** Who is our customer and for whom do we create value?
• Municipal authorities. • Local community. • Other actors operating in the public space on a municipal level, interested in combating and preventing social exclusion.	• Active integration through work-related, educational, health0related and social activation. • Community focused activities – integration oriented initiatives, such as group meetings, picnics, arts, educational, integrational, and cultural workshops, tourist trips. • Community social work – steps, taken by a social worker (or another person), aimed at families and groups excluded from society to help them return to society; creating conditions that will allow them to perform adequate social roles. • Purpose-specific and temporary benefits, educational grants. • The management, organisation and promotion of the partnership.	• Delivery of high quality social services, according to the standards stemming from the principles of social work. • Activating the local community to cooperation and working together towards identifying the needs and developing ways to fulfil them. • Mobilizing grass-root resources and creating the participatory model for solving social problems. • Involvement of people suffering from or at the risk of social exclusion in the life of the local community. • Building social capital as a result of launching Inter-organisational collaboration within the partnership. • Stronger involvement of authorities in the process of the diagnosis of social needs and the innovative delivery of social services.	• Professionalism. • Customer satisfaction. • Status. • Trust. • Reliable information. • Inviting customers and their families to the process of need identification. • Inviting customers and their families to the process of service delivery.	• People suffering from and/or at the risk of social exclusion. • City residents living in the area where the partnership operates.
	7. Key resources What resources do we need to make sure our business model works effectively? • Skills and qualifications of employees in partner organisations. • Expertise and information held by partner organisations.		**4.Channels** What channels can we use to deliver our product or services to our customers? • The website of the partnership. • Social media. • Local media. • Field social workers. • Local social activists and animators.	
9. Cost structure What are the fixed and variable costs of our business model?			**5. Revenue streams** In return for what, how much and in what way do we receive financial means from our customers?	
• Wages. • Costs of training and professional development of people employed in the organisations constituting the partnership. • Operational costs related to the operations of the organisations constituting the partnership. • Cost of the delivery of social services, e.g. training workshops, integration trips.			• Initiatives assigned to the partnership are financed within the system project which gave the basis for the establishment of the partnership. • Potential additional funds provided by the municipality. • Potential additional funds provided by sponsors.	

Source: Osterwalder, A., & Pigneur, Y. (2010). Business Model Generation. New Jersey: John Wiley & Sons, Inc

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novation is a strategy 'tackling the issues that really matter and doing so in a different way' (Agencia Vasca de la Innovacion, 2016, p. 1). Thus, they are exploring a participatory system for democracy and developing models for citizen participation and involvement in discussions and public decision making to combine different resources and processes to create public value. The focus is on shared social learning with the objective of generating new perspectives, new partnerships and new solutions that result in experimental projects. 'Basque institutions are helping to create a "market" which supports social innovation by incorporating it into their management process and into government structures and instruments (legislation, institutional development, etc.)' (Agencia Vasca de la Innovacion, 2016, pp. 1-2).

In general, social innovation initiatives have strong roots in the Basque history, which provide the solid base for the future participatory approach and partnerships. The model developed through an organisation called GUREAK was initiated four decades ago by CSO Atzegi Association sponsored by the local government. The association is aimed at rights and social integration of people with disabilities in Gipuzkoa (Mair & Noboa, 2003, p. 3). The main mode of the mission accomplishment is through the employment dimension. In the first phase, 1970-1975, Atzegi acted alone, but the mission of the social integration of disabled people through work required extensive resources. Acting in isolation, the CSO Atzegi Association did not have a capacity to manage the process effectively, therefore, in 1975, they chose to create a corporate structure called Gureak, with the non-profit corporation as their legal form, which developed into one of the foremost organisations in the field of social and work integration. It provided 2,008 jobs in 1997, of which only 174 where for people without disabilities (Mair & Noboa, 2003, p. 3; Vidal, 2014, p. 6). Relating to the latest data from 2015 (Gureak, 2016), it currently provides more than 5000 jobs, of which 84% are for people with disabilities including intellectual (36.7%), physical (23.9%), sensory (6.8%) and mental (15.5%). Today, it forms the Gureak group with investors and partners from public, social and private sectors, creating multi-sectorial cooperation to solve employment related issue in an effective manner.

Gureak has established strong cooperation with 2 local public authorities – the Gipuzkoa Government and the San Sebastian City Hall. The partnership is crucial in terms of financial support and the legal agreement to jointly manage public facilities and share activities in the same area. Additionally, Gureak has 3 shareholders in the third sector, namely the Kutxa Foundation, the Atzegi Association, and ILUNION. Atzegi, the pioneer of the Gureak group, is the leading shareholder with a 32.19% stake (Gureak, 2016).

The Gureak group has had a cooperation agreement with the province of the Gipuzkoa Government renewed annually since 1986. The government delegates the right to Gureak to manage a public service towards inclusion in the employment dimension (Vidal, 2014, p. 7). Furthermore, the local government funding accounts for 4.2% of the Gureak group's income, which is mainly devoted to the itinerary service focusing on the activities related to disable people in the area of personalized job match process, further professional training, adaptation, and the monitoring of the work integration success. Additionally, the Basque employment service cooperates with Gureak with respect to their mutual agreement providing the grant that accounts for 8.4% of the Gureak group's income (Gureak, 2016).

To facilitate the mission of work integration, the Gureak group has established strong cooperation with large and medium-sized companies operating in the Basque Country and it performs business activities in the following areas: industry, marketing, and services. The business corporations cooperating with Gureak comply with the legislation, which requires them to directly or indirectly create employment for people with recognized disadvantages (Vidal, 2014, p. 7).

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The Gureak networking structure is unique in its form as it has been initiated by the social body rather than the public one and it has gradually involved public authorities to obtain the legal right to operate in the area of social services delivery and support local authorities in tackling the issue of exclusion. It acquired shareholders from the third sector and business partners from the private sector to increase resources and capabilities to entrepreneurially reach the political goal of work integration and fulfil legal obligations stemming from the public social agreement.

SOLUTIONS AND RECOMMENDATIONS

The capacity to fulfil the undertaken objectives of the analysed partnership is related to the ability to design such a configuration of partners, in which skills, values, and the sense of community are used in the right way, and within which organizations gather and share resources, activities and protocols, procedures and infrastructure that enable effective cooperation between multiple actors.

The two researched models have unveiled that the value proposition and the shortage of resources or knowledge crucial to design or deliver proper service or value are the key and primary determinants that precede the partnership model and its architecture building. The agreed value pursues the selection of partners, whose participation affects the process of service delivery to target customers. Additionally, the need for high quality service requires professionals, so the analysed networking structures involve entities specialized in the area of social inclusion in order to avoid potential limitations of proper service delivery. In both cases, the engagement of public authorities in the networking structure results in the transparency of public institution positively influencing the process of democratic decision-making and collective social services delivery.

Value Proposition

Both partnerships generate value in the employment dimension aiming at social integration. The partnership in Rybnik in Poland aims at the social integration of people excluded from the labour market through interactions with the local community evoking participatory approach and co-production of social services for the effective inclusion of the target group into the market. The partnership in Gipuzkoa, the Basque Country, Spain, is aimed at the social integration of disable people through work. It pursues its objectives by engaging social bodies to share responsibilities and knowledge and working with business partners to facilitate the achievement of its mission, which, in turn, leads to the creation of political and social value through collaboration with partners in the private sector. While in Rybnik initiatives are mainly focused on activation and mobilisation of the local community and the target group in seeking solutions, the Basque partnership focuses on delivering ready-made solutions and the effective implementation of the strategy for stable work opportunities for people with disabilities. The strategy requires collaboration with partners from public and social partners as a foundation and private partners in the area of the idea enforcement through advanced business activities. Both partnerships create value that would not be effectively delivered by organisations acting in isolation.

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Customer Segments

The two partnerships models act in the employment dimension supporting groups excluded from the market or at the high risk of exclusion. The partnership in Rybnik, Poland, is aimed at people excluded from the labour market in the city districts that are affected by poverty. Additionally, it focuses on the local community, which is constantly being mobilized and stimulated to create its own initiatives seeking solutions to its problems. The partnership model in Gipuzkoa, the Basque Country, is aimed at people with intellectual, mental, sensory and physical disabilities in the Gipuzkoa Province – the created networking structure employs 5000 people and 84% of people with disabilities are directly or indirectly employed by the partners within the chain.

Customer Relationships

Professionalism and trust are the key customer relationship traits shared by the two partnerships in Poland and Spain. It might be assumed that trust is the effect of the bottom-up approach involving families, local communities and the affected group into the co-production of the delivered services. The networking structure in Poland strongly highlights the participatory approach of the local community and families during the process of creating the best strategy for the affected group to support them in the adaptation to the current labour market needs. The model in Gipuzkoa is significantly focused directly on the affected group monitoring their skills and abilities or potential limitations to ensure effective participation of disable people in the labour market. Professionalism stems from knowledge sharing among partners in the chain. In Gipuzkoa the network involves, inter alia, the CSO Atzegi Association or the Department of Mental Health providing crucial information about disabled people, while in Rybnik it embraces, inter alia, the local community and local authorities providing comprehensive data about the affected region and group. Interestingly, the partnership in the Gipuzkoa Province focuses on the personalised relationship with respect to the specific type of disability, which requires accurate analysis, research and individualized approach/relationship increasing the effectiveness of the job match process and the productive participation of every single disabled person in an organisation

Channel

The channels of value delivery differ with reference to the specific customer segments. The partnership model in Poland focuses on active presence in social media, offering and promoting their services through social networks and social portals to the local community. In contrast, the partnership model in Gipuzkoa targeting disabled people does not consider social media as an effective mode of communication and value delivery with respect to varied limitations of specific disabilities (more than 30% of people with mental disability; see Table 2). Social media are used as a channel to reach or update families of disabled people about current actions, as the relatives are involved in the process of the individuals' professional development and self-esteem/relationships building. However, both partnerships underline the importance of direct contact, where social or welfare agents contact personally with the local community (Rybnik) or professionals that work with disabled people on an individual basis, matching their skill to the specific type of work and preparing them for active participation in the labour market (Gipuzkoa). Additionally,

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Table 2. GUREAK – the business model of the public social partnership in Gipuzkoa, the Basque Country, Spain

<table>
<tr>
<th>8. Key Partners
Who are our key partners and suppliers who enable us to create value for our customers?</th>
<th>6. Key Actions
What activities do we have to undertake to make sure our business model works effectively?</th>
<th>1. Value Proposition
What specific value proposition do we address to our customer segment?</th>
<th>3. Customer Relationships
How can we acquire, increase and retain the value of our customer in the long term?</th>
<th>2. Customer Segments
Who is our customer and for whom do we create value?</th>
</tr>
<tr>
<td rowspan="3">• Public institution (Gipuzkoa Government, San Sebastian Town Hall) as investors and partners that collaborate through grants
• Third sector: (Atzegi Association, Foundation Kutxa, ILUNION) as investors and as collaborating organisations
• Private sector: as organisations that demand the Gureak services, and as organisations that comply with the mission of social integration of disabled people through work</td>
<td>• Active collaboration with public institutions to share activities in the area of work integration of disable people
• Active collaboration with social bodies in terms of knowledge sharing towards accurate design of social services in the area of work integration of people with disabilities
• Active collaboration with business partners to achieve the goal of social integration of disabled people through work
• Active collaboration with business partners that are obliged to comply with the mission through employment
• Service of professionals to fit the demand and supply of jobs and to adapt jobs to each person's needs with reference to the disability
• Professional service of monitoring the process of job adaptation and further integration of disabled people
• Service of professional trainings to prepare disabled people for work
• The generation of five main advantages of the work integration process of disable people: self-esteem enhancement, relationship building, social inclusion, professional development and organisational participation</td>
<td rowspan="3">• The generation and the management of stable employment opportunities for people with disabilities
• Bottom-up approach towards work integration of people with disabilities
• Sharing activities in the area of work integration of disabled people with the Gipuzkoa Government
• Delivery of social services in the employment dimension to disabled people through advanced business/entrepreneurial activities</td>
<td>• Professionalism
• Trust
• Personalized and individualized relationship tailored to the specific needs of each person/worker with respect to different disabilities</td>
<td rowspan="3">• People with disabilities: intellectual (36.7 %), physical (23.9%), sensory (6.8 %), mental (15.5 %)</td>
</tr>
<tr>
<td>7. Key Resources
What resources do we need to make sure our business model works effectively?</td>
<td>4. Channel
What channels can we use to deliver our product or services to our customers?</td>
</tr>
<tr>
<td>• Entrepreneurial knowledge to conduct business activities
• Professional knowledge of working with disabled people (CSO Atzegi Association as an initiator that originally aimed at work</td>
<td>• Families of the disable people
• Different associations
• Public Social Services
• Department of Mental Health
• Professionals that cooperate individually with disabled people</td>
</tr>
</table>

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Table 2. Continued

	integration of disabled people was/is the key source of knowledge while closely cooperating with the group helping in the accurate design and social service delivery) • Legal agreement with the Gipuzkoa Government to obtain the right to deliver social services • Legal agreement with shareholders to comply with the Gureak mission and to regulate the relationship • LISMI Law (Law 13/1982) Law on Social Integration – it states that all Spanish companies (..) whose workforce exceeds 50 workers, must have the 'booking fee for persons with disabilities'. Namely, the booking of 2% of the positions for people with a disability equal to or greater than 33% (DEMA, 2016)		• Professionals that provide training to disabled people	
9. Costs Structure What are the fixed and variable costs of our business model?			**5. Revenue streams** In return for what, how much and in what way do we receive financial means from our customers?	
• 42.8% purchases and external expenses • 12.6% wages for people who are not disabled (professionals and managers managing the Gureak group (operational costs of managing the network inside the group) • 30.3 % wages for disabled people • 2.9% social security contributions • 11.5% other expenses			• 84.3% sales • 4.2 % local government grant • 8.4% grant of the Basque employment service • 3.2% other revenues	

Source: Osterwalder, A., & Pigneur, Y. (2010). Business Model Generation. New Jersey: John Wiley & Sons, Inc

the partnership model in the Basque country uses the channels of institutions such as the Department of Mental Health, the Public Social Services, or other local associations that have direct contact with disabled people and their families, which facilitates effective communication and value delivery.

Revenue Streams

Both partnerships have varied streams of financial support. The partnership in Rybnik as an initiation based on European programme is primarily supported by the European Union grant. The Gureak group as an organisation active on the market generates a high percentage of its income from regular business activities. However, both partnerships are financially supported by local public authorities: the Rybnik organisation receives the grant from the municipality, while in Gipuzkoa the partnership obtains the

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government grant from the Gipuzkoa Government or the Basque employment service grant. Importantly, the key public and social partners of the Basque partnership are also investors holding stakes of varying size. In Rybnik, the additional stream of revenue relates to potential sponsors, which does not guarantee regular income in comparison to the Gureak group with official and stable investors from public and social bodies (e.g. Atzegi, the Kutxa Foundation or the local government[9]).

Key Activities

The key activities in both partnerships focus on work integration services of the chosen customer segments (see Table 2). The main activities of the Basque partnership are highly specialized as they focus on one concrete customer segment including people with four types of disabilities. The key activities of the partnership in Gipuzkoa can be divided into legal activities formalizing the partnership and assigning responsibilities to public authorities, social bodies and private actors, and issue-oriented activities aiming at the employment challenges in the chosen customer segments including professional training and development, the job match and adaptation process, or further monitoring. The partnership in Poland offers a wide of range of activities in the area of active integration through numerous events with the local community and the target group in a form of specific group events, formal or informal meetings or workshops, and, additionally, temporary welfare support with respect to the social welfare service regulations.

Key Resources

Both partnerships use knowledge as the key resource for building the 'architecture' necessary for value proposition delivery. Knowledge is the determinant of the partnership's success, the basis of and the driving force behind the partnership model creation as well as the important resource needed to pursue the agreed mission. It is especially evident in the partnership active in Poland, where qualified workers in the chain are crucial to effectively interact with the local community to build networks and develop the participatory approach. Additionally, the knowledge of the involved public institutions and social partners is necessary for the delivery of secondary data that can be further re-used and updated through direct interactions with the community resulting in higher reliability of the data affecting the process of social services delivery in the region. In Gipuzkoa, the primary source of knowledge for the analysed partnership is the Association CSO Atzegi (see section 6.3), which specializes in the social integration of disabled people. The professional approach, the database and the long existence of the association in the centre of the affected group are a significant base for the partnership and Gureak itself, as they allow the networking structure to effectively design the accurate social service towards the successful integration of disabled people in the labour market. Apart from the knowledge about the target group, Gureak's mission of social inclusion through work requires specific resources to fulfil the mission in the real market, demanding entrepreneurial knowledge to achieve and, even more importantly, maintain the value proposition through advanced business activities. Nevertheless, the whole process of the mission active enforcement would not be possible without significant legal resources in the form of the agreement between the Gureak group and the Gipuzkoa Government on sharing activities in social service delivery in the area of employment of disabled people and the legal agreement between Gureak and

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private enterprises that subscribe to its mission and comply with the Spanish LISMI law imposing the 2% employment of disabled people provided that the enterprise exceeds 50 workers – including alternative measures.[10]

Key Partners

The key partners are the strong determinant of the partnership's proper functioning and the creation of the networking structure. Different social services require specific 'architectures' of service delivery, so the selection of partners is preceded by the process of seeking additional resources by a single organisation aiming at overcoming limitations of value delivery. The two analysed cases present a pressing need for building partnerships allowing for capability enhancement. Both models involving public authorities, social bodies and private actors reveal the significance of network building in the successful achievement of the common mission through, inter alia, closer cooperation, risk and knowledge sharing among chosen partners. Interestingly, the partnership in the Basque Country was initiated by the social organisation (CSO Atzegi Association; see section 6.3) rather than the public one and it has gradually involved public institutions to increase resources and capabilities of the Gureak group to share activities and achieve the common goal. Comparably, in Poland the partnership was started by the public institution (OPS; see section 6.2) and it has been gradually involving social actors to increase the potential of public activities in social services delivery. In the two analysed areas, the created network adopts the participatory approach creating the bottom-up model of solving social issues, where the leading organisations (Gureak – Gipuzkoa, OPS – Rybnik) are at the centre of the target group and use social partners (associations, foundations, public authorities, volunteers) for, inter alia, knowledge enhancement and professional design and delivery of social services. Both network structures are characterized by mutual benefits where the public sector is 'unblocked' by sharing the responsibilities in the area of social integration with other partners and the social and business entities are empowered through financial and legal support by the public authorities.

Costs Structure

The costs structures of the two analysed partnerships cover the operational expenses for managing the network including administration and communication processes. Both models employ professionals, who need to be remunerated, that manage the whole architecture and interact with other partners in the chain. The Gureak group employs approx. 20% of people without disabilities including professionals and approx. 80% of people with disabilities (see section 6.3) and the partnership model covers the compensation for both of the group. Moreover, the leading organisation of the partnerships determines the costs structure. Therefore, the Basque partnership includes expenses for business activities as the Gureak group is a social economy enterprise with a strong presence in the market. The costs structure of the partnership in Poland mainly includes salaries and costs of the professional trainings of the employees involved in the network and costs of the social service design.

Value creation resulting from inter-organisational collaboration established in the public and social sectors is facilitated by democratization and decentralization, dynamic technological advancements, limited resources, and increasing organisational inter-dependencies, which generate the need to undertake initiatives stimulating cooperation between organisations. It is also relevant that information necessary to implement a given project is part of the resources held by many actors (a single organisation does not

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have knowledge on all the aspects of a specific problem) and organisations are becoming increasingly specialized (they are often specialists in their area, so projects require inter-sectoral cooperation). In this situation, non-governmental organisations are growing in importance, as their role in the democratic society is gradually becoming more significant. Responding to these challenges, the modern state builds formal foundations for non-governmental actors.

FUTURE RESEARCH DIRECTIONS

The dynamic evolution of the principles underpinning the public sector towards embracing first market mechanisms and the networking structure as driving force behind the change in the actors operating in the domain of the public sector, contributes to the new vision of the public management whose innovative approaches require future theoretical and empirical elaboration. The chapter presenting possible departure from the state monopoly in the public sector, and moving towards the search for effective solutions of delivering services to citizens, prepares and introduces future research relating to social innovation, its adaptation and outcome. The gradually developing phenomenon of public social partnerships provides significant base and data for further observations that should encourage researchers to deeper and wider insight to the appearing models architecture. The chapter limits the application of the concept of partnership only to the cases in which the objectives of collaboration go beyond the usual consultation process, without detailed descriptions of, inter alia, implementation process, administrative and management structures within particular partnership. Therefore, it is a perfect area of future analysis towards contextual external and internal determinants of the individual models efficiency and the potential risks in the turbulent environment. In addition, partnerships differ strongly from the perspective of inter alia, subject of cooperation, value proposition and cultural background, which limits the assessment process of universal success determinants of the partnerships and it rises a challenge for future researchers. The analysed partnerships in the chapter pose a question about the level of cultural interference into the public management development and partnerships in varied countries. Moreover, the two analysed models have unveiled differences in the partnership leadership, which pursues future research directions to analyze the influence of the partnership leader on the partnership effectiveness.

CONCLUSION

Generally speaking objectives formulated by a partnership are characterized by the fact that without the cooperation of stakeholders from different sectors these objectives could not be reached, and the source of the cooperation are the people and their behaviour. This means that although the public-social partnership is a relationship between institutions (more or less formalized, or curbed by rules), its actual results are most frequently determined by interpersonal relationships between individuals jointly performing a task for a local community, as it is the individuals who create institutions and determine their character. A partnership is thus a reflection of interpersonal relationships and, similarly to bonds created by people, it undergoes different phases: integration, relation, normalization and effective cooperation. When forming partnerships, these phases play an important role in defining it as a formalized cooperation between public and social actors, which involves integrating processes, including co-management of the process of formulating a strategy and creating organizational structures. The proposed approach

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limits the application of the concept of partnership only to the cases in which the objectives of collaboration go beyond the usual consultation process, that is to the cases without administrative structures and institutions aimed at implementing a particular purpose. In addition, partnerships differ strongly from other forms of commissioning, which represent a more traditional leadership-representative relationship, with a leader (e.g., department or public body) deciding upon the scope and methods of implementation of the plan on their own, and with the subject of cooperation (e.g., a private organization actively participating in local development) being responsible for the implementation of the decisions issued by the leader. Such a relation does not provide for co-operation in formulating a common policy, since the objectives are defined in a top-down agreement and created independently by a commissioner. Instead, partnerships assume joint objectives and their implementation, agreed and accepted by all parties involved in the decision making process, emerging as a consequence of a designed and deployed architecture of cooperation. The previous considerations clearly emphasize that cooperation between partner organizations emerges in response to identified social problems, and its organizational form might be described as an architectural response to these problems. The necessity to respond to disclosed needs by means of a certain structural form results in the fact that organizational work is undertaken, and the purpose of it is to design such an architecture of cooperation which will support the business model within which it will be possible to achieve the planned objectives.

Value creation resulting from inter-organisational collaboration established in the public and social sectors is facilitated by democratization and decentralization, dynamic technological advancements, limited resources, and increasing organisational inter-dependencies, which generate the need to undertake initiatives stimulating cooperation between organisations. It is also relevant that information necessary to implement a given project is part of the resources held by many actors (a single organisation does not have knowledge on all the aspects of a specific problem) and organisations are becoming increasingly specialized (they are often specialists in their area, so projects require inter-sectoral cooperation). The modern social public partnerships require strategic orientation and sophisticated sustainable business models that are value based and beyond single bottom line as they must face the challenge of sustainability of individual organization and simultaneously the sustainability of social service delivery systems and their governance mechanisms within inter-organizational networks. The new approach moves the public entrepreneurship from traditional models to specialized and effective systems that lead to sustainable innovation in social services delivery (Osborn, Radnor, Vidal, Kinder, 2014). The so far presented considerations head towards an observation that leaders direct and shape their organizations by adapting, accepting and refuting specific aspects of management theory and practice, as well as by creating new ways of managing, better suited to specific objectives. With regard to public-social partnerships, Authors claim that the leader of a partnership becomes an architect who, by rationally choosing elements, creates a properly collaborating whole and business model. The success of a partnership is determined by the knowledge of how to build and sustain a successful inter-organizational collaboration, reliable in the eyes of the partners, stakeholders and the local community. A partnership's leader ability to design such an architecture of cooperation, which will become accepted by potential organizational actors, that is the leaders of partner organizations and their members, affects the capacity to fulfill undertaken objectives and therefore contribute to the ultimate success of a collaboration. Such an approach enhances the status of the concept of *governance* together with its attributes, as the preferred model of management of organizations providing social services in the partnership formula. The ability to design such a configuration of partners, in which skills, values, and the sense of community are used in the right way, and within

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which organizations gather and share resources and protocols, procedures and infrastructure that enable cooperation between multiple actors, becomes crucial to achieving the intended results.

Summing up the threads running through this paper, Authors state that, in the public sector of many EU countries, the management of public programs aimed at providing social services by means of using partnerships has become more of a norm than an exception. This is a consequence of the appreciation of the view, emerging among both practitioners and researchers, that the integration of services through multi-stakeholder networks - by reducing fragmentation and enhancing coordination of services - leads to a more efficient system and thus to better results of operation: customers gain more individual benefit, and cooperating organizations have a better chance to develop.

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KEY TERMS AND DEFINITIONS

Business Model: The organizational architecture that allows to achieve new value, high quality services delivery, efficiency and flexible adjustments to the requirements of the market and environment.

Business Model for Public Social Partnership: The well-designed configuration of partners within the collaboration framework that responds to the needs emerging in a local community and that the outcomes achieved as a result of its operations contribute to the survival and growth of the organisations making up the partnership though the creation of the desired public/social value.

Collaboration: The network relationship of organisations choosing common goals and jointly deciding on how to use their resources developing an ability to create new structures.

Partnership: The networking structure that clashes interest and coordinate joint activities and resources to unleash the partners' potential to solve complex and multidimensional issues or challenges.

Public Management: The creation of organisational conditions conducive to the effective delivery of social services.

Public Participation: The involvement of those potentially affected by or interested in a decision-making process in public sphere.

Public Social Partnership: The multi-sectoral networking structure, taking advantage of adopting the idea of collaboration and capable of generating more positive outcomes and public/social value than each of the organisations operating on its own.

Social Innovation: The solutions that embrace institutional change and appear as a response to the unsuccessful and obsolete models that no longer apply to the changing environment. Social innovation can be understood as a management model, clearly manifested in the concept of governance.

Social Policy: The activity of a state and other actors pursuing pro-social goals, primarily subsidizing social groups that are marginalized or at the risk of marginalization and initiating actions aimed at improving the quality of life and stimulating growth.

Stakeholders: Everybody who has a vested interest in the value created by the organisation.

Value: The above- average profit with reference to market entities and the 'above-average' social services quality and delivery with reference to non- market entities resulting (in both cases) in satisfying the stakeholders' needs.

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ENDNOTES

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2 *European Parliament resolution of 14 March 2007 on social services of general interest in the European Union* (2006/2134(INI))

3 OPSI-Observatory of Public Social Innovation. The Observatory has been developed by OECD and it is led by a Task Force of OECD countries, chaired by Canada and France. It provides practical advice on public sector innovation on the basis of collected and analysed examples and experience (OECD, 2016a)

4 ILO- International Labour Organization, the only tripartite U.N. agency, since 1919 that brings together governments, employers and workers representatives of 187 member States (ILO, 2016).

5 Ustawa z 7kwietnia 1989 r. Prawo o stowarzyszeniach, Dz. U. 1989, nr 20, poz.104

6 Ustawa z 24 kwietnia 2003 r. o działalności pożytku publicznego i o woluntariacie, Dz. U. 2003, nr 96, poz. 873.

7 OGP was launched in 2011 to provide an international platform for domestic reformers committed to making their governments more open, accountable, and responsive to citizens. Since then, OGP has grown from 8 countries to the 69 participating countries. In all of these countries, government and civil society are working together to develop and implement ambitious open government reforms. It brings together governments and civil society organisations as true partners at both the national and international level. At the national level, governments work with civil society organisations to develop and implement their OGP national action plan. Countries are encouraged to institutionalize a mechanism for ongoing dialogue and collaboration between government and civil society (OGP, 2016).

8 Lean Model Canvas is a simple problem-solution oriented approach, it does not lay much emphasis on customer segments, key partners or assessment of the given solution to the identified problem (Canvanizer, 2016).

9 See more at Gureak website (Gureak, 2016).

10 Alternative measures: procure goods or services with a disabled worker self; make donations to non-profit entities that aim social integration of people with disabilities; procure goods and services with a special employment centre (DEMA, 2016).

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Section 3
Tools and Technologies

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Chapter 20
A Framework for Using Crowdsourcing in Government

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ABSTRACT

Crowdsourcing is a concept in which the crowd is used as a source of labor, idea generation, or problem identification. Crowdsourcing originated in the private sector; though with any good private sector practice it is increasingly being utilized in government. This paper provides an overview of the concept of crowdsourcing, gives examples of its use in the private and public sectors, and develops a framework for how governments can begin to strategize and think about crowdsourcing to solve problems when engaging with citizens. The authors' framework is illustrated with a number of cases from current or past uses of crowdsourcing in government. They conclude with important considerations about how governments should strategize their crowdsourcing efforts.

INTRODUCTION

Governments on all levels in the U.S. are beginning to use or contemplate the use of crowdsourcing as a tool to implement policies/programs, engage the public, collect information, or enhance services in some way. The extent of the projects range in size, outcome, collaborative extent and, in many cases, efficacy. Nonetheless, a techno-engaged public capable of shaping how government functions and responds seems to be here to stay and many local, state and federal agencies are taking it seriously. For example, a consortium of about 40 federal agencies have utilized crowdsourcing to develop the U.S.

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Public Participation Playbook (http://participation.usa.gov/). The Playbook "is a resource for government managers to effectively evaluate and build better services through public participation using best practices and performance metrics" ("U.S. Public Participation Playbook," n.d.).

Crowdsourcing is a general term used to describe a variety of ways that organizations, particularly in the for-profit sector, take advantage of the thoughts, inputs and ideas of the public. Daren Brabham (2013, p. xix) defines crowdsourcing as "an online, distributed problem-solving and production model that leverages the collective intelligence of online communities to serve specific organizational goals." We argue for a slightly broader definition of crowdsourcing that can include the coordination of information via the telephone, as well as slightly less advanced technology that can still gather information from the crowd widely and effectively through information technology.

Crowdsourcing is new to many in the public sector, thus guides, like the Playbook, are important for its use. Much of the discussion of crowdsourcing in the public sector has been largely empirical and not grounded in the literature or theories of public administration and policy. By more closely linking crowdsourcing to the public administration and policy literatures we hope to expand the dialogue on crowdsourcing in the public sector.

Crowdsourcing has been discussed as an innovative approach to share knowledge and engage the public. So we enter into this project with an image of a group of public sector managers sitting around a table, discussing ways that technology can be used to improve government services, do more with less, engage the public, and leverage existing resources that are not yet accessed or utilized. We will examine crowdsourcing by looking into what is already understood about knowledge generation and expertise, particularly as they relate to the public sector.

This article provides a framework for public managers to begin strategizing crowdsourcing approaches when engaging the public and implementing new programs. The framework provides a way in which to consider the benefits, potential applications, and determine which crowdsourcing approaches might be most appropriate for a particular case or goal.

Brabham (2013) classified crowdsourcing into four problem-based approaches for governance: knowledge discovery and management, distributed human intelligence, broadcast searching, and peer-vetted creative production. His typology provides a suitable framework for applying crowdsourcing to a specific problem type, but it says less about the decisions and pressures facing public administrators in the management of transactions costs while blending a diverse pool of knowledge developed by the crowd with administrative expertise (or in depth knowledge of a topic). Thus, we take inspiration from Brabham (2013), but our approach goes well beyond what he attempted. This article aims to extend Brabham's typology and provide a foundation of crowdsourcing in the public administration and policy literature by arguing that crowdsourcing may take a variety of distinctive forms, and that each has a different production function requiring varying degrees and types of administrative expertise–at different costs and benefits for governments.

We first describe crowdsourcing and mass collaborations. Next, we provide a brief background on Brabham's typology and explore the literature that forms the basis of our framework for examining crowdsourcing in government. We then offer a number of public sector crowdsourcing case examples to provide context to our proposed framework and discuss how crowdsourcing may shape the role of the public sector. We conclude by elaborating on those conditions or factors that make different forms of crowdsourcing useful for public organizations when making decisions, creating policy, and understanding social problems.

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WHAT IS CROWDSOURCING?

The traditional firm or organization-based collaborative group is purposeful and organized—a group of people who are consciously working together and who have a shared organizational identity driving the collaboration. Contrast this idea to a crowd of people who are all in the same physical location but lack a common purpose or goal and who are not unified by a formal organization. The ambiguity as to what motivates the crowd and how its power can be harnessed is a fertile field for academic study—particularly as it relates to the study of government.

We argue that crowdsourced collaborations are typically less organized and less purpose-driven than those firm-based workgroups or research centers that have traditionally been the source of innovation in the public and private sectors. Crowdsourcing has tended not to seek answers to big questions; rather, it is a production process that seeks a large number of small contributions, ideas, revisions, or corrections to projects and products. Such a mechanism results in a project that might be owned by a company but sourced by the crowd. Also, we are not arguing that crowdsourcing is unorganized or lacks a clear purpose, rather that the formal structures of these collaborative endeavors have different structures, have different sets of rules or operating procedures, and have different sets of expectations or outcomes than traditional bureaucratic organizations.

Brabham (2009b) argues that crowdsourcing is most effective when problems are clearly framed and pertinent data are available. At the same time, the size or complexity of a project or problem should not be a barrier to the use of crowdsourcing as a possible solution. The ability of the crowd "to handle complex data should not be underestimated," as many high-tech and complex projects, such as Linux or Wikipedia, have successfully used crowdsourcing (Brabham, 2009b, p. 253).

Many current applications of crowdsourcing as a problem-solving technique are rooted in technology (Brabham, 2009a). Biases in availability may limit crowdsourcing to those with the appropriate technology, while leaving those without access on the outside—mirroring issues of the digital divide on a smaller scale. This uneven access has the potential to exacerbate the problems of the digital divide, particularly if the purpose of public-sector use of crowdsourcing is to generate more input from citizens. However, some recent studies have begun to show signs that mobile technology may be beginning to bridge the digital divide for public sector crowdsourcing applications (Clark & Brudney, 2014; Clark, Brudney, & Jang, 2013).

Government has not been immune to the siren call of crowdsourcing. President Barack Obama claims that "we are at the beginning of a new era applying available technologies to make public policy in better and more effective ways" (Schingler, 2009). The Obama administration has made public overtures to tap the power of the crowd. Among goals of using technology to improve transparency, national security, and efficiency were to unlock "public data to drive innovation by tapping into the ingenuity of the American people; increase agency accountability; and change the default setting of Washington to be open, transparent and participatory" (Kundra, 2010). Early in the Obama administration, crowdsourcing—defined broadly as a technological process to engage the public—was just beginning to gain perspective in Washington, primarily as a tool for soliciting real-time feedback through social media platforms.

However, one of the key challenges in crowdsourcing is that this engagement with the public is not free. Underlying crowdsourcing, and all other forms of government activities, are transactions costs (Williamson, 1985). Transactions costs, in the economic tradition, are the costs of finding partners, negotiating with them, and enforcing the contract you have agreed to. Each interaction between citizen

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and government incurs a cost on either or both parties. The higher the transaction cost is, the more difficult it will be for citizens and government to collaborate.

In government crowdsourcing all three types of transaction costs are present: search and information costs (finding partners/collaborators/information), bargaining costs (negotiating the relationship), and policing and enforcement costs (assuring the contract is carried according to the negotiations). Each type of transaction cost has the potential to play a more or less prominent role in the different applications of crowdsourcing. A government wishing to utilize an application of crowdsourcing would have to gauge the payoff from the transaction—ascertaining if it would be more costly to engage the crowd or produce the good internally (Klein, Crawford, & Alchian, 1978). If the cost of the transaction (i.e. contracting with the crowd) were so large that it could not be done efficiently and effectively, then we would expect the government to pull back from that contract and instead produce the good internally. The development of new information technologies has enabled crowdsourcing by reducing the transaction costs associated with these potentially massive interactions (Kittur, Smus, Khamkar, & Kraut, 2011; Piller, Schubert, Koch, & Möslein, 2005).

Not all governments are engaging the crowd, implying that the willingness of these organizations to bear the transaction costs of this form of citizen engagement will vary substantially. The source of reluctance to engage via crowdsourcing, when viewed via the transaction cost perspective, may have its source in search costs, negotiation costs, or policing/enforcing costs. As such, transaction costs provide a theoretical approach for understanding the likelihood of utilizing crowdsourcing in government.

Applying the framework we develop in this paper will help to isolate the particular challenges government faces, the knowledge generation process it may require, and the types of transaction costs that may be hindering or creating an unwillingness to engage through this platform. With a better understanding of the costs that are creating the barriers to utilization or optimization, an organization can more effectively create a crowdsourcing tool to fit the needs.

In the private sector, long-term contracts or relationships between partners (buyer and seller) are typically used as the enforcement mechanism, rather than resorting to legal enforcement mechanisms (Klein et al., 1978). The threat of losing business/income keeps the seller responsive to the buyer's needs, pushing both parties to abide by the implicit contract between the partners (Klein et al., 1978). However, in the case of crowdsourcing the buyers (the governments) and sellers (the crowd) will vary depending on the application of crowdsourcing. This is further complicated by the fact that the people engaged via crowdsourcing may only periodically engage—and as in the case of many issues for governments, may only engage when government fails to deliver as expected.

For example, local governments utilizing 311 systems, the non-emergency versions of 911, have a more streamlined communication between citizens and their employees to communicate problems and concerns. These 311 systems are a good example of a multi-channel crowdsourcing mechanism that feeds tremendous amounts of information to governments on ills in the community. We call this a multi-channel crowdsourcing mechanism because 311 systems frequently have not only a phone line, but also have connectivity between citizen and government through websites and smartphone applications—and all three feed into the same service request referral databases. We would expect governments to maintain these service requests so long as their costs to engage the public do not lead to a decrease in productivity (Morrison, Dobbie, & Mc Donald, 2003). It is clear that 311 can reduce the search cost for information on problems within a city. Having millions of eyes on the street to detect problems (potholes, for example) is a bonus for cities. However, if the information a city receives via a 311 system becomes inaccurate or inconsistent, resulting in wasted resources chasing non-existent problems, we would then expect cities

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to either disengage the public via 311 or find ways to improve the quality of the information (Clark, 2014) – reducing the enforcement cost. In the traditional view of transaction costs, limiting the number of parties increases costs because fully specifying the contract between parties becomes more difficult (Williamson, 1985). However, the value of having more people on the street for government is the key to the success of this type of crowdsourcing—the more people, the more information collected, decreasing the resources needed internally to detect these problems. The eyes have always been on the street, but technological advances associated with crowdsourcing facilitate a better connection to the energy (government resources) to fix these problems. Thus, the relationship creates a benefit that becomes more specialized, more beneficial to the city (assuming it is good information), and more useful to the citizens, so long as the city acts upon the information. Transaction costs are not, however, the only concern. From the citizen perspective, if the government does not follow through and fix the things they have identified as problems, then the transaction costs to provide the information can increase while diminishing the value of collaboration—which would likely lead to citizens becoming less inclined to engage.

Can You Design or Organize for Crowdsourced Government?

The short answer is yes—and not just that you *can* design programs for the integration of crowdsourcing, but rather that if you want to use crowdsourcing you *need* to plan for it. When governments make efforts to engage the crowd collaboratively "the greatest challenge is one of design" (Noveck, 2009, p. 41). There may be a temptation to design crowdsourcing efforts to reinforce the norms or interests within the government organization or of particular groups within the crowd (Noveck, 2009, p. 41). However, the crowd has the ability to evaluate one another and can point out these biases in the process. Organizing processes that allow for not just sharing opinion but a broader participation has the potential to look more like the community, thus be more representative (Clark & Brudney, 2014; Clark et al., 2013) and ultimately "technology makes it possible to organize decisionmaking in ways that might overcome abuses familiar from the offline world" (Noveck, 2009, p. 42).

As governments design their crowdsourcing efforts, not only should they think about the size of the task—again trying to find tasks that allow for individuals to choose how much time to devote to—but "special care must be taken in the design of the task, especially for user measurements that are subjective or qualitative" (Kittur, Chi, & Suh, 2008, p. 456). Prototyping crowdsourcing efforts to determine appropriate design is vital because both parties (citizens and government) need platforms that perform and deliver as promised—design as a form of inquiry is key to this.

CROWDSOURCING AS A MODE OF INQUIRY

Although no integration technique is foolproof, according to Bob Pearson, Dell's former Chief of Communities and Conversation, the technique is an effective and potentially very powerful way to connect a diverse listening public on an issue to produce outcomes (Howe, 2009a). Engaging the online community means having a sense for what to pay attention to and what to discard. Howe (2009b, p. xix) offers the example of Starbucks, which in 2009 employed close to 50 full-time moderators "whose only job [was] to engage the online community."

Knowing what to pay attention to implies a degree of administrative expertise toward inquiry regarding a particular problem as a whole rather than only a particular part or technical detail. It suggests that

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for administrators to manage a crowdsourced activity effectively, they must have a sense for the mood or tone of the issue and how to best apply crowdsourcing as a tool of inquiry to extract useful content. Thinking through the early stages of the process means not only considering how to make sense of the information expected to be obtained, but also envisioning how to align the problem with the tool. It requires the administrator to imagine what might happen, and then pre-emptively design the crowdsourcing approach with the intention to stimulate relevant discourse to gather useful information that can be effectively managed.

Effectively planning for discourse means the administrator must have a conceptual understanding of the issue at hand and how it relates to the diversity of thought and level of technical expertise he or she wishes to engage through crowdsourcing.

Because the role and function of the administrator are connected to how others outside of the administration are engaged in gathering, processing, disseminating and deciding upon information, having an appreciation for the diversity of thought is essential (Denhardt & Denhardt, 2000; King, Stivers, & Box, 1998). According to Dwight Waldo (1955, p. 70), "administrative thought must establish a working relationship with every major province in the realm of human learning." There is an implication that the process of knowledge generation contains varying perspectives – indicating a diversity of thought, or what Farmer (2010) calls epistemic pluralism, when attempting to understand and solve public problems. Farmer's (2010) argument is probably best understood as remaining open to diverse beliefs brought about through the appreciation of various forms of inquiry. Applied to crowdsourcing, the idea of 'diversity of thought' suggests considering knowledge within a supercharged world of information adding a greater degree of uncertainty when distinguishing who to listen to, what is relevant, and perhaps even more important who and what to leave out.

These concerns for public administrators have deep roots in the literature. Determining what is credible (particularly in the world of crowdsourcing) when obtaining lightning fast feedback and rapid information dissemination requires not only an appreciation for the diversity of thought, which can trump the expertise confined to a bureaucracy, but also a sensitivity for a certain level of basic or situational knowledge (Hummel, 2008).

Brabham (2009b) argues that crowdsourcing can help encourage and increase civic participation in city and community planning. He notes that the Internet provides a medium for tapping into non-expert/non-mainstream knowledge that may lead to creative solutions unbounded by identity and history (Brabham, 2009b). Crowdsourcing is a way in which a question or problem can be explored (Howe, 2009b). If we consider that one of the roles of public administration is to learn more about social problems to devise potential solutions and make decisions, then the way in which the learning takes place–the modes of inquiry–are connected to the types of questions asked and, by extension, the tools and techniques applied (Lundberg & Young, 2005).

When the problem is narrowly defined and understood, the crowdsourcing process is designed for mere data acquisition, screening and manipulation. In other cases, though, where problems are more complex and ambiguous, the process might involve the creation of an idea synergy, or what has been referred to in the crowdsourcing literature as "idea jams" (Howe, 2009b). In these situations crowdsourcing functions more like a crowd-sharing approach in which the concept of sharing extends beyond the conceptual constraints of data and information exchange to involve a *we-approach* in which no one person has complete control of the data, the solution, or even a complete understanding of the problem (Zingale, 2013). Unlike traditional approaches, such as public hearings, where the citizen is often framed at the greatest distance from the issue (King et al., 1998), a crowdsourced activity permits a problem

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to be explored by the citizenry collaboratively, and the capability to draw from differing or multiple perspectives.

Having the ability to provide input on a problem builds trust and a greater opportunity for the discourse to create a two-way communication that allows both parties to learn from one another; King, et al. (1998) call this a dual learning process. Some (King et al., 1998; Stivers, 1994; White & McSwain, 1993) have argued that participation is most effective when citizens are involved "in the making of decisions instead of just judging" (King et al., 1998, p. 321). This perspective raises questions about how to integrate and engage in a crowdsourced initiative by combining three fundamental aspects of administrative inquiry: (1) the type and scope of the problem to be addressed– simple vs. complex; (2) the perception and knowledge of in-house expertise – does the agency know enough about the issue internally to solve a problem?; and (3) the diversity of thought required for engaging in discourse and developing solutions – the need for multiple perspectives for idea creation, on-the-ground intelligence, or vast data for algorithmic performance. Figure 1 provides a graphical display of how these three variables interact within a crowdsourcing application matrix.

As the assessment of problems for which crowdsourcing is being considered migrates from the simple (bottom left in Figure 1) to the complex (top right), the diagram depicts a greater need for a diversity of thought and administrative ability. Our basis for the simple to complex spectrum has less to do with expertise and more to do with the integration of ideas. A simple problem is one in which the issue of concern and its solution can be clearly identified. Conversely, complexity implies problem and solution ambiguity. The left-hand side of the diagram is more heavily weighted to problems in which opinion, whether individual or diverse, is sought. The right-hand side of the diagram displays a need for greater expertise. The top and bottom halves point out the need to consider the extent to which the crowdsourcing initiative requires outreach. Although the top quadrants imply a need to increase diversity and potentially involve a greater number of people, the bottom half denotes problems requiring more individual knowledge, situation-specific, or vertically integrated expertise.

Figure 2 shows a modified version of Brabham's typology of Crowdsourcing Problem Types for Government that has integrated the role of the crowd and the administrative expert. The *wisdom of the crowds,* depicted within the upper right-hand quadrant in Figure 1 and fourth row of Figure 2, suggests an increased need to connect a diversity of thought with administrative expertise. The term 'wisdom of the crowds' comes from James Surowiecki's (2004) book with a similar name, wherein he describes the

Figure 1. Analytic framework

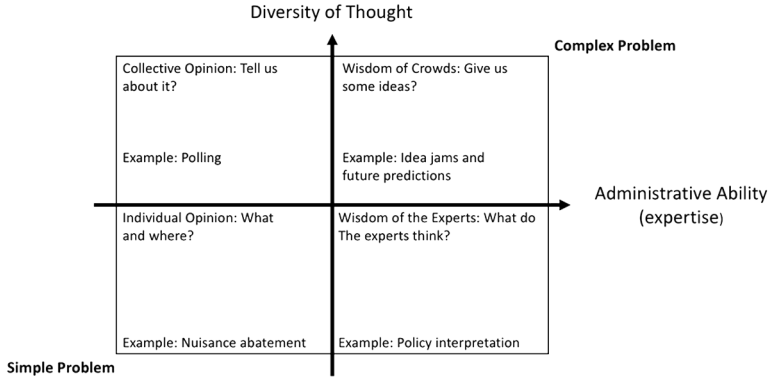

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Figure 2. Brabham's typology, modified

Brabham's Origianal Typology			Our Additions to the Typology	
Type	**How it Works**	**Kinds of Problems**	**Our Analytical Framework**	**Administrative Expertise (AE) and Diversity of Thought (DT)**
Knowledge Discovery and Management	Organization tasks crowd with finding and collecting information into a common location and format	Ideal for information gathering, organization, and reporting problems, such as the creation of collective resources	Individual Opinion	Lower DT Lower AE
Distributed Human Intelligence Tasking	Organization tasks crowd with analyzing large amounts of information	Ideal for large-scale data analysis where human intelligence is more efficient or effective than computer analysis	Collective Opinion	Higher DT Lower AE
Broadcast Search	Organization tasks crowd with solving empirical problems	Ideal for ideation problems with empirically provable solutions, such as scientific problems	Wisdom of the Experts	Lower DT Higher AE
Peer-Vetted Creative Production	Organization tasks crowd with crating and selecting creative ideas	Ideal for ideation problems where solutions are matters of taste or market support, such as design or aesthetic problems	Wisdom of the Crowd	Higher DT Higher AE

process by which large groups of people (not necessarily just in the crowdsourcing realm) can produce results superior (collective wisdom) to those from an individual expert. The process can be integrated through customized screening approaches, designed with input from administrative experts, which allow the best ideas to rise to the level of discourse while crowding out less helpful ones. The outcome is to stimulate new ideas relevant to the problem by engaging the crowd in innovative, creative, "out-of-the-box" solutions or modeling futuristic outcomes and predictions. There is often a need for a benevolent dictator to act as an arbitrator to steer and call an end to the activity—these people are sometimes more kindly referred to as moderators, but suffice it to say they must have a higher level of expertise to maintain a feel for the subject matter being sourced. A challenge is getting people with the right skill set or necessary information to participate. According to Seltzer and Mahmoudi (2012), rewards and incentives can help, but it is equally important to keep Sturgeon's law in mind–for every 100 people involved, one idea will drive 10 highly motivated and engaged participants, while 89 will passively contribute.

Conversely, *individual opinion* related to more simplistic problems, such as reporting dead animals, potholes, or routine crimes, would fall into the bottom left-hand quadrant of Figure 1 and top row of Figure 2. This application of crowdsourcing assumes a lesser need for diversity and administrative expertise, as the problems are narrowly defined and situation-specific. Such situations are often resolved by connecting the problem reported directly to an agency resource. The feedback system can involve immediate attention to the problem (cleaning up the remains of the dead animal, for example), providing information on how the problem will be addressed, and notification that the problem has been addressed. Efficiency tends to be the principal driver with the technology primarily applied to link problem identification and individual notifications with public service offices for rapid response.

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In these instances, the transaction costs are based on collecting information about problems over a vast landscape. Engaging the crowd makes that process more efficient by having the population act as "sensors" of information. Identifying a pothole or dead raccoon does not require the same expertise as predicting oil prices in six months.

In the top left-hand quadrant of Figure 1 and second row of Figure 2 resides the condition often associated with assessing a *collective opinion*. For these types of crowdsourced initiatives, listening to a diverse set of opinions is often advantageous when coupled with a crowd-rating system or algorithm used to organize and manage input. This application conjures up the use of automated systems to gain a clearer perspective of what the crowd thinks about an issue and even engaging the crowd in data crunching and analysis. The primary purpose of collective opinion initiatives is to aggregate large amounts of data into easily deciphered information. The benevolent dictator in this quadrant often takes the form of a scientific algorithm (the person(s) who created the algorithms) predesigned to organize data into decision matrixes and models. This type of crowdsourcing will be explored in this paper by looking at the city of Boston's "street bump" smartphone application, which uses the power of smartphones to feel potholes without effort by the crowd.

By using this sort of automated platform, the transaction costs related to searching are cut substantially but only if a sufficient number of users participate. Because these systems rely upon bulk information to create accurate predictions of the problem, low turnout or participation may hamper their utility. At sufficient user volume, the amount of data emanating from these sorts of smartphone apps, which are running in the background and require limited further active involvement, can provide a great amount of information to a government. The bargaining or negotiating costs are also reduced in this sort of transaction. Once an individual agrees to use the technology, all further transactions between the crowd and the government have essentially ceased. The algorithm feature of this technology acts as the policing or enforcing mechanism.

Finally, the bottom right-hand quadrant of Figure 1 and third row of Figure 2 (*wisdom of the experts*) represents those crowdsourcing initiatives designed to engage a smaller group of highly trained experts who have a depth of knowledge on a subject matter, i.e., experts speaking to other experts. There is less need for diversity of thought because the experts manage the data integration. These problems are highly technical, detailed, and specific, requiring members to screen out ideas and concepts that are perceived to produce no useful material or that are easily falsified. The peer-review process serves as the benevolent dictator, as highly technical problems require a deep understanding of issues and often the need to call upon individuals within related or somewhat related disciplines to work together by applying more vertically integrated approaches. We will explore this sort of crowd in a case that looks at how NASA is using simple wikis to find ways to connect knowledge filed away in computers and storage cabinets and among experts across a highly bureaucratized organization.

The application of wikis allows for the collection of knowledge of experts by cutting the transaction costs in a number of ways. First, it lowers the search costs for these highly technical and scientific data and information. Reducing barriers within the organization allows users of the internal wikis to share knowledge in a more free-flowing and open manner, while not being as concerned with maintaining the information at this high-quality level. An implicit reduction in the bargaining costs is associated with an internal wiki. By becoming members of the organization, a set of explicit rules and the norms of the organization exist that all contributors are expected to follow, which will reduce the cost of the transactions to collect and disseminate the information across the organization. By limiting access to

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only those within the organization, leaders could be limiting others' use of the knowledge, but they are also creating a better way to enforce or police the collection and maintenance of the information, thus reducing transaction costs. These internal wikis are added and edited only by known entities, and any change is tracked and associated with a particular person. This policing mechanism assures users that they are getting good information.

We acknowledge that there are not definitive distinctions between approaches primary to one quadrant or row of our proposed framework—and that often times these distinctions are more of a continuum between the extremes. Given that limitation, we feel that the framework provides a useful basis from which discourse within an agency can begin when attempting to discover how to engage in a crowdsourcing initiative, the type of expertise internal to the organization that is required, and the types of crowdsourcing platforms that might best serve the needs of the organization. Additionally, the framework also provides a way of weighing the advantages (payoffs) and disadvantages (or trade-offs) of each approach

CASE EXAMPLES

We illustrate the utility of our framework introduced in Figure 1 through a series of case examples. These cases were not randomly selected but rather selected because they help us to illustrate our framework model for government crowdsourcing. There are many additional public sector crowdsourcing examples that could have been used in this article but for the sake of parsimony we have limited these cases to one per quadrant, or a total of four, of the framework.

Case 1: Syria (Wisdom of the Crowd)

A development in foreign intelligence collection can be found in the paradox of crowdsourced intelligence. The traditional conception is the old-style of hard intelligence gathering, cloaked in the backrooms of high-level government officials and their inner-circles. These cultures are impenetrable to the average person. By contrast, amateur investigators, in the open, conduct a new breed of loosely connected and sometimes even casual collection and analysis of intelligence. Welcoming this surprisingly high-quality and free source of intelligence analysis is an increasingly useful supplemental source of information to the traditional craft of intelligence gathering because the proficiencies of established institutions are stretched beyond their capabilities.

In the town of al Kibar, Syria, on the banks of the Euphrates River, a boxy building exists with unclear purpose or contents. The current "Box on the Euphrates" (Box 2.0) is a replacement for the original, of which plenty is known. The earlier version of the Box (Box 1.0) was thought to have been home to a nuclear reactor. That earlier structure (Box 1.0) had existed for more than six years, and the reactor it housed, it is believed, was constructed with the help of North Korea. While the intent of Box 1.0 is unclear, some things are clear: During the September 2007 Six-Party Talks, Israel executed air strikes on the original building (Box 1.0). The following month the Syrian administration wiped out all evidence of the first iteration of the Box.

Decoding what was in the new Box was the unofficial job of a group of frequenters to a blog called ArmsControlWonk (http://www.armscontrolwonk.com). In an example of mass collaboration, this group was able to access dedicated satellite feeds and to wiretap suspects without the aid of government

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security clearances or travel budgets of any sort. They subsequently created an intelligence estimate that complemented and competed with the products of the U.S. intelligence community and its global counterparts, using only information that was publically available. These individuals acted without the consent or direction of a government. They acted collectively because they were curious.

From October 2007, after the Israeli airstrike, until April 2008, blog commenters continued providing spontaneous analysis about the site using a surprising amount of publicly available information. They were able to determine the size of the new building, which led to comparisons to similar sites in North Korea. From these calculations and observations, they collectively made estimates on the size of the new nuclear reactor. Their work was corroborated in major newspapers (Sanger, 2008; Wright, 2008a, 2008b) and in the words of a prominent intelligence analyst, "is intel to die for" (Broad, 2008). The power of the crowd produced extremely high-quality work. These commenters and contributors are not intelligence officers by trade but rather a hodgepodge of educated individuals with specialties in other areas.

Case 2: Nuisance Abatement via 311 Systems (Individual Opinion)

Determining the location of something as un-glamorous as roadkill on city streets is a tedious and lengthy process but one that is certainly appreciated. Crowdsourcing tools are facilitating the location of roadkill, streetlight outages, missing stop signs, graffiti, trash and a host of other mundane but important quality-of-life nuisances. By facilitating connections between citizens and public officials, governments can create a network of citizen "sensors" able to quickly and easily report when something needs fixing. The primary tool used to connect these citizen sensors is 311 systems. These systems were initially developed to divert non-emergency calls away from 911 systems and are often thought of as a 411 information directory service for city-related questions. More recently, cities have augmented the telephone-based 311 reporting systems with websites and smartphone applications.

The 311, web, and mobile reporting systems can handle tremendous volumes of service requests or reports in a given year, though that volume differs dramatically from city to city. New York City receives about 7.7 service requests per 1,000 residents a day (Flowers, 2012), Baltimore about 2.7, San Francisco about 0.7, and New Orleans about 0.17 (Clark & Brudney, 2014). The addition of websites and smartphone applications complements the usual telephone-based 311 systems by not only allowing other methods for reporting incidents but also allowing easier citizen follow-up and access to information.

This type of crowdsourcing decreases the barriers to citizens to report problems, thereby facilitating more citizen participation. It additionally provides city leaders insight into the "pulse" of their cities and the problems faced. In San Francisco, the mayor receives reports generated from 311 data "on the types of calls it receives, so he knows what needs to be fixed. It's the next best thing to [Mayor] Gavin [Newsom] trying to take all our calls himself" (Sharrock, 2010).

Recent studies have also provided evidence that 311 call centers are not creating systems that distort the distribution of government resources, and that the users are representative of their communities (Clark & Brudney, 2014; Clark et al., 2013). There is also evidence that they can provide highly accurate information under the right circumstances—though the quality appears to be dependent on the complexity of the task and the number of participants (Clark, 2014). And there is also evidence to suggest that the use of 311 systems can improve satisfaction with government performance (Clark & Shurik, 2016).

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Case 3: Automated Nuisance Abatement Through the "Bump" Application- *(*Collective Opinion)

One potential drawback of using a 311 system to report problems is that it requires people to be actively participating to generate information regarding city problems. Boston has more than 800 miles of roads that potentially have potholes and, as a public works department spokesperson notes, "getting an accurate count of where every pothole is, is a gigantic task" (Ngowi, 2012). How can government gather information more easily and from a potentially larger crowd without increasing the burden on the public? One recent technological advance – Boston's "Street Bump" smartphone application – taps into the power of the crowd without necessarily being reliant on people actively participating. Nigel Jacob, co-director of the Boston Mayor's Office of New Urban Mechanics, puts it best when he states: "What this technology allows us to do…[is that] it essentially creates a new way for people to donate their data in solving public-good challenges" (Ngowi, 2012).

Street Bump runs on drivers' cell phones in the background and requires no active participation, but rather just a loan of technology within the phone. The accelerometer software application on the phone records a bump as motorists drive. Algorithms in the program can distinguish speed bumps from potholes. The application sends a GPS-located report to the city. After "at least three people hit a bump in the same spot, the system recognizes it as a pothole" (Ngowi, 2012). The hope is that the application can create a more current map of potholes, "eliminating the need to send out city trucks or contract an engineering company to troll hundreds of miles of roadways looking for damage" (Ngowi, 2012).

Case 4: NASA's Internal Wiki (Wisdom of the Experts)

A vast array of NASA work groups have developed Wikipedia-like websites for NASA employees. These websites allow anyone on NASA's intranet to add, edit and create webpages to share knowledge internal to the organization. Many in NASA, like other federal agencies, work in geographically dispersed groups. Because the distance between researchers is negatively related to their likelihood to collaborate (Katz, 1994), organizations such as NASA often seek ways to shorten the distance.

At NASA some research teams use wikis for "day-to-day operations and documenting their systems and the nuances, quirks, strengths, and limitations that they didn't know about previously" (NASA, 2011). Others are using the websites as a way to capture the "big picture" when many people work in distant labs on smaller parts of a project (Verville, Jones, & Rober, 2011). The wikis allow NASA researchers within a specified group to access a vast store of information that "was locked away in each engineer's own paper or digital file cabinet, or in an archived email, often buried very deeply. Specific things within this material weren't very easy to find, even for the engineers themselves!"(NASA, 2011).

Wikis allow collaboration to occur on the researcher's own time, unlike scheduled conference calls or meetings. Wikis are providing NASA a "usable, robust, and affordable" technological solution to facilitate collaboration that is also making the organization "a more highly collaborative culture" (Verville et al., 2011, p. 49). Organization culture is likely the most important obstacle faced when attempting to implement a wiki, because the technology to implement a wiki is simple and cheap. NASA's Jon Verville (NASA, 2011) notes:

In NASA, we're used to working in a very document and email-centric world where someone owns a document from cradle to grave and people share updates and answers to questions through email to

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only who needs to know. New collaborative websites, such as wikis, have the potential to change this. It's not one person investing in an organization's knowledge, it's democratizing it so that everyone has an easy way to contribute to that organization's knowledge.

One common critique of Wikipedia is the fear of rampant and uncontrolled editing by anyone with access to the Internet. In the case of NASA, researchers want openness, to an extent. They want more control over content than an open-wiki platform can provide, which is why the NASA wikis are tightly controlled, developed, and tracked by NASA employees and open only to viewing and editing within the organization. The objective of these wikis is not to inform the general public but rather to facilitate information-sharing and collaboration within NASA.

The wikis have provided NASA with a feasible, affordable and flexible way to lower the transaction costs associated with collaboration in a complex and dispersed organization. Wikis provide a useful platform for employees to collate and transmit complicated expert-based information in a crowdsourced manner.

Discussion and Recommendations

As more data become readily available to the public – whether through websites, social media (Twitter, Facebook, or others), or governments' own websites – the public is better positioned to understand and contribute to their government in new, unique and perhaps exciting ways. There is real wisdom in crowds, as James Surowiecki (2004) points out, but harnessing the power of a highly skilled workforce in a meaningful way will be challenging. As managers get more accustomed to using crowdsourcing, methods for dealing with the noise and becoming more efficient when planning and implementing an initiative will likely emerge. Figure 3 provides a guide to our conclusions and discussion of how these managers can navigate the challenges and rewards of crowdsourcing.

Decoding Why and When Crowdsourcing Might Work in the Public Sector

We find three common themes that can be applied to understanding the selected cases. First, lowering the transaction costs of collaborating is key to inducing more participation. While the reduction in costs (or increase in benefits) may only occur on one side of the equation in some instances, benefits need to be visible. One key way in which transaction costs are lowered is by appropriating the diversity of thought and administrative expertise at the optimal scale and within a corresponding context. Another is by making the tasks of participating with government smaller, and ultimately easy enough for the public to "self-assign [and] do in a reasonable amount of time" (Noveck, 2009, p. 180). In many ways, the self-

Figure 3. Problems, success, roles, and resolution matrix

Cases	Matrix Location	Problem	Tools	Key to Success	Role of Government	Resolution
Case 1: Syria	Wisdom of the Crowd-Upper Right	Connecting Disconnected Intelligence Outside of an Organization	Moderated Online Discussion	Neutral Arbiter	Act on behalf of public interest to engage involvement (directly or indirectly)	Moderators keep discussion on topic, but are only able to collect the knowledge when collaborators are interested in the topic at hand
Case 2: Nuisance abatement via 311 systems	Individual Opinion-Lower Left	Collecting Small Pieces of Potentially Complex Information Over Wide Geography	311 Phone line, Web Reporting Site, Smartphone Application	System has to be response (i.e. did you fix my pothole?)	City Staff tasked with managing the 311 system & CRM System	City responds to the complains submitted. Mayors and managers are able to see a bigger picture of the problem areas the city as the types of complaints are tallied or how they cluster around the city.
Case 3: Automated nuisance abatement through the "Bump" application	Collective Opinion-Upper Left	Passive Collection of Information on Easily Identified Problems	Smartphone Application Running in the Background Without User Interaction	Algorithm/technology has to work	City Staff tasked with managing the 311 system & CRM System	The passive submission of data from smartphone applications provides a continuous feed of information on the potholes, which can then be addressed by the appropriate city staff.
Case 4: NASA's Internal Wiki	Wisdom of the Experts-Lower Right	Connecting Disconnected Intelligence Within an Organization	Closed Wiki With Moderation/User Controls	Show evidence breakdown intra-organizational silos. Find the information you need without needing to know who has it.	Remove barrier, penalties, or disincentives to share information.	Knowledge is more easily shared across a large and highly technical organization that is spread across the nation. The wiki helps to breakdown information silos and share information more easily.

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assignment to tasks "is not different from the way social movements have always operated. While some people write the handbills, other do the print. Some drive people to the polls, while others make coffee. The difference today is that the costs of coordinating distributed work have gone down" (Noveck, 2009, p. 180). The self-assignment of small tasks across a group of individuals can "diversify against [the] risk" any one individual corrupting or taking down these exercises in crowdsourcing (Noveck, 2009, p. 41). Thus, the chunking of projects into smaller tasks reduces the risk to the government and makes it easier for the average citizen to participate.

Second, for the crowd to want to participate they need validation and knowledge that their contributions are valued (Noveck, 2009). This validation needs to include feedback to users that the implicit or explicit contract between citizen and government is being upheld—their efforts are not going unused or resulting in any sort of action. "Many government departments forget to say thanks. This impacts on the level of trust between a government and its constituents" (Butteriss, 2015). The "thank yous" or validation for participation improves transparency and demonstrates responsiveness—which ultimately improves the quality of the relationship and it sustainability (Butteriss, 2015).

Third, for crowdsourcing to be successful it should not be seen as replacement for existing institutions and "boots on the ground" (Zingale, 2013). Nor is crowdsourcing a call for mass amateurization of technical work (in the case of NASA, the amateurs were left out from the start). Despite the popular rhetoric among politicians, sometimes government does know best—regardless of the format in which the information is gathered. Having realistic expectations of what crowdsourcing can accomplish will help to better align programmatic goals with these efforts. It will also help ease buy-in from employees if they don't view the crowd as a replacement for their jobs, but rather as a way to enhance their ability to do their jobs well.

The substantial dilemma posed by crowdsourced government is in agreeing upon what it is or what it should be. Is it an information collection mechanism? Or is it a way in which public managers can obtain "good" analysis of the issues facing the public? The crowd seems to be efficient at filtering the superfluous or unimportant information out of the discussions in favor of coherent and applicable analysis. However, this does not mean that public managers should expect to throw out their own expertise and experience because of this. Public managers throughout all levels of government still have to make informed decisions when the support of the crowd is absent, insufficient, or suspect.

SEEING SUCCESS IN THE CASES, BUT BEING AWARE OF FAILURE

The case of 311 demonstrates a way in which governments can create a system to signal where work is needed to improve the quality of life for citizens. In the 311 case, success is happening for a number of reasons. First, the cost of contributing by citizenry is relatively minor. They can contribute in small amounts of labor, at their discretion. These small pieces of information collectively lower a government's costs when searching for quality of life problems, particularly with regard to administrative expertise and resources. Second, 311 works as a means of crowdsourcing only when a city actually acts on the information citizens collect. If a city does not take action to fix the reported problems, the citizens will enforce the implicit contract between citizen and government by no longer participating in these forms of crowdsourcing. This enforcement action will increase the search transaction cost for government. For example, Clark and Shurik (2016) have detailed how the City of Cleveland's unresponsive (or very slow) reactions to citizen service requests via 311 effectively resulted in citizens no longer utilizing the

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system. And finally, 311 and mobile phones are not intended to and will never replace expert assessments of city quality of life problems. They provide an opportunity for citizens to participate in the process of identifying problems. The citizens are sensors of problems that complement a highly-skilled workforce employed by cities, not the final arbiters of where resources need to be sent.

Success for the more automated systems, such as the "Bump" application, is driven by the technology actually working. By that we mean that the algorithms and technology that determine where the problems are have to actually work. If they cannot accurately detect where problems are automatically, government trust in the information will fade as the cost of utilizing the information becomes too high, and citizens will stop bothering to loan their computing/phone power to provide the information to the government. A positive feedback loop to both government officials and citizens that are engaging with this technology would likely improve participation—for example, if the Bump app sent confirmation to individuals that they helped to detect 12 potholes in the last month, a positive feedback is being provided justifying the loan of the citizens' phone. Similarly, if government managers across the government are aware that automated systems that generate actionable information are accurate and helpful, then they are more likely to seek out ways to automate their processes to tap into the power of the crowd. Thus, making it equally beneficial to communicate within a government the results of successful crowdsourced initiatives. And finally, 311 or the 'Bump' application should only be seen as a supplement to the other means of identifying problems, including those of government employees. The app will not fix a pothole—it will only help to identify where they are.

For intelligence gathering the quest is again the provision of accurate and actionable information. Determining the location of a dead animal or a pothole is a simple, one-dimensional task—a phone call or a few keystrokes can handle those problems. But gathering and analyzing intelligence "to die for" does not use the same crowdsourcing "engine" as a 311 system. The 311 systems involve unambiguous tasks and prompt actions based on mainly accurate reporting (Clark, 2014; Clark et al., 2013). By contrast, this type of intelligence gathering is much more complex and ambiguous and usually calls for a range of skill sets. The Box case worked not because a group of nuclear engineers or nonproliferation experts were collaborating online, but rather because a sufficiently large collection of people with a diverse set of skills were able to share their expertise. They were self-motivated and curious, which created a situation in which the wisdom and power of the crowd worked well. Similarly to the 311 case, success in the Box case can also be contributed to participants being able to take small pieces of work on at their own discretion and mesh this with a diverse knowledge base to be deciphered, and is some ways, managed and used by other experts. The chunking of work, as Noveck (2009) calls it, helps to lowers the burden on any one individual contributing to the project and spreads the risk of failure across the group. They are self-directed and moderated by an entity (blog moderator) that is seen as a neutral arbiter of the fact-finding mission, not a boss handing out duties to employees. However, failure was seen in a requested "assignment" post titled "Wonk School," on the ArmsControlWonk blog, where contributors were asked to examine several satellite images. The responses diverged compared to the Box case, when many of the same individuals who willingly contributed in the analysis of the Box saw this new assignment as a waste of time. Consequently, we need to understand that crowdsourced intelligence may not be an on-demand task and that the government need to be seen in the same light as the Box blog moderator—or "as the neutral arbiter in the public interest" that places a high value on the "the contributions of those outside of government" (Noveck, 2009, p. 42). For success, the crowd will also need feedback that their role is more than just an intellectual or fun exercise. In the case of the Box the positive feedback came to the group not only in the form of solving a puzzle, but also by public feedback from each other and

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from public remarks that they had produced 'intelligence to die for.' Additionally, intelligence agencies involved in Box like cases need also to recognize that "some issues attract a huge number of people, obscure (yet important) decisions are made every day in government that could be made better if technology were used to open participation and oversight to a few dozen experts and enthusiasts […] the 5 or 10 or 100 people who understand a discrete question and who are passionate about getting involved in a particular way" (Noveck, 2009, p. 41). If crowdsourcing is to work in this capacity, public officials should buy into the idea that government's role is to make it easier "to find the areas where [the crowd will] want to work and contribute" (Noveck, 2009, p. 41). Allowing for self-selection of duties and small manageable tasks facilitates the ability of the crowd to participate on their own terms. And finally, it is clear that crowdsourced intelligence is very far from being a replacement to the traditional intelligence community, thus successful projects will not replace government employees but supplement their work in small, but potentially important ways.

For NASA, similarly to the intelligence gathering exercise, the wikis were utilized to better connect groups of highly trained individuals that all work for the same organization to produce a high value database of existing knowledge. The NASA researchers wanted to make their jobs easier, enhance the science, and improve their ability to collaborate internally. These researchers work on spacecraft and other scientific assignments that require them to maintain extremely high-quality standards without fear of rogue editing of information, thus the wiki was not open to the public. Furthermore, tracking who contributes is closely monitored. In this case, the organization was able to facilitate collaboration internally, thereby creating a higher quality and more in-depth encyclopedia of NASA than any one individual could have created. Further examining this challenge from a networked governance perspective, one could argue that the wikis used by NASA were used effectively to "bridge organizational information gaps and asymmetries" (Agranoff, 2007, p. 4), similar to what can be seen in the efforts to manage large multi-organizational networks. In bridging these gaps intra-organizationally, NASA was able to lower the transaction costs associated with finding information the NASA employees need without having to know who has this information while effectively breaking down information and expert knowledge silos within the organization. Allowing broad participation across the organization and creating a high quality product that is constantly being updated creates a positive feedback loop for the researchers at NASA, in that their efforts are scalable beyond one project. Wikis will not replace the work of NASA researchers, but will instead create a more connected organization that can do its job better.

In sum, success can be found in circumstances where crowdsourcing has the potential to reduce transaction cost for citizens, government, or both. Next, instances where those involved see the value of their contributions through validation or feedback will improve the likelihood of success. And finally, public officials and the front-line workers need to be assured that their jobs as administrative experts and public servants remain in high demand as new technologies, like crowdsourcing, reshape their approaches to work.

From Crowdsourcing to Policy

Before crowdsourcing can be embraced as a component of, or as adjunct to, policymaking, its role and limitations must be clarified. These clarifications have three policy implications: 1) the public sector must codify some degree of skepticism and confirmation; 2) it must depoliticize crowdsourced analyses by balancing sources; and 3) it must overcome the "not invented here" (for analysis) or "not generated here" (in the case of information) bias.

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First, where crowdsourced analysis is concerned, *caveat emptor*—buyer beware. Although crowdsourced analysis and notification can be a powerful complement to the traditional sources and processes of information gathering, crowdsourcing lies somewhere between the domains of the professional and the hobbyist. The crowd should serve as an aid to further investigation rather than be the end product itself. As Mergel, et al. (2009, p. 15) note, if the crowd is not "employed in a carefully planned way, it can potentially produce lots of data or products that are not helpful." An overproduction of information can lead governments astray, producing an increase in operating expenses in the form of data analysis, scrubbing, or even employing full staffs of content managers, similar to what Starbucks has done.

Crowdsourced government will be wrong at times — and perhaps spectacularly. We only need to look at the false identification of the Boston Marathon bombing suspects that accused a number of innocent people of a heinous act of terror, potentially ruining their lives (Sanchez, 2013). In the Boston case the crowd "showed none of the reserve or caution of the professionals" (Sanchez, 2013).

Second, governments should take an active role in depoliticizing the crowdsourced contribution to the extent possible. Any source incorporating the insights of the crowd will have biases. Government professionals working to engage and tap the power of the crowd must be transparent and collaborative to guard against biases of their own. They also must recognize that gaps in resource availability allow some in society more access to their governments (via computers, smartphones or personal contacts) than others. Taking such divisions into consideration in the implementation of crowdsourcing initiatives will assure that those who already have, and demand, more do not end up as the only beneficiaries of new mechanisms of this open government transformation.

Third, most organizations have a tendency to favor their own products over those created elsewhere, especially those created by "amateurs." Although it might be natural for agencies to show instinctive skepticism about crowdsourced contributions—and, as mentioned before, some degree of skepticism is healthy and necessary—these contributions are prevalent, and the products are becoming increasingly high-quality. Crowdsourcing efforts hailed for their impressive results span consumer electronics, mineral discovery, astronomy, biology, chemicals and pharmaceuticals. Skepticism may be a natural first response, but ignoring the growing body of work produced by enthusiastic, highly educated amateurs would be a loss to time-challenged, resource-confined agencies and the citizenry they serve.

CONCLUSION

Crowdsourcing fits within our growing societal-cultural context of connectivity. As such it is an enabling framework for public sector change, but it is not change in and of itself. Rather, it reflects an ongoing evolution for how public administrators engage with the community and with each other. The challenge is to optimize the relationships between government and crowdsourcing. The role for crowdsourcing relies on acceptance by the established culture of government, which may not always be forthcoming. The established cultures of organizations are based on years of experience in what "works" for the organization. Participants in crowdsourcing necessarily deal in publicly available information and analysis; they are not concerned with what has worked or who has done what in the past, as much as what may work better in the present and in the future. The crafts of intelligence and city management have been regarded historically as professions. The crowd consists mostly of amateurs with a few subject matter experts, often times, anonymously contributing insights. That the crowd is right and free might not matter; in the political environment of professional secrets, norms and values may reign supreme over

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an amateur's speculation or insight. At the same time, the crowd has the ability to address issues that are not receiving attention, to pursue leads that turn into dead ends, and to connect the dots through the sheer processing power of numbers.

Crowdsourcing options are broad where traditional organizations are deep. They are agile where traditional organizations maintain bureaucratic inertia. Rather than espousing one over the other, we should encourage an interface between the traditional bureaucracy and the extra-organizational crowdsourcing. This interface can only occur under certain conditions. First, acknowledging that some efforts cannot be formalized is crucial to the success of harnessing the crowd's wisdom. Participants in crowdsourcing will contribute when they want to contribute, not because they are asked to contribute. This process will likely require a degree of hands-off tolerance to allow for chaos and emergence of ideas and concepts. Allowing the crowd to choose its own path for where it wants to contribute, how it wants to contribute, and when it wants to contribute is not something that can be written into an agency's annual plan or included in a budget line item.

Secondly, mutual respect must be nurtured and enforced on both sides; the professionals have tools and knowledge that the crowd does not, and the crowd has numbers and processing power that the public sector lacks. The two can be stronger together than in opposition. Understanding the technology will play a key role in changing attitudes internally and externally to allow the mutual respect flow. In many cases it may be possible to allow the crowd to develop the apps or other technology for the public sector, but the burden cannot be placed wholly outside of the traditional bureaucracy. As a more technologically literate and infused public sector workforce takes leadership roles, technology-based initiatives, such as crowdsourcing, will be commonplace in these organizations. However, active steps (i.e. hiring preferences and contracting) may also be required to bring in needed skills. Furthermore, change may be needed in public administration education to assure that graduates have an understanding of how the use of technology interacts with and can shape public engagement.

Crowdsourcing has changed and will continue to change the meaning of public involvement. Public administrators have always struggled with determining what is credible and worthy of time, attention and limited resources – these tensions are particularly pertinent in a world of crowdsourcing with expectations of near instantaneous feedback.

This is why it seems omnipotent that within crowdsourcing, converting data into information for understanding and making decisions requires a process of planning and integration. The approach is as diverse as the applicability of crowdsourcing systems; however, most systems are designed with "built in" screening mechanisms for assembling data into categories when establishing priorities for discourse. The cleanest approach has already been mentioned and comes in the form of content algorithms, similar to the systems applied to web searching. However, equally clear examples exist where the actions of the crowd itself and/or a site administrator (the benevolent dictator) facilitate the screening process by way of rating programs or other managed criteria designed to organize the responses while applying judgment to determine the best idea or most relevant direction for the discourse.

What our future holds is a likely scenario in which public administrators have far too much to be done and insufficient budgets and personnel to accomplish the goals. Learning how to engage the crowd through a properly designed crowdsourcing initiative is one way to help fill that gap.

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Chapter 21
Crowdsourcing the Disaster Management Cycle

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ABSTRACT

Crowdsourcing is a communication platform that can be used during and after a disastrous event. Previous research in crisis crowdsourcing demonstrates its wide adoption for aiding response efforts by non-government organizations and public citizens. There is a gap in understanding the government use of crowdsourcing for emergency management, and in the use of crowdsourcing for mitigation and preparedness. This research aims to characterize crowdsourcing in all phases of the disaster management cycle by government agencies in Canada and the USA. Semi-structured interviews conducted with 22 government officials from both countries reveal that crisis crowdsourced information is used in all phases of the disaster management cycle, though direct crowdsourcing is yet to be applied in the pre-disaster phases. Emergency management officials and scholars have an opportunity to discover new ways to directly use crowdsourcing for mitigation and preparedness.

INTRODUCTION

The use of the Internet in emergency operations has opened up new opportunities for improving communication during a crisis. Over the past decade, crowdsourcing, that is the volunteer-generated, decentralized contribution of information online, has become essential to emergency response efforts, as citizens experiencing a crisis often spontaneously share information about current conditions (Burns & Shanley, 2012; Haworth & Bruce, 2015; Liu, 2014; Starbird, 2012). In this paper, the authors focus specifically on two broad approaches to crowdsourcing: active and passive. However, the literature contains a wealth of crowdsourcing typologies and approaches that are outside of the scope of this paper, but are worth noting (for a detailed review see (Brabham, 2013; Estelles-Arolas & Gonzalez-Ladron-de-Guevara, 2012; Hossain & Kauranen, 2015; Lauriault & Mooney, 2014). Traditionally, crisis crowdsourcing efforts take

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the form active crowdsourcing, in which specialized platforms and applications have been developed for users to actively contribute to a call for information (Loukis & Charalabidis, 2015; Tong et al., 2014). These platforms are usually developed and implemented by members of the affected public (e.g. Scipionus during Hurricane Katrina, the map-mashups during the 2007-2009 Santa Barbara wildfires) or by non-governmental organizations (NGO's) such as Ushahidi (Hiltz et al., 2014; Meier, 2012; Roche et al., 2011). The purpose of such platforms is to improve disaster response and resource allocation based on real-time reports from disaster victims that can be used to facilitate coordination with responders (Roche et al., 2011; Zook et al., 2010).

More recently, passive crowdsourcing via social media has emerged as a tool to communicate information in times of emergency (Charalabidis et al., 2014; Kaplan and Haenlein, 2010). Social media is increasingly being used by both NGO's and government emergency management agencies to determine public sentiment and reaction to an event (Bird et al., 2012; Flew et al., 2015; Fraustino et al., 2012; Laskey, 2013; Latonero & Shklovski, 2011; Lindsay, 2011; Taylor et al., 2012; Virtual Social Media Working Group and DHS First Responders Group, 2014). It is evident that the multi-directional flows of communication and information that crisis crowdsourcing online platforms facilitates can make response and recovery efforts more efficient and effective (Roche et al., 2011).

Despite the wealth of literature on crowdsourcing for emergency response, there is very little research on government use of crowdsourcing for emergency management. Given this focus on the individual contributor, rather than a government agency that would host a crowdsourcing platform, it is possible that the emergence of crowdsourcing during a crisis can be framed as a response to the failure of governments to act swiftly (Johnson and Sieber, 2013). In a study on bushfire safety in Australia, Brady and Webb (2013) suggest that unofficial community bushfire websites existed due to a gap in official online services. Though government agencies have been generally slow in adopting online crowdsourcing technologies, several agencies in the USA, Canada, Australia, and Europe have begun experimenting with these systems (Beaulieu et al., 2008; Koch et al., 2011; Lodge & Wegrich, 2014). Latonero and Shklovski (2011) describe the use of social media from the perspective of emergency management professionals as previous studies focused primarily on the use and application of crowdsourcing and social media information for response and rescue. Through a case study of the Los Angeles Fire Department, Latonero and Shklovski determined that the Public Information Officer within the department was the sole driver for the use of social media, specifically Twitter, for real-time interactivity during an event. The case study was limited in determining whether other emergency management agencies follow similar processes for integrating social media into their operations (Latonero & Shklovski, 2011). This limitation was addressed two years later in a project funded by the National Emergency Management Association (NEMA) in the USA to determine the level of adoption and use of social media by government emergency management agencies at the state, county, and municipal levels (San Su et al., 2013). The results show many agencies are using social media in their emergency management operations, however many agencies lack specific policies (San Su et al., 2013). In 2014, Hiltz et al. interviewed emergency management professionals to identify keys "barriers and wish lists" when adopting social media into government emergency management operations in the USA.

Outside of the USA, studies for government use of crisis crowdsourcing and social media are beginning to emerge. In Canada, the Defence Research and Development Canada (DRDC) Centre for Security Science (CSS) in partnership with the Calgary Emergency Management Agency (CEMA) held a workshop on Social Media for Emergency Management (SMEM) with emergency management professionals from various realms (e.g. volunteers, first responders, public servants, and NGO's) to facilitate discussions

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around the integration of social media in emergency management operations in Canada (Kaminska et al., 2013). More recently, in Australia a study by Haworth (2016) was conducted to identify the impacts of crisis crowdsourcing in Australian government emergency operations.

These emerging initiatives illustrate the need for identifying the ways in which crowdsourcing can support all phases of disaster management, including mitigation and preparedness, rather than simply the response phase (Haworth & Bruce, 2015). The goal of this paper is to determine the use of crowdsourcing technologies within government, identifying how crowdsourcing links to all phases of disaster management. Drawing on interviews with emergency management staff in the USA and Canada, we characterize the current use of crisis crowdsourcing by these government agencies, and uncover how crowdsourcing is currently applied in all phases of the disaster management cycle.

CRISIS CROWDSOURCING

The development of a crowdsourcing platform for emergency response typically happens spontaneously, during or immediately after an adverse and impactful event (Burns and Shanley, 2012; Liu, 2014; Starbird, 2012). In addition, such platforms are developed and implemented by members of the affected public or by non-governmental organizations (NGO's) (Roche et al., 2011). The NGO, Ushahidi, became a major communication resource in the wake of the Haitian earthquake disaster in 2010: It is described as a resource and information sharing platform that allows users to send in information about a specific event unravelling on the ground via SMS, e-mail, or online form, for others to view (Roche et al., 2011). Another notable example of crisis crowdsourcing, the map mash-ups for the Santa Barbara wildfires of 2007 to 2009, further demonstrate how citizens built their own communication tools as a response to inaccurate government updates (Goodchild & Glennon, 2010).

Little research is available on government use of crowdsourcing for emergency management. Johnson and Sieber (2013) described emergency response as the most "prominent" use of VGI, though not by governments. Government agencies may be slow in adopting crisis crowdsourcing because of a lack of awareness or understanding of the benefits. Since the crisis crowdsourcing literature focuses on the use of it by NGO's and citizens and its associated benefits, it can be difficult for government agencies to determine whether adopting it into their own operations offers the same or different benefits. Interviews with government emergency managers identified several barriers to government use of crisis crowdsourcing, from a lack of personnel and proper training, policies and procedures blocking social media use, to the trustworthiness of the crowdsourced information (Hiltz et al., 2014). Additional challenges identified by Haworth (2016) include the digital divide, liability around accepting unverified information, and proper management of the information. Despite these challenges, some government agencies are using crowdsourcing and VGI for emergency management practices. Examples of these practices have been documented in the literature and are summarised in Table 1.

There is a growing literature focusing on the potential for social media, as a form of passive crowdsourcing, to enhance 911 emergency systems. In this way, social media acts as a crowdsourcing conduit for early detection, to determine public sentiment and reaction to response agencies' efforts, to enhance situational awareness, to coordinate amongst social media users, and to accelerate damage estimation processes based on information being posted by social media users (Avvenuti et al., 2016; Bird et al., 2012; Flew et al., 2015; Fraustino et al., 2012; Lindsay, 2011; Starbird and Palen, 2011). Several studies into the use of social media during crisis events show that social media offers emergency managers with

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Table 1. Summary of active crisis crowdsourcing applications implemented by government agencies

Agency	Country	Application Name	Date Implemented	Description
USGS (Federal)	USA	Did You Feel It? (DYFI?)	1997	The first "fully automated earthquake detection intensity system." Citizens send in earthquake observations online, which are used for early detection and data analysis (Wald et al., 1999, 2011).
Miami-Dade County (County)	USA	Snapshot Damage Assessment & 311	2007	The county receives online reports of damage and 311 telephone calls to enhance their situational awareness during an emergency event (Castellanos et al., 2013; Schellong & Langenberg, 2007).
USGS (Federal)	USA	Tweet Earthquake Dispatch (TED)	2011	An earthquake detection procedure that relies on Twitter data alone. The procedure allows for rapid earthquake detection and a qualitative assessment of events (Earle et al., 2012).
USGS (Federal)	USA	Did You See it?	2012	A reporting application mirroring the DYFI? model to allow users to report instances of landslides experienced and witnessed (Baum et al., 2014).
FEMA (Federal)	USA	FEMA App	2013	The application provides weather alerts, emergency preparation tips, other disaster resources, and the ability for citizens to submit disaster photos onto a pubic web-map. The map is universally accessible, with no restrictions, thus allowing all emergency managers to view the information (Adamski, 2013).
Department of Energy (Federal)	USA	Lantern Live	2014	During an emergency or power outage, citizens can report the operational status of fuel stations, for other citizens to determine where fuel is available and identify where power outages are occurring (Department of Energy, 2014).
USGS (Federal)	USA	iCoast	2014	"Digital volunteers" compare before and after aerial photos of Hurricane Sandy and classify changes along the US coast caused by the hurricane. The application was designed to validate predictive models of coastal change (Liu, 2014).
Grundy County (County)	USA	Grundy EMA App	2015	The application educates citizens on local hazards and emergency practices, sends out alerts, and allows citizens to send in reports of damage after a severe weather event. The information gathered by the county is reported back to the National Weather Service (Litchfield, 2015).

an opportunity to "use citizens as data reporters" (Starbird & Stamberger, 2010). Similarly, geo-located reports from social media can be used to populate a crowdsourcing web-map application to support crisis recovery and aid efforts (Gao et al., 2011). Most recently, the Canadian government participated in a resiliency experiment with the American government to assess the performance of social media for cross-border exchange of information during a simulated hurricane event (Cotter et al., 2015). It was found that social media can improve recovery operations, yet agencies are not fully exploiting these tools.

THE DISASTER MANAGEMENT CYCLE

When a disaster or emergency strikes a region, quick and effective decision-making is of the utmost importance. Crisis crowdsourcing technologies show potential to support this decision-making, within all four phases of the disaster management cycle; mitigation, preparedness, response, and recovery (see Figure 1). The disaster management cycle is a continuous process that moves through phases of reducing risk and exposure to hazards (i.e. mitigation) and planning and preparing for oncoming hazards and

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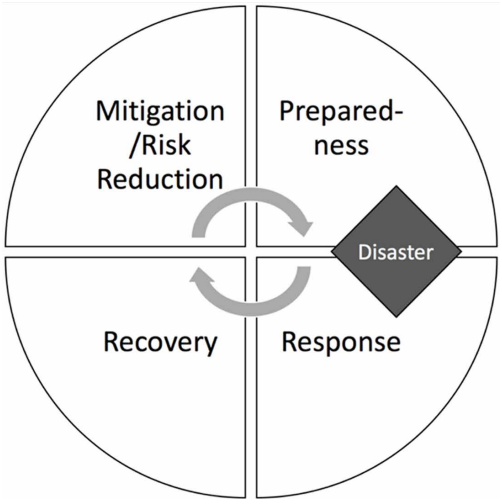
Figure 1. The Disaster Management Cycle and the four phases. The cycle is split into two general periods, the pre-disaster period with the mitigation and preparedness phases, and the post-disaster period, with the response and recovery phases.



preventing a disaster (i.e. preparedness), to phases of reducing impacts of a disaster through response efforts and search and rescue (i.e. response) and restoration through clean-up and reconstruction (i.e. recovery) (Poser & Dransch, 2010). During the response and recovery phases, timely and accurate information is crucial to managing an unfolding event (Morton & Levy, 2011; Zhang et al., 2002), as such, crisis crowdsourcing is typically used in the response phase of an unfolding disaster. For example, Scipionus, a citizen-led crowdsourcing platform that emerged in the aftermath of Hurricane Katrina, became a crucial communication tool for victims of the hurricane to connect with each other and locate loved ones when traditional communication infrastructure failed (Roche et al., 2011). Additionally, all but one of the applications listed in Table 1 are used directly for response and recovery efforts. The only application that is not directly used in the immediate aftermath of a disaster is iCoast, which can be accessed by citizens any time, yet it uses imagery of before and after the hurricane disasters.

In these instances, crowdsourcing is used to gather information about current ground conditions to improve decision making, however there is a clear gap in understanding the role crowdsourcing can play in other phases of the disaster management cycle, chiefly mitigation and preparedness (Haworth & Bruce, 2015). Much of the focus within the disaster management realm has shifted to these pre-disaster phases rather than the post-disaster phases of response and recovery (Chikoto et al., 2013; Christoplos et al., 2001; Paton, 2003; Paton & Johnston, 2001), however the focus on crisis crowdsourcing remains in the response and recovery phases. To fill this gap, interviews with emergency management officials aims to understand how crowdsourced information can feed into the mitigation and preparedness phases.

Characterizing Current Government Use of Crisis Crowdsourcing

To assess how governments are currently using crowdsourcing, we conducted semi-structured telephone and face-to-face interviews with government officials in both Canada (n = 15) and the United States (n = 7). Interviewees were asked to assess their current tools and processes, and to discuss the overall

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performance of crowdsourcing within their agency. Interviewees were selected based on their roles in emergency management, and involvement with existing crowdsourcing projects. In total, 48 officials were contacted for participation in the study from Canada and 52 from the United States. From this sample pool, there was a 31% response rate from Canadian officials, and a 14% response rate from officials in the United States (Table 2). Interviewees included community emergency management coordinators (CEMC), public safety director, oceanographer, seismologists, warning preparedness meteorologist, strategic initiatives coordinator, retired fire chief, senior systems analysts, manager of emergency planning, director of emergency services, director of operations, and communications and marketing officials. Interviews were audio-recorded, transcribed, and coded based on interview script themes.

Types of Crisis Crowdsourcing Tools and Implementation

Participating government agencies from both Canada and the United States use several approaches to emergency information communication (Figure 2). Some methods are traditional approaches that use telephones, and others are online, using social media or dedicated crowdsourcing applications. Though respondents from both countries were heavy users of social media, Canadian governments tended to favor traditional methods of communication, such as corporate telephone, 211 service, and 311 call centers. Given that crowdsourcing is a new phenomenon, it is not surprising that traditional methods like phone calls and call centers (e.g. 211 and 311) and email are still used. The entrenchment of these forms of communication was considered a product of the training that officials have, and that this information could be better verified, compared to social media. As indicated by two city-level officials from Canada, a Customer Service Supervisor and a Community Emergency Management Coordinator, respectively:

Phone call is still the best, it's still king because we have the person on the line and we can talk to them. And we're trained on how to deal when we have a person with us. We don't necessarily have training on how to get the most information out of social media and email. (Interviewee O, 2015)

The [reports] that are called in are, for a better word, validated, you know we've got the name, we've got a phone number, we may have an email address, we have a way of getting back to the resident. (Participant K, 2015)

Table 2. Number of interviewees from each level of government in Canada and the USA

	Canada			USA		
	Contacted	**Participated**	**Response Rate (%)**	**Contacted**	**Participated**	**Response Rate (%)**
Local	17	5	29	10	2	20
County	26	6	27	8	1	13
Provincial/ State	4	2	50	26	0	0
Federal	1	1	100	7	4	57
Total	48	14	31	51	7	14

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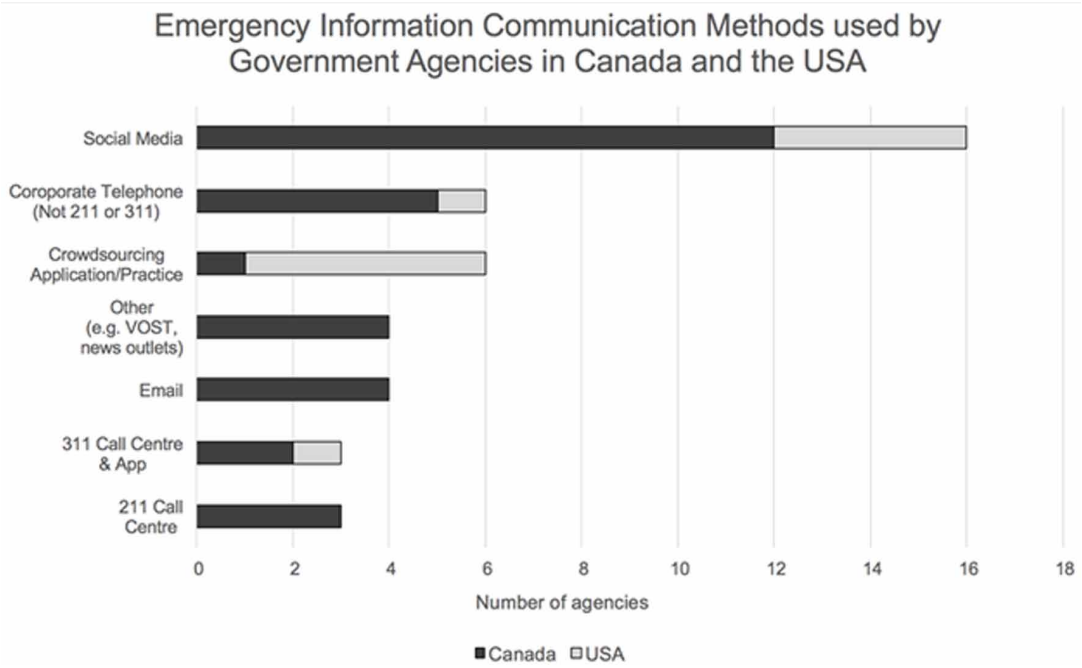
Figure 2. Methods used by government agencies to collect information from the public for emergency management



This finding contrasts to the US agencies, that employed dedicated crowdsourcing applications, considered to be unique interfaces that are created for active crowdsourcing, as opposed to passive social media-based crowdsourcing efforts. In total, only one participating Canadian agency used a dedicated crowdsourcing application, compared to five of the seven participating US agencies.

In addition to the types of methods used, the implementation of these methods differed between the Canadian and American agencies (see Table 3). For example, active crowdsourcing is primarily used by the participating federal government agencies in the USA. Alternatively, the participating agencies in Canada tend to use passive crowdsourcing methods (e.g. harvesting data from social media). Participating municipal agencies in Canada still relied on traditional methods of emergency information communication, such as corporate phone lines and call centers.

Results from interviews suggest that active crowdsourcing methods are predominantly used by federal-level agencies in both countries. For example, in Canada, the only federal agency to participate in the study was developing an active crowdsourcing model for collecting severe weather reports from trained weather watchers. Comparably, in the USA, the active crowdsourcing applications were open to the public. Passive crowdsourcing through social media was heavily used by participating government agencies in both Canada and the USA. Several uses of social media were described, with some agencies using social media for monitoring and harvesting information, while others used it for alerts. One interviewee from the provincial level in Canada outlined five reasons why their government used social media:

1. To evaluate the public's perception of the official emergency information being released;
2. To identify and help dispel rumors that could jeopardize public safety;

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*Table 3. Summary of emergency crowdsourcing efforts used by participating agencies in Canada and the USA. *No data is available for state level governments in the USA because none could be recruited.*

		Canada	USA	Summary
Active Crowdsourcing	Federal	CANWARN	Did You Feel It? iCoast	The USA is leading the way in active crowdsourcing adoption for emergency management with two active crowdsourcing methods implemented at the federal level, and one at the county level. In Canada, one active method was adopted at the federal level, yet contributors to this method still require training. One city level agency is working towards active crowdsourcing through a new 311 mobile application.
	Provincial/ State	None	N/D*	
	County	None	Snapshot Damage Assessment	
	City	311 App	None	
Passive Crowdsourcing	Federal	Social Media	Twitter Earthquake Dispatch Project Virtual Social Media Working Group	Passive crowdsourcing through social media is heavily used in both countries, at all levels of government.
	Provincial/ State	Social Media	N/D*	
	County	Social Media	Social Media	
	City	Social Media	Social Media	
Other	Federal	None	None	Agencies in Canada are still heavily reliant on non-crowdsourcing methods for collecting emergency information from the public. Call centres and corporate telephone lines are the preferred method amongst lower-tiered agencies for communicating with citizens.
	Provincial/ State	None	N/D*	
	County	211 Call Centre	311 Call Centre	
	City	311 Call Centre	None	

3. To identify threats to the agency's reputation that can impede the ability to respond to an incident, e.g. criticism from influential agencies;
4. To isolate calls for assistance on social networks and forward them to 911;
5. To gather information that will provide situational awareness.

From the interview responses, there was a progressive trend in tool selection, where agencies start using social media as a one-way information tool to send out information and alerts to the public:

Social media is a very valid tool in providing emergency information that's prompt, accurate, and allows people to take the necessary steps to protect themselves and their families. You know, it allows us to update those affected almost instantaneously, it's faster than a web post, it's faster than distributing a news release from the media. (Interviewee H, 2015)

When asked what influenced an agency's decision to adopt social media into their emergency management agency, one county-level CEMC replied:

Initially getting into social media, the argument that won it for us was the same argument that was used a hundred years ago when we convinced council to let us have a telephone, right. If that's how people are communicating, then that's how we need to communicate with them. (Interviewee A, 2015)

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Next, agencies start monitoring social media for information control, for dispelling rumors, and to determine the public's perception of and response to the official information being sent out:

Because we were using social media extensively then and we knew it was important to be monitoring, not only what was happening with our information, was it being retweeted or shared on Facebook, but also to be able to respond and to monitor messages that were coming in on social media, either in response to our information or about the event. (Interviewee P, 2015)

So basically, way back probably even in 2011, the initial ideas came up and we basically wanted to develop the capacity to monitor, to kind of gain that situational awareness and be able to detect rumours and kind of determine how effective our messaging is when we did put out Tweets or whatever other platforms we were using at the time. (Interviewee M, 2015)

Finally, agencies use social media as a two-way communication tool, to send out alerts and to receive reports from citizens. One city-level Customer Service Supervisor from Canada described their transition from using social media for information dissemination to collecting reports from it:

Customer service, or our involvement in that has only been for the last year, because primarily it was used here at the town for just information out, you know, pushing information out, and we just have been flirting with, you know, receiving information, receiving complaints, receiving this, so on and so on. (Interviewee O, 2015)

It became clear from the interviews that agencies were at different levels of maturity in their use of social media. For example, one county-level official from Canada described that their agency first used social media for information dissemination and soon realized the value of monitoring social media to check how their information was being received and to monitor incoming messages, with social media monitoring now an official role in the agency's Emergency Operations Centre (EOC). Yet, in another county-level agency from Canada, the participating CEMC noted that their agency had yet to officially endorse social media for communication purposes, and were only considering it for information dissemination purposes.

Crisis Crowdsourcing Impacts for Government Emergency Management

Effective communication is critical in emergency management operations. Crowdsourcing and social media offer new ways to enhancing this communication. Interviewees identified several ways in which crisis crowdsourcing can improve communication and government emergency management (see Table 4).

Five areas of improvements or benefits of crisis crowdsourcing were described by the interviewees. With respect to government transparency and accountability, crowdsourcing can increase trust of citizens in their government by publicizing the information gathered by the agency and showing the citizens what the information is used for. Crowdsourcing also offers educational benefits by raising awareness about nearby hazards.

Crowdsourcing and social media can improve communication by offering a new avenue to connect with citizens, as described by a county level emergency manager in Canada:

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Table 4. Summary of benefits interviewees identified from using a crisis crowdsourcing model

Improvements and Benefits	How…
Transparency & Accountability	Increase in trust Education Citizen decision making Progress visual Updates (live vs. periodic) Resource allocation
Government-Citizen Communication	Timeliness Alerts and information dissemination Public engagement Gathering feedback Sentiment analysis
Internal Communication	Direct and fast Alternate routes Progress visual Resource allocation
Enriching the dataset	Risk analysis Order of magnitude Situational reports Aid field crews Photos Geographic information

I can go back to our Facebook page two years ago during our winter storm emergency, where we had somebody post on there, 'this was the best dissemination of information by a government agency ever,'... And we're pretty proud of that because we did work very hard to use social media to communicate with the affected public. (Interviewee A, 2015)

Citizens can share their own stories and experiences with their government, knowing that their information is useful, as described by a US federal level Research Geophysicist about their active crowdsourcing application to gather information about felt earthquakes:

I mean, I can't overstate the component of catharsis people seem to feel. Like I said, people want to go out and talk to their neighbours after an earthquake, people that they've never talked to ever, for any other reason. And so that instinct is somewhat satisfied by people filling out a questionnaire and knowing that it's being used and that their experience was valuable. That's a catharsis that you just can't get any other way (Interviewee G, 2015).

The timeliness of communication during an emergency can also be improved by allowing governments to send out more accurate alerts more quickly, and monitor real-time information to facilitate a feedback loop of updating alerts based on incoming information.

In terms of internal communication, emergency management agencies already have systems in place to maximize communication between departments and response crews. Not all these systems fully integrate social media or crowdsourcing, and many do not update "on-the-fly" for response crews in the field. Interviewees suggested that adding crowdsourcing and live updates to their existing systems could improve response times, resource allocation, and overall situational awareness. In Canada, one county level CEMC described how social media was used to improve their response efforts and resource allocation:

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If I can go back two winters ago where we had some, we had a very serious snow incident here that shut down many communities for several days, where people were posting that they had real issues with either no heating in their home, or no food for their children, we were able to take that information and act upon it to provide them emergency social services. (Interviewee A, 2015)

Closely tied to internal communication, crowdsourcing and social media can enrich the data that agencies are collecting for situational awareness and response by adding real-time photos and geographic information, which can help responders determine what resources are needed and where. One county-level emergency manager from Canada described how photos and geographic information from social media help at their agency's EOC:

Geographic attributes and photos of damage are priceless in the Emergency Operations Centre. When I gather my emergency control group and we're in a room trying to determine our priorities and determine the validity of the information that's coming in, knowing the geography, seeing photos of damage really allows us to determine the severity and allows us to mobilize resources faster than we would otherwise. (Interviewee A, 2015)

This is especially important for government agencies to utilize limited resources most appropriately. The added photos and geographic information can also be used to draw a fuller picture in the agencies' command reports, after-action reports, and situational reports.

Crowdsourcing in the Disaster Management Cycle

Discussions with interviewees revealed that crowdsourcing feeds into all phases of the disaster management cycle. Interviewees who practice crisis crowdsourcing indicated that the crowdsourcing process starts when a disaster occurs by first collecting information from the citizens on the ground for response and recovery efforts, and then using the information to learn from the event and inform future mitigation and preparedness efforts. The following analysis will start with examples that demonstrate the use of crisis crowdsourcing in the post-disaster phases (i.e. response and recovery shown in Figure 1). Afterwards, examples that illustrate how the information gathered from crisis crowdsourcing feed back into the pre-disaster phases (i.e. mitigation and preparedness in Figure 1) are presented and discussed.

Response and Recovery

The response and recovery phases in the disaster management cycle occur after a disaster strikes, and are referred to here as the post-disaster phases. In the response phases, efforts are focused on conducting search and rescue operations and providing basic humanitarian needs for those impacted (Poser & Dransch, 2010). After the initial response, the recovery phase begins in which repairs to damaged infrastructure and property are made, ensuring that those impacted by the disaster are provided with the appropriate means to restore their livelihoods (Poser & Dransch, 2010). Much of the focus on crisis crowdsourcing has been in these post-disaster phases, particularly in the response phase. The interview results provide further support for this trend.

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Social Media and Passive Crowdsourcing

Social media offers insight into the impact of a crisis on those involved. Interview results show that government agencies turn to social media to dispel rumors, reputation management, responding to calls for aid, enhancing situational awareness, monitoring citizen use of and response to official information (i.e. sentiment analysis), and for remote monitoring. Each of these uses apply to the post-disaster phases. Often, monitoring social media is used to keep track of false information during a disaster. An Executive Director of Public Safety Initiatives at the provincial level described how social media can be used by provincial governments in assuring that rumors are dispelled:

It's a great source of information, so you're looking to it from a sort of mining it for information, so an intelligence type use, but also to track the information for correctness of information. And when required we would correct wrong information. (Interviewee T, 2015)

The negative impacts of rumor spreading on social media can create unfounded fears amongst the impacted populations, as described by a Team Lead at the provincial level from Canada:

There was an extensive distribution of false information, rumours, fake pictures on Twitter, Instagram and Facebook during Hurricane Sandy that helped, perhaps, create some concerns or unfounded fears among the people in the areas that were impacted by the storm. (Interviewee H, 2015)

By controlling false rumors, response and recovery can be improved by avoiding unnecessary spread of fear and panic, which can distract responders from the real impacts.

Results from the interviews revealed that one of the primary uses of social media is to enhance situational awareness. Situational awareness refers to understanding of unfolding events that are impacting many actors and "moving parts" (Vieweg et al., 2010). By enhancing and maintaining situational awareness, emergency management officials can implement more effective response plans and manage requests for information (Cameron et al., 2012). Interviewees indicated that social media is an essential tool in building situational awareness. One county-level official from Canada described how social media is used to "augment our situational awareness, and it's also used to gauge what the community needs are" (Interviewee P, 2015). Social media provides an opportunity for officials to identify community needs and adjust their response efforts. The same interviewee also used social media to monitor the "response to our response", and uses sentiment analysis to determine how their information is being propagated, which then helps assess the effectiveness of their agency's communications reach.

The situational awareness built from social media can be used to inform the EOC, to update alerts, or to inform actionable decisions, such as sending out response crews. For example, a county-level CEMC from Canada monitored social media during a tornado-producing severe weather event. The interviewee followed reports of storm activity on Twitter and matched it up with alerts from Environment Canada, and used this to issue information over social media and email. At the provincial level, in Canada, situational awareness can improve information sharing between agencies, which can then inform decision-making:

[Social media] helps us build our situational awareness, and then what we do is we build a situation, we call it a common operating picture report, and then we disseminate that across government and to the

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affected communities. And so, the advantage of that is that report takes the information we're gathering from all sources, collates it, verifies the information and then we push it out to those [affected communities]. So, it's, everybody has a common understanding of what's going on and the information they have in their hands is verified reliable information that they can act on. (Interviewee T, 2015)

Building situational awareness is critical in the response and recovery phases. The focus of interviewees on using social media for situational awareness demonstrates how it can improve response efforts and decision making in emergency operations. Additionally, the widely accessible nature of social media and its large user base provides can build situational awareness as it enables agencies to partake in remote monitoring. Now, agencies from across the country (even internationally) can offer help in an unfolding, large-scale disaster. One participating county-level agency in Canada did this when they were asked to monitor social media for a large-scale flood disaster in another province:

During emergencies, we've used it locally when we've had events. We've also used it to assist other municipalities, so during the Calgary floods, our communications team actually used Sprout Social to monitor social media activity in the Calgary area. So that's really allowed us to capitalise on our abilities. We were completely unaffected by that incident, but able to help out. And then when we get inundated with an incident, we're able to call on our partners or other communities to help us monitor social media. So, it's very helpful. (Interviewee A, 2015)

Active Crowdsourcing

Building on the situational awareness theme, an active crowdsourcing application allows emergency management officials to visualize current ground conditions on a map, and identify the neighborhoods in most need of aid. This approach was used by a county-level agency in the USA. The agency uses a web-application for citizens to submit reports of storm damage and flooding (Figure 3). In an online reporting form, citizens select a damage level (e.g. moderate, major, destroyed) and a flood level (e.g. street level, inside home) for the county to assess damage. The application does not have a verification process, and the crowdsourced information is published "as is". Because of this, the agency does not use it for responding to individual reports, and instead uses it to build situational awareness.

Interviewees indicated that both passively and actively crowdsourced information can be included in situational reports. During the response and recovery phases, these reports are distributed amongst other impacted communities to maintain open communication and coordination between jurisdictions. They are also used to apply for disaster relief funds from higher-tiered agencies (i.e. the provincial/state or federal government). This takes place in the recovery phase, when agencies and citizens are attempting to rebuild and are submitting insurance claims.

Mitigation and Preparedness

The mitigation and preparedness phases in the disaster management cycle (see Figure 1) focus on reducing risk and vulnerability to lessen disaster impacts. Mitigation involves continuous risk identification and analysis, and risk reduction through planning and education (Poser & Dransch, 2010). Preparedness follows mitigation with direct planning of response protocols if a disaster were to strike; monitoring

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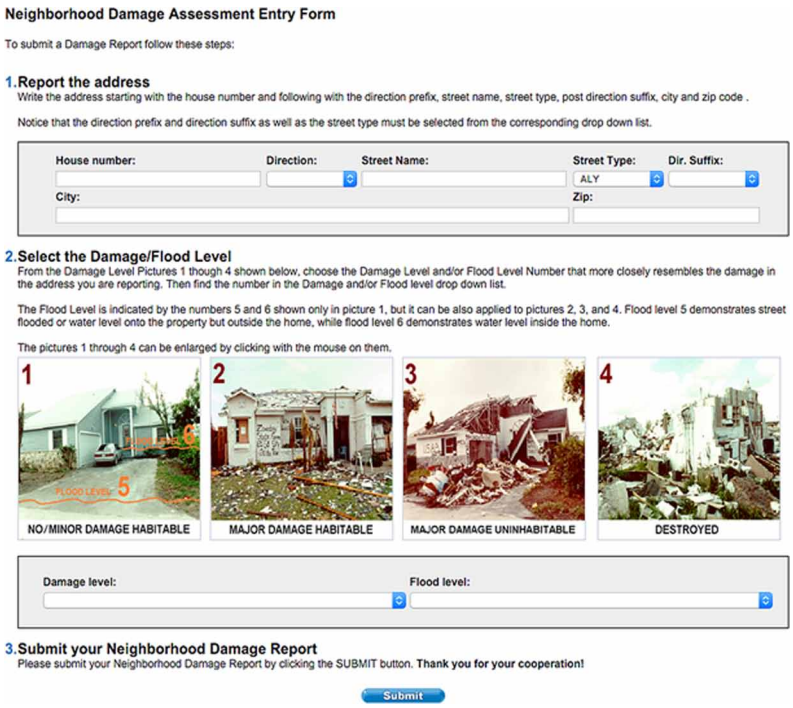
Figure 3. The online damage reporting form used by a county-level government in the USA



and forecasting of an approaching hazard is undertaken, and warning systems are implemented (Poser & Dransch, 2010). While much of the focus in the crisis crowdsourcing realm has been on its use in the post-disaster phases, interviews with officials from both Canada and the USA revealed that it is also valuable in the pre-disaster phases.

Social Media and Passive Crowdsourcing

During the mitigation and preparedness phases, social media is used primarily as a government- to-citizen communication tool. Social media has proven to be useful in educating the public around proper emergency preparedness practices and for sending out alerts and warnings (i.e. severe weather, flooding, wildfire, etc.). It was described by one county-level official as being their agency's "dominant method" of communicating emergency information and alerts to the public. Interestingly, many interviewees focused on how social media has improved their information dissemination for increasing preparedness. This reflects the shifting focus in the emergency management realm from response and recovery to mitigation and preparedness. Interviewees determined that social media is highly effective for government information dissemination because it connects with many people at once, is accessed daily by public citizens, and is comparably fast:

It's just been fantastic, like I said, being able to reach out to that many people, being able to control our message, and not rely on the media to take a press release, add their information, their spin to it and get it to the public. So, to be able to actually directly communicate the message to that many people all at once is fantastic. (Interviewee A, 2015)

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… basically, as another form of information, so coming in information, but more as a tool for preparedness and education, so reaching out to the municipality. And if we know that we've got potential for a heat wave, so prior to the heatwave, in conjunction with the health unit, sending out reminders about how to protect yourself and be ready. (Interviewee K, 2015)

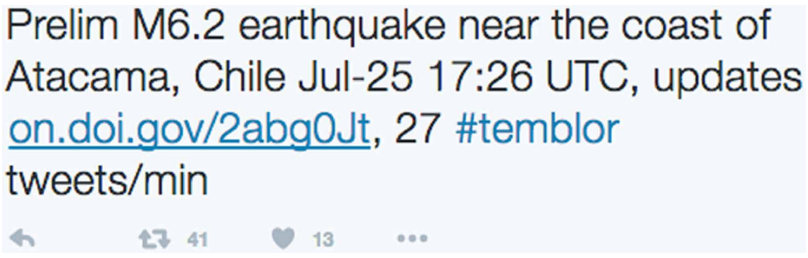
As an extension of information dissemination, social media can be used to understand the public's perception of and response to official emergency information. Government agencies want to ensure that their messages are being received and understood, otherwise they need to provide further instructions or clarification. Agencies can monitor social media for feedback on their awareness and preparedness initiatives, as one city-level official did during a special education session held during Emergency Preparedness Week in May of 2015. The feedback that officials received over social media confirmed there is value in hosting educational events.

In the USA, the federal government developed a passive crowdsourcing approach to earthquake monitoring by harvesting Twitter data. This application gathers qualitative descriptions of earthquakes experienced by Twitter users. For example, when the application was implemented in 2009 following the 2008 earthquake disaster in Wenchuan, China, the earthquake was detected on Twitter before seismologists could publish information based on earthquake data from seismometers. The Director of Operations from the federal agency described how this was possible:

How they detected this earthquake on Twitter before the seismologists published the information based on the earthquake data and this makes sense because, you know if you have seismometers a long ways away, the shaking waves won't get there, but if you have people closer they'll feel it faster and then feed that information, which travels at the speed of light and then you can get those tweets, so it's a matter of increasing the coverage of your sensors. (Interviewee C, 2015)

In response, the agency developed a Twitter harvesting system to detect earthquakes around the world, particularly in regions with sparse seismic networks. The early detection offers "a quick head's up that something's going on, and then a qualitative measure of the interest in that, and potentially the impacts of that earthquake" (Interviewee C, 2015). This application has evolved into a short-term earthquake alert system. Figure 4 shows a screenshot taken from the agency's Twitter feed of a recent earthquake that was detected. The tweet provides a quick warning about an earthquake situation unfolding so that the appropriate response agencies can prepare, supporting both immediate and short-term preparedness efforts.

Figure 4. A screenshot of a recent earthquake alert detected by the USA federal agency's specialized Twitter harvesting application



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Active Crowdsourcing

When considering active crowdsourcing, interview results indicate that while the crowdsourcing applications are typically used by citizens directly after an emergency, the information gathered can also be used to inform the pre-disaster phases. This is true for the federal-level crowdsourcing applications used in the USA and in Canada. In Canada, the federal government practices a unique form of crowdsourcing developed in 1978, when a volunteer Weather Watch Program was created with an unlisted 1-800 phone number for registered volunteers (i.e. storm spotters) to report instances of severe weather. Since then, the program has evolved to allow volunteers to submit reports over telephone, email, and social media (see Figure 5). There is no specially developed application for volunteers to download or report pn, but the process of collecting reports from the volunteers over the various mediums is well-defined and managed.

The primary use of this active crowdsourcing practice is in the mitigation and preparedness phases, with a more direct use in preparedness. The volunteer weather reports can be applied both in real-time and after an event to inform short-term and long-term preparedness, respectively. In real-time, the agency uses the reports from one geographic location to alert populations in another location as to what kind of severe weather is headed their way. Afterwards, the reports can still be "invaluable" for the agency's verification program by using the reports to evaluate the agency's performance in sending out their thousands of watches and warnings each year (Interviewee L, 2015). This crowdsourced information feeds into the short-term preparedness and mitigation of an event, as the agency uses reports to verify and update their warnings. In the long-term, the agency can use this information to continuously improve their monitoring and forecasting system, to understand how their alerts are being perceived and responded to.

Figure 5. Examples of severe weather reports posted on Twitter for the Canadian federal agency in a recent severe weather event

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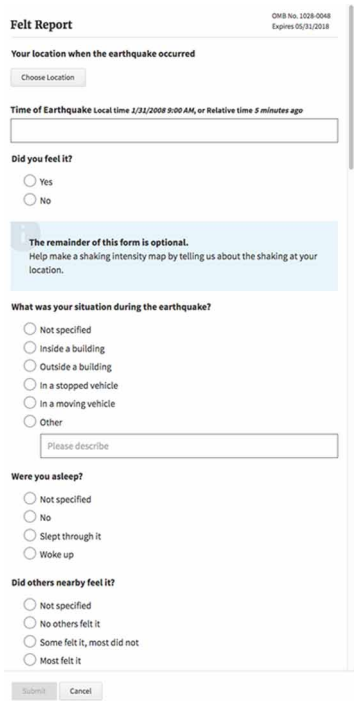
The US federal government uses two active crowdsourcing applications for preparedness and mitigation efforts. The first application, called "Did You Feel It?" (DYFI?), is specifically designed for measuring earthquake intensity and evolved from a traditional paper survey method. The paper surveys were typically only conducted for significant earthquake events and excluded the minor, felt earthquakes that happen on a regular basis, and were only filled out by postmasters and sent back to the government agency. This resulted in major gaps in the data. When the survey was brought online in 1999 and automated, it became accessible to anyone with access to the internet, thus resulting in a more complete, global dataset for earthquakes of any intensity. The application is primarily used to depict the shaking intensity and distribution in map-form after an earthquake of any magnitude based on information submitted by citizens through an online form (Figure 6). These "shakemaps" and the global earthquake database is used to inform earthquake management:

Our job is really to do the science for which decisions are made whether they're long term planning or response. (Interviewee G, 2015)

As the global database on felt earthquakes continues to grow, earthquake modeling and forecasting can be improved, further enabling mitigation efforts within earthquake hazard and risk management.

The second active crowdsourcing application implemented by the US federal agency included in this study, called "iCoast," aids in improving hurricane mitigation and preparedness. The initial idea of the application was based on using a large aerial imagery collection of coastlines before and after

Figure 6. A structured reporting form of felt earthquakes allows the agency to derive quantitative values from qualitative data



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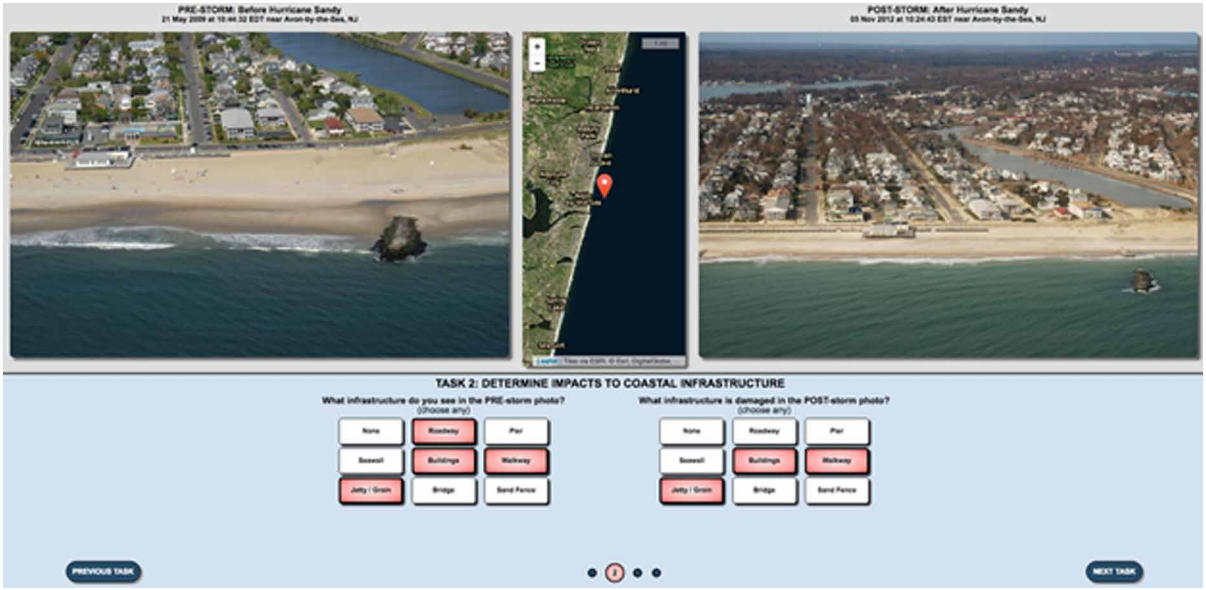
significant hurricane events. This application allows citizens to perform image analysis to improve modeling of coastal change processes caused by hurricanes. Citizens access the application through their computer's browser and are presented with aerial images of the eastern coast from before and after Hurricane Sandy, as shown in Figure 7. The citizens follow a step-by-step process to identify damage types caused by the hurricane.

It was found that iCoast provided an added benefit of raising hurricane hazard education and awareness. Taking the citizen through the entire process provided an opportunity for citizens to learn about the coastal hazards associated with hurricanes. Citizens living along the coast became more aware of the issues they may face on their coastal properties. The agency received feedback which outlined this:

We got some feedback from people who are participating and how they're starting to realize and learn what does coastal erosion mean? what are the issues that I need to be aware of living on the coast? and things like that. So, to some level it was educating people in a way where they're helping us but they're also learning how we are communicating our science. (Interviewee I, 2015)

There are two distinct uses for information produced from this project, both of which fit into the mitigation and preparedness phases: 1) to improve modelling of associated hurricane hazards such as coastal erosion, and 2) to provide an educational tool for contributors to learn about coastal hazards associated with hurricanes. Improved modelling can enhance efforts to reduce coastal erosion and flooding while the contributors who live on the coast can learn how their coastal properties are impacted. This application is enabling the US federal government to raise public interest towards hazard mitigation, and fuel voluntary mitigation practices at the individual level (Godschalk et al., 2003; Semenza et al., 2011).

Figure 7. Citizens are presented with a before and after aerial image along a section of the coastline to identify specific changes in the photos that may have resulted from Hurricane Sandy



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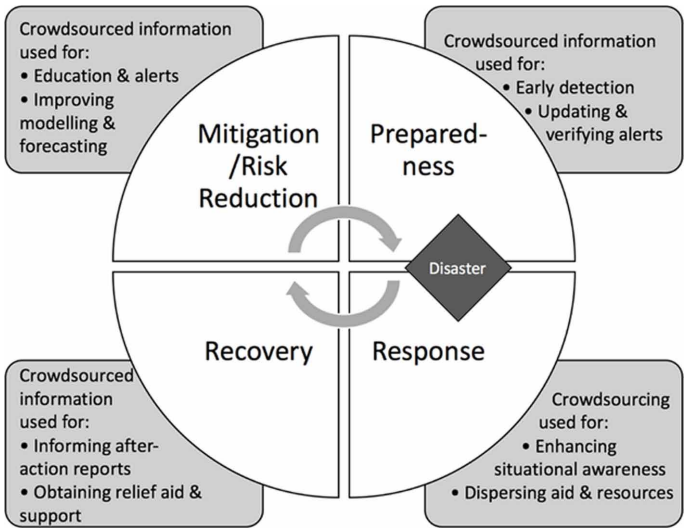
The above findings demonstrate that information gathered from passive and active crowdsourcing can inform long-term and short-term mitigation and preparedness efforts. Study interviewees suggested that photographic and geographic information gathered through crowdsourcing can be used to inform "after-action" reports. These reports are then used to learn from an incident, to identify what was done well and what could be done better in the future, thus improving mitigation and preparedness. They are also used to perform risk analysis, further enhancing mitigation efforts.

Government Crisis Crowdsourcing as a Contributor Throughout the Disaster Management Cycle

Interview results show that crisis crowdsourcing plays a role in all phases of the disaster management cycle. Moreover, there was a high-level of focus on using crowdsourcing information to further enhance mitigation and preparedness efforts. The findings are summarized in an annotated diagram of the disaster management cycle (Figure 8). The diagram illustrates disaster management as a continuous cycle that flows between pre-disaster to post-disaster, and the experiences from the post-disaster phases are used for continuous improvement of mitigation and preparedness efforts.

The interview results reveal a pattern in the adoption and use of crisis crowdsourcing for each level of government. Participating agencies from the federal level appear to use crisis crowdsourcing for mitigation and preparedness, while local and county-level agencies use crowdsourcing for response and recovery. This may be because lower-tiered agencies experience the direct impacts of a given crisis event, while higher-tiered governments are concerned with providing appropriate support and resources to mitigate those impacts.

Figure 8. Crisis crowdsourcing fits into all four phases of the disaster management cycle



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CONCLUSION

This study demonstrates the improvements that crisis crowdsourcing can add to current government emergency management operations. Until recently, research has been heavily focused on crisis crowdsourcing efforts by governments in the USA, however recent studies from Canada demonstrate the efforts that Canadian government agencies are taking towards crowdsourcing and social media adoption. This research characterizes the current state of crisis crowdsourcing amongst Canadian emergency management agencies. While some agencies in Canada have experimented with social media and found it to be beneficial, thus officially adding it into their routine operations, other Canadian agencies remain guarded, and are still assessing the costs and benefits associated with integrating into their operations. Results from those agencies in both Canada and the USA who have successfully adopted crisis crowdsourcing and social media shows that these technologies offer several benefits for emergency information communication between government and citizens.

This study is limited by some key factors. The primary data collection methods and sample size from both counties limits the extent to which the results can be generalized, as it is not a representative sample of all emergency management agencies in both countries. Accompanying surveys or questionnaires with the semi-structured interviews could enrich the data by gathering it in a standardized format, making it easier to identify trends. In addition, more sophisticated recruitment efforts (i.e. incentives, personalization of recruitment letters, etc.) could increase the response rate and overall sample size.

It is possible for some discrepancy to have occurred between telephone and in-person interviews, for example the inability to read body language and probe for more details, and time limitations which could potentially restrict in-depth discussion (Novick, 2008). However, telephone interviews do offer advantages for qualitative data collection, particularly for this study, such as decreased cost, communicating with professionals at various geographic locations that were, in various instances, several hours' flights away from the researcher's location, and maintaining a level of privacy and anonymity (Novick, 2008). When possible, it is preferred to conduct interviews in-person. However, in the case of this study, telephone interviews made it easier and cost-effective to schedule and conduct interviews with professionals across North America over the phone.

A lack of data pertaining to the interviewees' age, gender, and educational backgrounds and detailed roles (they provided a brief description of their role) potentially limits the analysis of this study. For example, during discussions with some interviewees and research colleagues the age of government officials arose as a potential barrier to the adoption of new technology, especially crowdsourcing. In addition, the educational background of the interviewees may have influenced their responses to the questions, such as their motivations and perceptions to adopting crisis crowdsourcing technologies. More data would allow for a more in-depth analysis of these issues.

Much like the shift in the disaster management literature from response and recovery to mitigations and preparedness (Chikoto et al., 2013; Christoplos et al., 2001), there is a shift in the crisis crowdsourcing literature from using crowdsourcing for post-disaster efforts, to exploring its use in the pre-disaster phases. Using data collected from both American and Canadian government agencies, this research determines that crisis crowdsourcing is currently applied in all phases of the disaster management cycle. Crisis crowdsourcing is directly used in the post-disaster phases, and the resulting information is indirectly used to improve mitigation and preparedness for future hazards. There is a clear gap in the *direct* application of crisis crowdsourcing in the mitigation and preparedness phases. Emergency management officials and scholars in this field have an opportunity to fill this gap through adopting crowdsourcing

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directly for mitigation and preparedness. For example, the iCoast application uses crowdsourcing for mitigation and preparedness. This can increase citizen awareness and education of hazards, which then drives improved mitigation and preparedness efforts on an individual level.

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Chapter 22
Incorporating Global Medical Knowledge to Solve Healthcare Problems:
A Framework for a Crowdsourcing System

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ABSTRACT

Global medical knowledge incorporates knowledge from diverse traditions which follow different 'grammar', making encapsulation of medical knowledge a challenging task. Current advances in technology enable the aggregation of medical knowledge from varied traditions to confront difficult health issues for which cure is yet to be developed. In addition to accumulating knowledge from wide-ranging sources, an ideal crowdsourcing system can benefit from the use of appropriate software algorithms to select the best solution. This research suggests a step approach scheme to develop a crowdsourcing system for medical diagnosis by applying an existing classification of crowdsourcing. The proposed crowdsourcing system will involve the crowd and medical experts from across the world, who together with the help of software algorithms, could provide useful solutions for hitherto difficult to solve health problems.

1. INTRODUCTION

In today's technology-driven world, an opportunity exists to share information or knowledge through internet-enabled systems. Global organizations have used crowdsourcing technology to solve a wide array of problems related to diverse topics, such as, new product ideas and the improvement of existing products or services (Afuah & Tucci 2012; Surowiecki & Silverman, 2007; Zimmerman, 2016). In gen-

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eral, crowdsourcing has been employed to accomplish four main categories of tasks: problem solving, data processing, monitoring, and surveying.

In the healthcare domain, crowdsourcing has been used to answer important health-related questions (Ghosh & Sen, 2015). Generating ideas to solve medical problems is a more recent phenomenon in crowdsourcing in the healthcare sector (McCartney, 2013). This is illustrated with the advent of platforms such as CrowdMed, a crowdsourcing system that outsources rare medical cases to the crowd, which trained medical experts have not been able to unravel.

Medical knowledge signifies information relevant to the field of medicine. 'Global' medical knowledge incorporates knowledge from different medical traditions which follow a variety of 'grammatical rules' based on how the knowledge is applied. This makes the encapsulation of such a diverse body of knowledge difficult. Considering these challenges, in this paper we propose a framework to develop a medical crowdsourcing system that will allow obtaining relevant global medical knowledge from diverse traditions. The suggested crowdsourcing system will include the crowd and medical experts from all across the world representing different medical traditions. These entities together with the help of software algorithms will generate suitable solutions for health problems for which cure is not yet known. We believe that the solutions will originate from the aggregate knowledge coming from diverse medical philosophies as well as thoughts from a broad spectrum of medical practice and traditions. This knowledge will most likely cure the rare medical problems.

The paper is structured as follows. We begin by discussing crowdsourcing typology (Budescu & Chen, 2015). Next, we consider issues related to the creation of knowledge, types of knowledge, and its subsequent transfer (Hayek, 1945; Jensen & Meckling, 1996). We then explore the challenges associated with capturing global medical knowledge. Subsequently, we use classification of crowdsourcing based on the method used to analyze the crowd contributions (Prpić, Shukla, Kietzmann, & McCarthy, 2015) as a 'springboard' to recommend a step approach to develop a crowdsourcing system that involves the crowd, medical experts, and software algorithms for medical diagnosis of health issues for which a cure has not been developed. Finally, we present closing arguments on the promise of crowdsourcing systems that rely on bringing together knowledge from diverse sources.

2. CROWDSOURCING TYPOLOGY

There are many types of crowdsourcing systems with different objectives. Crowd polling systems are often used as a method for getting information from crowds about their opinions, while crowd-solving systems involve the incorporation of numerous individuals in teams undertaking creative work (Peisl, Selen, Raeside, & Alber, 2014). Crowd processing systems rely on large number of contributions. Contributors collectively process tasks in sizable numbers to minimize the use of traditional organizational resources (Budescu & Chen, 2015). Crowdfunding is a special type of crowdsourced product that is used as a method for generating funds from many individuals to sponsor businesses, creative projects, charities, and more.

Crowd-solving involves gathering ideas from individuals and the aggregation of 'intangible' goods in the form of the crowds' knowledge or information (Kamajian, 2015; Prpić, Taeihagh, & Melton, 2015). On the other hand, crowdsourcing strategies like crowdfunding and crowdpolling involve asking individuals to make 'tangible' contributions in the form of currency (crowdfunding) or votes (crowdpolling).

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Given the above distinction, crowdsourcing for medical diagnosis falls in the first category, which is crowd-solving; crowds contribute their ideas to solve medical problems by offering diverse solutions. Medical knowledge is often abstract and complex, a discussion that follows later in the paper. It is a greater challenge to capture this type of knowledge, than, for example, collecting ideas on improving the design for a product or gathering inputs on how to market a new product.

Successfully engaging a crowd and effectively acquiring the desired contributions from it are necessary but not sufficient by themselves to generate relevant and important knowledge from the crowd. Procedural rules and associated algorithms used by the crowdsourcing system are critical in achieving the desired objective of effectively organizing, filtering, and integrating the incoming crowd contributions. The processes employed by the crowdsourcing system must be able to integrate a diversity of opinions from the crowd. Furthermore, successful implementations of crowdsourcing systems should focus on fostering varied opinions. This may be achieved by selecting judges or experts with different backgrounds, eliciting their inputs independently, and injecting diverse thoughts to affect their original ideas (Herzog & Hertwig, 2009).

3. THE DISCOURSE ON KNOWLEDGE

Knowledge accumulation is a basic function of technology-enabled crowdsourcing systems (Ghosh & Sen, 2016). Once it is accrued, the system needs to filter the knowledge that is useful in solving the problem. This filtering process can be complex; it needs to recognize and identify portions of amassed knowledge that is 'relevant' knowledge (Garud & Nayyar, 1994). The next section attempts to explain the knowledge types, its sources, and problems associated with transfer of knowledge.

3.1. Knowledge Types

There are different types of knowledge based on its characteristics that the knowledge seeker finds interesting (Jensen & Meckling, 1996). Knowledge can be termed as either specific (relevant) or general. Specific (relevant) knowledge is 'private' knowledge that an individual has in relation to others, while general knowledge is 'commonplace' knowledge known to a large group of individuals. Further, relevant knowledge is the knowledge of "…particular circumstances of time and place…" (Jensen & Meckling, 1996, p.19), and the knowledge which is likely to bring about the most desired outcome. Sometimes, this type of knowledge can be termed as "important" knowledge.

3.2. Accessing Relevant Knowledge

Relevant knowledge can be accessed from a combination of resources that are widely dispersed and fragmented. As such, "…this [relevant] kind of information is not readily rolled up into statistical summaries …" (Jensen & Meckling, 1996, p.23). Relevant knowledge does not exist in 'concentrated or integrated form', but "…solely as the dispersed bits of incomplete and frequently contradictory knowledge…" (Hayek, 1945, p.5).

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To capture relevant knowledge, it is essential to include a broad-range of knowledge sources. Unless an all-inclusive procedure is followed, obtaining relevant knowledge from a small group of individuals may limit the 'scope', that is the 'breadth' of the knowledge.

For crowdsourcing systems, while obtaining the key elements of relevant knowledge is a challenge, once that is overcome, another issue exists; to ensure that the security of the knowledge is not impaired during its transfer. A secure transfer will guarantee that the 'true' meaning of the knowledge is conveyed to the recipient of the knowledge. The section below highlights the challenges relevant to secure transfer of knowledge.

3.3. Issues with Knowledge Transfer

Successful dyadic knowledge transfer necessitates that both parties involved in the knowledge handover process develop an understanding of where the desired knowledge resides within the source. In addition, both parties must participate in the processes by which the knowledge is made accessible (Garud & Nayyar, 1994). Otherwise, in all likelihood, a recipient may ignore collection of a key knowledge component if there is a lack of understanding of where the knowledge resides within the source.

The role of cultural factors in knowledge transfer must be taken into consideration. The type of culture influences how its members process, interpret and make use of the available body of information and knowledge (Triandis, 2000). Paying attention to the cultural background provides a better understanding of the relationships between the various domains of messages. Furthermore, it is important to have a-priori knowledge of what pieces of information to sample and what kind of associations exist between the different items and domains of knowledge (Bhagat, Kedia, Harveston, & Triandis, 2002). In light of these factors, the transfer of knowledge between the agents in situations when their cultural paradigms are removed from one another may be difficult because, articulating particular knowledge or ideas may not be legitimized.

From the standpoint of crowdsourcing systems that involve transfer of medical knowledge, understanding cultural factors that contextualize the residual knowledge becomes imperative. Unless this is achieved, transfer of knowledge that will enable the provider (or entity providing consultation) to correctly interpret the information provided by the source (primarily, the patient), becomes problematic. Hereafter, we present ideas that are specifically linked to medical knowledge, the context being deliberated in this study.

4. MEDICAL KNOWLEDGE

Practice of medicine varies greatly, region to region, and from country to country. It is influenced by culture, history, personal attitudes, and philosophy (Zhang, 2000). This makes capturing and encapsulation of global medical knowledge a challenge. Diverse medical traditions (e.g. traditional Western Medicine, Homeopathy) follow different 'grammatical' rules. Similarly different pools of medical knowledge (e.g. Ayurveda, Arabic, Chinese, Greek) emanate from a variety of beliefs about how the human body responds to different treatments. In the following sections, we argue that global medical knowledge is an upshot of 'collective' thinking, and that it is derived from diverse traditions.

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4.1. Collective Knowledge

Citing the example of the disease syphilis, Fleck advances the idea that medical knowledge is the outcome of a collective process of interaction and communication amongst distinct thought collectives (Fleck, 1936). A key implication of this perspective is that medical knowledge is not 'discovered' by technical experts and then disseminated to a wider public. In contrast, both experts and the public, participate in verifying this type of knowledge. This idea is consistent with the view from actor-network theory in sociology (Latour, 1988). The theory proposes that facts are generated by networks of scientists and surrounding social groups (Arksey, 1994).

Some scholars have postulated that the knowledge base changes and develops with experience. The interactions between shepherds living nearby the Thermal Oxide (nuclear) Reprocessing Plant (Thorp) in northwest England and the numerous specialists responsible for monitoring of its functions and evaluating its impact were analyzed (Wynne, 1987). Results showed that the world in which the shepherds and their sheep live is so complex and fluid that specialized knowledge never manages to work. First, the experts' models were undermined by unexpected geological abnormalities. The shepherds knew far more than the researchers. The hypothesis that the forms of food and metabolism of sheep grazing in an enclosure are identical to those of sheep grazing freely, was effectively disproved. The experts acknowledged that their skills were incomplete and needed to be complemented by the observations and knowledge of the 'natives' (Wynne, 1987).

4.2. Culture (Tradition) as Context

Medical knowledge is inextricably linked to culture (Callon, 1999). Finding cures for medical cases through the application of specialized knowledge may not always be the best approach. Incorporating local knowledge embedded in the culture of the geographic boundary that the patient is located might be necessary. Many suggest that medical practice is an interpretive endeavor; besides the practitioner's scientific knowledge, his subjective understanding about the patient is vital for successful treatment. Every element of knowledge has its roots in specific culture. There are, for example the Chinese culture, which in important fields such as medicine, arrived at quite different realities from western medicine (Arksey, 1994). Scientific knowledge is implicitly structured to be consistent with wider cultural ideas, thus challenging commonly held beliefs of it being independent of such factors.

Further, medical knowledge is constantly evolving, yet medical practitioners are often not up to speed with these advances. For issues concerning health, there should be active contribution by lay people to 'boost' scientific knowledge or to participate directly in its production (Callon, 1999).

In sum, medicine is an interpretive activity, a learned inquiry and far from being objective or a matter of hard facts. It is grounded in subjective knowledge. In discussions involving medical knowledge, boundaries between specialists and non-specialists seem to be confounding. Such notions lend credence to the belief that in cases involving treatment of rare diseases, the management of disease condition may not be based on the scientific knowledge of the medical specialist(s). Inclusion of collaborative ideas that are grounded in the opinions and knowledge of non-experts, who may complement the formal specialized knowledge of medical specialists, might be desirable.

The 'grammar' or the knowledge base of the field of medicine is vast and varies from one culture or tradition to the other. Previous researchers show that only 10-20% of medical decisions are based on

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evidence (Ranard, Ha, Meisel, & Asch, 2014). In medicine, crowdsourcing knowledge discovery could be approached by lowering the barriers of participation to traditional providers such as physicians and nurses. Simultaneously, the crowdsourcing service would extend an input role to non-traditional (for instance, individuals with no background in medicine), but interested contributors. The crowdsourcing and open data movements should present an opportunity to involve traditional providers and non-traditional resources of medical knowledge in knowledge creation efforts. They should also incorporate individuals from different medical traditions to maintain the sanctity of ideas that originate from individuals representing different cultural backgrounds. We shift focus now to envisioning a crowdsourcing system for the medical diagnosis and treatment of rare health issues.

5. CROWDSOURCING SYSTEM FOR MEDICAL DIAGNOSIS

An innovative solution to the challenges of encapsulating global medical knowledge to enable the diagnosis and treatment of rare diseases for which cure is yet to be found, is to evolve a crowdsourcing system that can capture relevant knowledge inclusive of the 'depth' and 'breadth' of medical knowledge related to the specific medical problem.

Human judgments may have built-in biases (Wu, Sun, Fang, Hu, Xie, Song, & Liu 2015). Software algorithms may also have preferences as a result of the prejudices of the individuals that developed them, thus making the process of arriving at the right solution flawed. Combining human (or the crowd) expertise with software algorithms may increase the likelihood of better decision making (Wu, Sun, Fang, Hu, Xie, Song, & Liu 2015; Xu, Zhang, Klein, & Zhao, 2016).

We propose a crowdsourcing system that will be based on the following: a step approach which combines humans and software algorithms in the process of crowdsourcing. This step approach attempts to identify and 'tap' different pools of medical knowledge (e.g. Ayurveda, Arabic, Chinese, Greek) and different approaches to medicine (e.g. Western medicine, Homeopathy, Acupuncture).

To provide a structure to the step approach, we adopt a classification of crowdsourcing based on the method used to analyze the crowd contributions outlined by Prpić, Shukla, Kietzmann, and McCarthy (2015). To the best of our knowledge, this is one of the first attempts to categorize crowdsourcing grounded on the ideas of process dimension of crowd capability construct. The process dimension refers to the internal procedures that a crowdsourcing system uses to organize, filter, and integrate crowd contributions.

Crowdsourcing applied towards solving health problems for which cure is still unknown presents unique challenges. The medical problems are very complex with high degree of 'intricacies'. Not many individuals have the knowledge or solution for treating a condition that is rare. We strive to reconstruct classification outlined by (Prpić, Shukla, Kietzmann, & McCarthy, 2015), while applying its fundamental tenets to develop our crowdsourcing model.

Next, we describe four steps that identify the appropriate solution for relevant medical problems. This modified taxonomy for crowdsourcing is among the first attempts to elucidate crowdsourcing process in the context of healthcare, specifically targeted towards medical diagnosis of health conditions for which remedies are unidentified. Further, as stated earlier, each phase in this step approach to crowdsourcing for medical diagnosis involves the crowd, medical experts, and software algorithms. *The step approach is outlined in Figures 1 thru 4 in the Appendix.*

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5.1. Step One: Analogous Crowd Voting

Drawing on Prpić, Shukla, Kietzmann, and McCarthy (2015), we posit that a method similar to crowd voting will be the first step in crowdsourcing for the diagnosis of rare medical conditions. We begin with crowdsourcing the medical case; specifically, the crowd's input is requested in identifying the disease. Once the 'typical' crowd comprising individuals from diverse backgrounds provides inputs on the type of disease by specifying the name, symptoms, diagnosis, and prognosis, the crowd voting mechanism can be applied where input from the crowd is aggregated.

The aggregation method should be such that equal weights are assigned to individuals in the crowd, without distinguishing any level of expertise. The outcome of this approach may be optimum when it considers external information and reinforces the crowds' implicit wisdom. As is customary in crowd voting, contributions are taken at face value without any validation. The set of 'top' choices for the disease names are selected from the inputs provided by the crowd. Next, software algorithms will be used to select the 'one' disease that is most likely from this set. A logic within the algorithm that should drive this selection is to choose the disease based on the degree to which its characteristics (symptoms, diagnosis, and prognosis) match that of a known or well-established disease condition.

5.2. Step Two: Expert Panel Recommendations

While slightly distinct in certain aspects, the second step in the crowdsourcing process adopts the Prpić et al. concept of crowd idea sourcing in which several eclectic groups of medical experts (referred to as the 'super' panel) will now represent "the crowd" (Prpić, Shukla, Kietzmann, and McCarthy, 2015). Each group in the super panel will comprise seven medical experts, an ideal group size according to Blenko, Mankins, and Rogers (2010).

It is important to avoid a monopoly of any particular medical tradition when selecting each of these groups. Every group within the super panel must represent various cultural contexts, different medical backgrounds, and should comprise individuals that are open to the idea of extending credence to medical solutions that are derived from backgrounds substantively different from their own.

One of the group of medical experts in the super panel will be randomly selected and assigned the relevant medical problem identified in Step 1. This group will then broadcast the problem to the remaining groups in the super panel and solicit possible remedies. All groups, including the one that was assigned the problem, will provide their recommendations to create a pool of solutions. In following this process, the super panel will most likely avoid the dilemma of generating remedies that are biased towards a certain medical tradition.

Since each group within the super panel serves as an alternative to a typical crowd, this approach is a deviation from the fundamental tenet that 'wisdom of crowd' (Surowiecki & Silverman, 2007), or collective intelligence has immense potential to solve problems. A justification of this approach is that traditional crowds may not have the capability to provide solutions to highly complex problems. Further, they may also not possess the 'depth' of medical knowledge required to solve complex health issues. The depth of knowledge available to a specific medical tradition might offer the "hidden nugget" of information that provides solution to a hitherto intractable medical problem.

As each group in the super panel represents medical experts from a variety of medical traditions, it is expected that the set of proposed ideas from the super panel will embody a wide-ranging set of

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solutions that cover the 'breadth' as well as the 'depth'. This entails that the solutions suggested will include traditional and non-traditional remedies, and those that are rooted in rigorously 'vetted' medical knowledge systems.

While offering their inputs, the medical experts should consciously or subconsciously avoid any personal bias that influences their judgment. Also, they should keep in mind that proposing 'personalized' cure, rather than a generic remedy to a medical problem should be important criteria when offering possible remedies. Here, personalized care refers to the type of cure that is individualized to the needs and preferences of the patient seeking inputs from the crowd.

A software algorithm will be applied to select and rank top three candidates from the set of solutions created by the medical expert groups within the super panel. While ranking them, the algorithm's logic should consider both quantitative and qualitative aspect of each solution included in the pool created. For instance, the quantitative attribute (or objective measure) of a solution may be a function of how many times the solution has proved to be successful in the past when treating a health condition. While the qualitative facet (or emotional trait) of a solution characterizes how satisfied a patient has been after receiving the solution. Moreover, the algorithm should be able to achieve a balance between the quantitative and qualitative traits of a solution. This will affirm the incorporation of objective-subjective thinking, and ensure satisfaction on the rational-emotional dimensions, in the proposed solution to the rare medical problem.

5.3. Step Three: Analogous Solution Crowdsourcing

Once the top solutions have been ranked, the stage is set for the third phase. This step will be similar to the concept of solution crowdsourcing proposed by Prpić, Shukla, Kietzmann, and McCarthy (2015). The 'typical' crowd's involvement will be requested in this step, and they will provide their opinions to select the final solution from the set of three ranked candidates created in Step 2. The crowd will be asked to submit their choice based on their cognizance of factors linked to the following; (a) whether the solution, once applied to an individual patient can be tested for its efficacy and effectiveness (b) if any patient has had a positive experience after receiving the solution/treatment, and (c) whether the solution is merely an opioid analgesic, as opposed to possessing the quality to actually cure the disease. Inputs from the crowd will be used to establish the 'single' most effective solution to be recommended to the individual or patient seeking medical advice.

5.4. Step Four: Analyzing the Solution

The final step in designing the crowdsourcing system involves testing the efficacy of the solution obtained in Step 3. This additional step is to augment the solution seeking mechanism; in conjunction with the process to select the solution itself, there is a condition appended that the solution proposed by the crowd, the medical experts, and algorithms is truly effective. To implement this phase, one needs to ensure that the patient or the individual seeking medical recommendations remains in contact.

The efficacy of the medical solution can be confirmed through standard laboratory tests or known medical examination procedures, as well as inputs from the patient. Further, when scrutinizing the solution offered by the medical crowdsourcing system, it would be pragmatic to evaluate its effectiveness in a continuum of failure and success, rather than simply labelling the solution as either a success

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Table 1. 2X2 Matrix for Step Four (Analyzing the Solution)

	Positive Scientific Laboratory Tests/Medical Tests Results	Negative Scientific Laboratory Tests/Medical Tests Results
Patient Not Happy/Not Relieved	***Solution is a Partial Success***	***Solution is a Complete Failure***
Patient Happy/Relieved	***Solution is a Complete Success***	***Solution is a Partial Success***

or a failure. The determination of where the solution falls in the continuum should be based on results provided by scientific evidence and the patient's reaction to the treatment.

The 2x2 matrix in Table 1 depicts were a particular medical solution selected by the crowdsourcing system would fall in the continuum of failure and success based on the results of scientific tests and patient's perception regarding the effectiveness of the solution. For example, a proposed solution will be deemed a complete success when the scientific or medical test results are positive and the patient suggests that his medical problem has been cured. Conversely, the medical solution will be considered a complete failure or placed at the other end of the continuum, when it does not relieve the patient of the medical problem, and the associated medical tests also suggest failure. When a situation occurs were the patient suggests that the medical issue has been mitigated due to the treatment offered, but the medical tests conducted reveal otherwise, the solution offered may be regarded as a partial success. Further investigations should proceed to see if the medical solution offered to the patient had a compelling semblance to some form of palliative cure. Another scenario in which the solution provided by the crowdsourcing system is also judged to be a limited success is when the patient is unhappy with the cure provided; however, medical or scientific tests show that the patient was provided the right treatment that cured his medical condition. Additional evaluation of the patient should follow to verify if he has high health anxiety or is a hypochondriac.

6. TECHNOLOGY 'MEANS' OF THE CROWDSOURCING SYSTEM

In order to successfully manage the crowdsourcing system, the supporting technology plays a key role (Prpic & Shukla, 2016). In this section, we discuss technology features that must be incorporated in crowdsourcing systems for medical diagnosis. Basic elements of technology-enabled crowdsourcing system must include a supporting platform that facilitates the integration and distribution of crowdsourced

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data (Blohm, Leimeister, & Krcmar, 2013). Crowdsourcing systems should embrace tools that provide filtering mechanisms to identify high quality inputs from the crowd, aggregate them for evaluation, and 'purge' erroneous contributions.

Software algorithms should be designed to serve a complementary or synergistic role with the crowd (Doan, Ramakrishnan, & Halevy, 2011). Algorithms should be based on heuristics which continue to evolve with time and exposure to information and inputs from the crowd and medical experts. Technology should allow integration of the incoming crowd-derived contributions and capture the 'depth' and 'breadth' of knowledge from the crowd. It should also facilitate a dialog between experts from different medical backgrounds, ultimately leading to better understanding of medical grammar prevalent in different traditions.

Homogeneous contributions are those that fulfill some defined specifications. A crowdsourcing system that seeks homogeneous contributions values all valid contributions equally (Ranard, Ha, Meisel, & Asch, 2014). In comparison, a crowdsourcing system that requests heterogeneous contributions values every contribution differently, based on the unique attributes associated with each individual contribution. Owing to the complexity of medical knowledge, it is recommended that medical crowdsourcing systems should be designed with technological features that are capable of deriving values from both homogenous and heterogeneous contributions from the crowd.

Even so, while using the crowdsourcing systems interfaces, patients seeking cure for their health conditions should be able to 'virtually' interact with the crowd to obtain suggestions when entering information about their individual medical cases (e.g., medical history, specifics of the symptoms, etc.) at the input phase. This further implies that, in the future, medical crowdsourcing systems should include interactive features by borrowing ideas from current virtual reality systems to enable patients to experience real-world settings in highly interactive simulated environments and not limit them to sharing just medical information, images, and videos with potential medical problem solvers.

7. CONCLUSION

In general, medical crowdsourcing systems must include procedures to incorporate ideas from all levels of knowledge expertise; from the layperson to the medical expert. Creating layers of filter in the process of narrowing ideas should be an integral aspect of the crowdsourcing system's structure. Heuristic-based software algorithms that represent learning systems which gain knowledge continuously from diverse medical inputs and take advantage of the constant changes in medicine and technology must be engaged. This will make them robust enough to complement expert opinion and inputs from the crowd in the selection and filtering process.

This paper draws on ideas from the crowdsourcing classification outlined by (Prpić, Shukla, Kietzmann, & McCarthy, 2015) to propose a step approach involving both humans and software algorithms, to design crowdsourcing systems to offer the appropriate medical solution for a health condition for which cure is unknown. In our scheme, we argue that crowd cannot be the only entity involved in solving the problem. Due to the nature and complexity of the medical issue, we recommend the inclusion of an eclectic group of medical experts also referred to as the super panel. The knowledge base of the solutions proposed by the super panel must be derived from a breadth of medical knowledge and a depth of medical know-how.

Solutions to medical problems that are rare could reside in selected pockets of the global medical community that might not be considered conventional. Also, they may not have the legitimacy of the

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typical approach to solving medical problems. There are some publicized success stories of the application of unconventional medical solutions to treat or cure medical problems. One such example is that of Gordie Howe, the legendary professional Hockey player who was paralyzed after suffering a life-threatening stroke. A needle was injected into his spinal canal to infuse stem cells in the hope that they would migrate to his brain and heal his body. Although the company that came up with the idea was located in the United States, the treatment was conducted in Mexico since, at that time the practice of injecting stem cells into human beings was not acceptable in the United States. The treatment was successful and Gordie Howe extended his life for a significant period.

There are other examples of medical solutions emanating from unexpected sources. The pancreas sits deep inside the human body which makes it difficult to scan using normal x-ray procedures. In addition, there is no 'trademark' symptom to alert an individual. A high school student from Houston, Texas, claims to have come up with a robust tool to detect pancreatic cancer (Safer 2013). Though his method is yet to be completely tested, well-known scientists have agreed that it holds promise. This is an example of how the advancement of medical knowledge can come from unknown sources, and not necessarily from prestigious research institutions or groups of scientists. Notwithstanding its humble antecedents, these solutions can pave the way for enhancement of medical knowledge.

The above examples emphasize the promise of the application of crowdsourcing to healthcare were diverse ideas from a variety of sources help solve medical problems. The attempt is to bring ideas from disparate sources, and not being restricted to the traditional way of thinking or generally established norms of practice followed by one particular medical tradition or philosophy.

The stringent scientific standards traditionally followed by modern Western medicine should continue to be the norm. However, the advent of an effective crowdsourcing service not only offers alternative remedies, but in some cases, may essentially open the eyes of followers of Western medicine to other non-traditional paths which not only have the evidence of the belief of ancient cultures behind them, but also have proven themselves in modern laboratory settings.

Thus, crowdsourcing has the potential of expanding the knowledge base of the dominant suppliers of most medical solutions which are typically rooted in modern Western medicine. The anchoring of the crowdsourcing service to stringent scientific standards will also alleviate the potential risk from lawsuits emanating from claims that the appropriate medical practices were not followed. The application of the suitable algorithm which reduces both drop and go errors should, over time lead to an expansion of the knowledge base about myriad health problems based on the collective wisdom of different medical traditions.

Crowdsourcing also has the potential of benefiting the healthcare industry by expediting the dissemination of information to improve the treatment of common ailments (e.g. Tuberculosis, Asthma, HIV/AIDS, etc.). In most cases, the medical solutions to these problems may be well known within certain organizations, but might be regarded as intractable to the rest of the world. Such problems are classified as "known-known" (Ghosh & Sen 2016). In these situations, the 'road block' for care providers to obtain solutions may not be medical ignorance, but the inability to effectively implement administrative policies and awareness programs in communities or geographic locations where circumstances (e.g. health awareness, socio-economic conditions) differ substantially from the 'normal'. An effective crowdsourcing service can provide a platform for healthcare professionals to share thoughts on how health programs can be modified to be managed successfully in these different communities or regions. Although the pertinent solutions might not all be health-related, care providers are expected to offer valid inputs as the underlying topics are related to medical treatments. Various solutions may be tried based on their

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likelihood of success as determined by algorithms to enable relatively little "down side" in selection of effectual remedies.

In sum, an efficient crowdsourcing service not only has the potential of providing the most effective medical solution to individual patients, but also provides a synthesis of the stringent testing practices associated with traditional Western medicine with the more informal set of suggested medical solutions proposed by other traditions. In addition, it also has the potential to provide a platform where healthcare professionals can share their thoughts on the practical implementation of proven medical techniques under widely varying circumstances.

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APPENDIX

Figure 1. Step approach scheme for crowdsourcing (part 1)

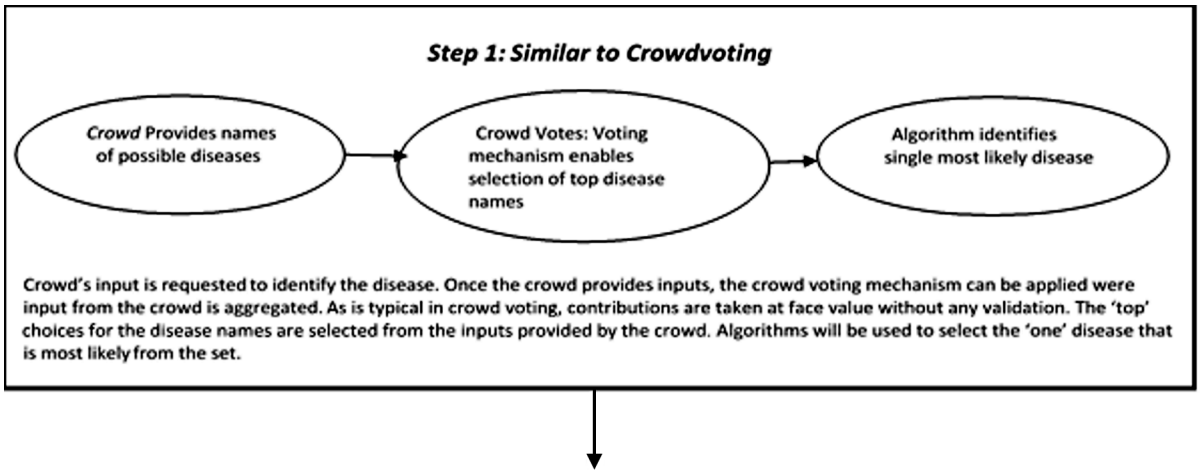

Figure 2. Step approach scheme for crowdsourcing (part 2)

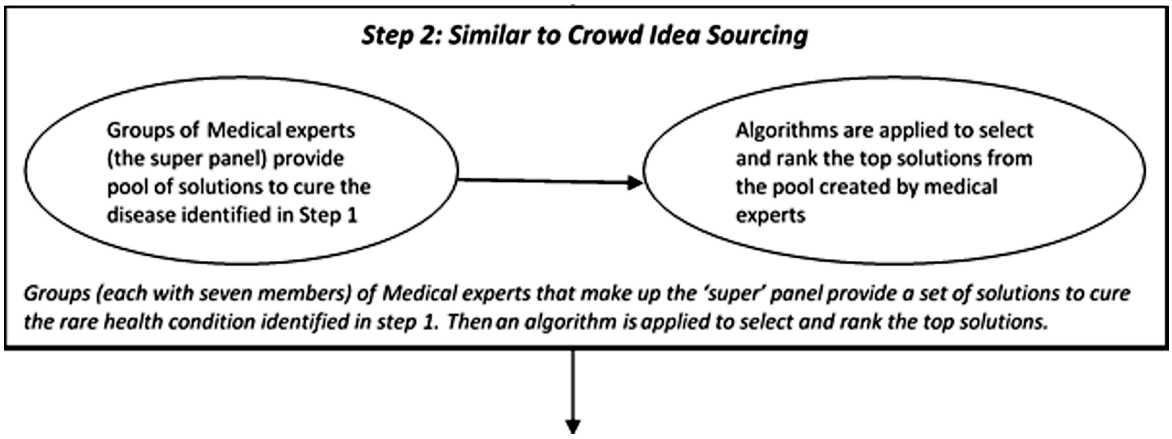

Figure 3. Step approach scheme for crowdsourcing (part 3)

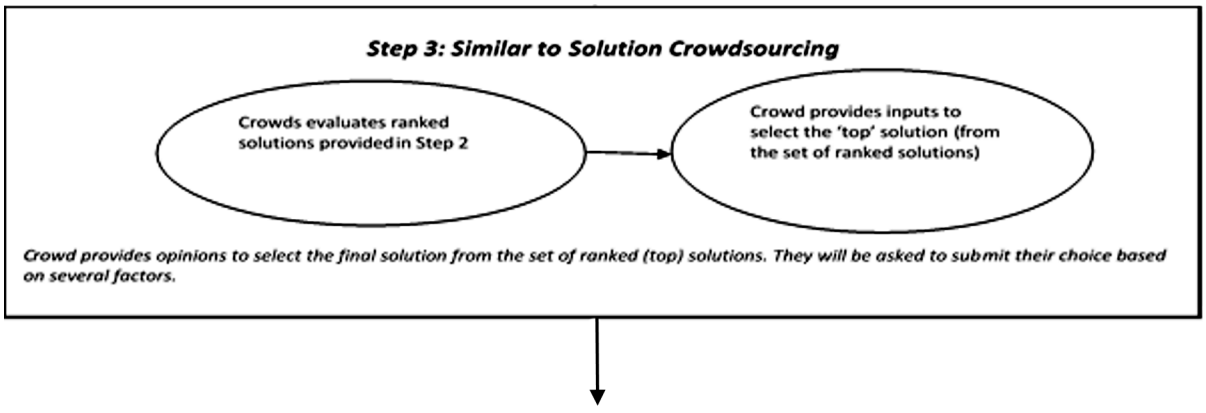

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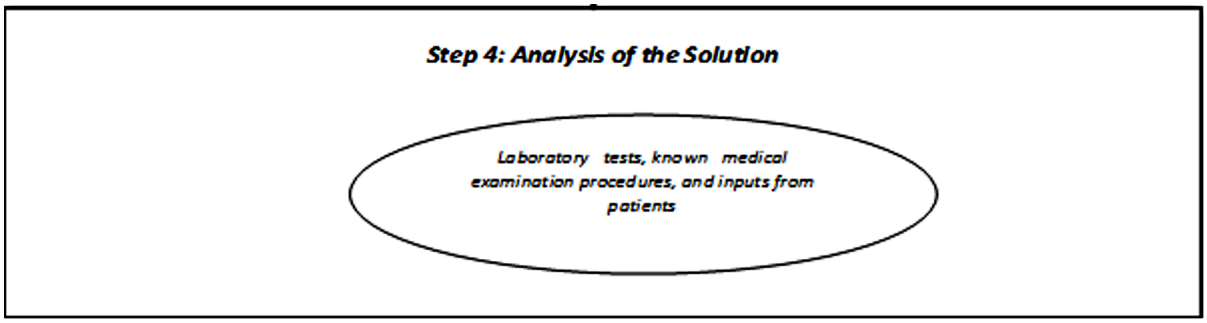
Figure 4. Step approach scheme for crowdsourcing (part 4)



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Chapter 23
Creating Market Inclusion: Assessing the Role of Social Entrepreneurship in Working Institutional Voids in a Developed Market

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ABSTRACT

Understanding how social entrepreneurship as a tool of financial development has been in the center of the entrepreneurship and management disciplines for the last couple of decades. These studies have furthered our understanding of how social entrepreneurship helps the most vulnerable populations around the world. However, much of the literature on this subject has been devoted to analyze how social entrepreneurship aids such populations in developing locations. While this chapter does not try to diminish the admirable work carried by social entrepreneurs in developing countries, it points out that an analysis of this discipline in a developed location is overdue. To initiate a conversation, this chapter analyzes how institutional voids can arise in a developed location and the role that social entrepreneurship has in closing such gaps and to include vulnerable populations in the formal banking industry in the United States.

INTRODUCTION

Social entrepreneurship (SE) has been recognized as a vehicle for addressing social needs by public and private initiatives (Stephan & Uhlaner, 2010). Due to its popularity, SE has been analyzed by scholars during the last couple of decades (Estrin, et al., 2013). Also, SE, according to most studies, improves the lives of populations in developing countries (Mair, et al., 2012). Nevertheless, this activity also occurs in developed locations. However, scholarship in this particular phenomenon has not yet analyzed in the context of a developed location. Thus, the purpose of this chapter is to describe and analyze social entrepreneurship in a developed location to understand how the national context influences this activity.

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Building on institutional theory (North, 1990; Scott, 1995) and enhancing it with the idea of institutional voids (Khana & Palepu, 1997), this chapter describes the role of social entrepreneurship in creating access to markets in a developed country. The main reason for this manuscript, thus, is to emphasize the importance of markets as catalysts for economic growth, the role of the institutional environment in a developed location to include (or exclude) individuals in market activities, and to understand the importance of social entrepreneurship in creating access to such markets. Therefore, in order to address how to build inclusive markets in a developed location, this study will answer two key questions: (a) how do institutional voids arise in a developed location? And (b) what is the role of social entrepreneurship to work these voids to include vulnerable populations in a developed location?

In order to illustrate how SE aids in including traditionally excluded populations into formal markets, this chapter uses the case of Community development financial institutions (CDFIs) in the United States and how they help vulnerable communities to be included in the formal banking system of the country. To do so, the case of Capital Good Fund will be used to illustrate how this DCFI deals with the two questions proposed above. The rest of the chapter is outlined in the following manner: a description of social entrepreneurship and its relationship with the institutional environment of a developed country is provided. This is followed by a case of how CDIFs help vulnerable populations participate in formal markets, and concluding remarks are offered.

TEORETICAL BACKGROUND

Social Entrepreneurship

Social entrepreneurship has been defined in several manners, and such definitions range from broad to narrow. The broader definition describes social entrepreneurship as innovative activities with social objectives in either the non-profit (Dees, 1998) or private sectors (Dees & Anderson, 2003), or a combination of both in a hybrid structural form (Oster, 1995). The narrower definition describes social entrepreneurship as the application of business acumen and market-based expertise in the non-profit sector for developing new approaches to generate income (Thompson, 2002). While there is debate in how to define social entrepreneurship, the majority of definitions agree that the fundamental reason for the existence of social entrepreneurship is to create social value, instead of shareholder or personal wealth (Zadek & Thake, 1997). Thus, for this manuscript we will combine both streams of definitions to denote social entrepreneurship as the set of organizational activities for an individual working on his or her own account to pursue pro-social goals to benefit people other than the entrepreneur (Bierhoff, 2002).

According to Mair and Marti (2006), one of the biggest challenges of analyzing and understanding SE is defining the boundaries of what is meant by *social*. The authors point out that at first, social entrepreneurship can be different from entrepreneurship in the private business sector due to the latter's association with profit motives, while social entrepreneurship is more associated with altruism. However, such dichotomous logic might not fully explain social entrepreneurship. One reason is that social entrepreneurship can be less altruistic since it can be used to achieve personal fulfillment. Also, entrepreneurship in the private business sector also encompasses a social aspect. In Venkataraman's words, "entrepreneurship is particularly productive from a social welfare perspective when, in the process of pursuing selfish ends, entrepreneurs also enhance social wealth by creating new markets, new

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industries, new technology, new institutional forms, new jobs, and net increases in real productivity" (1997, p. 133). Thus, even if profit might be the central motivation for entrepreneurship, this does not exclude other motivations.

This means that the social part of social entrepreneurship denotes an individual, or an organization, that works in its own account to pursue goals that are set to benefit people other than the entrepreneur (Bierhoff, 2002). The definition provided by Bierhoff can be disaggregated in two parts. The first part, working for one's own account, builds on the work-related definition of entrepreneurship (Herbert & Link, 1982). However, this definition does not restrict the types of goals that entrepreneurs follow, meaning, social or economic wealth. Hence, this definition can be applied to both, social and commercial entrepreneurs. Thus, the stress over pro-social goals and social capital creation over economic wealth is what differentiates social entrepreneurship from its commercial counterpart (Mair & Marti, 2006).

Social entrepreneurship has been mainly studied in developing nations due to their need of improvement in their economic, social, political, and institutional environments (Mair & Marti, 2009). This line of research has helped understand the needs of the poorest of the poor as well as helped foster social entrepreneurship to address their needs. While these efforts are admirable, it is important to point out that understanding social entrepreneurship in a developed location is needed to alleviate the needs of the poor living in such locations.

By utilizing institutional theory to social entrepreneurship in a developed country, new insights for both, social entrepreneurship and institutional theory can be developed. This can be done because entrepreneurship studies build on economic institutional theory, which includes the self-interested actor model and the importance of incentives (Bowen & De Clercq, 2008). Also, how formal and informal institutions in a developed location influence a social entrepreneur's decisions should be discussed due to their pro-social interests (Zahra & Wright, 2011). Moreover, the influence of the government on social entrepreneurs in a developed country needs attention. This attention derives from the fact that in commercial entrepreneurship a larger government intervention can slow or even deter entrepreneurship (Aidis, et al., 2012), but when talking about social entrepreneurship such government intervention might benefit social entrepreneurs who depend partially or totally on the government support to achieve their goals.

Institutional Environment and Social Entrepreneurship

Institutions are described as the "rules of the game" act as constraints and guidelines for human behavior (North, 1990). Institutions are rules that can be tacit or explicit rules that are taken for granted by individuals and act as implicit parameters for an individual's actions (Powell & DiMaggio, 1991). Institutions can be divided into formal and informal. Formal institutions denote the objective incentives and constraints from government regulation of organizational and individual actions (Scott, 1995). Informal institutions, on the other hand, denote more implicit, culturally transmitted and socially fabricated guidelines for behavior (Scott, 1995).

Scott furthered the notion of formal and informal institutions by introducing two kinds of informal institutions, the normative and cognitive pillars, and the concept of formal institutions or normative pillar (Scott, 1995). According to Scott, cognitive institutions are the culturally shared understandings that are closely associated with cultural values. This pillar of social institutions puts emphasis on cognitions and shared perceptions of what is taken for granted (Trevino, et al., 2008). Hence, this component reflects symbolic systems shared among individuals (for example, shared knowledge). In this sense, Kostova

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(1999, p. 314) argues that "cognitive programs such as schemas, frames, inferential sets, and representations affect the way people notice, categorize, and interpret stimuli from the environment." According to Scott (1995), the cognitive pillar of institutions leads to isomorphism, which encourages imitation of patterns of activities that have strong cultural support.

Normative institutions, on the other hand, are social obligations and expectations of what is appropriate and are modeled on existing norms or practices in a culture (Scott, 1995). The normative pillar of a location's institutional arrangement consists of "social norms, values, beliefs and assumptions that are socially shared and carried out by individuals" (Kostova, 1997, p. 187). Scott (1995) claims the normative component of institutions describe what is appropriate for a society's members. Thus, when an institution encourages the *right* behavior, even if the legal environment is absent, that institutional arrangement will influence individual and organizational actions by normative processes. Building on Scott (1995), Kostova (1997) describes the regulative pillar of a country institutional environment as the rules and laws in a particular environment that restrict certain behavior and encourages other. The mechanism of enforcement, and hence the main process identified, is mainly through coercive rules, boundaries, regulations and laws, and sanctions (North, 1990).

Different disciplines describe two streams of comparative entrepreneurship research, contingent on the institution, either formal or informal, selected to predict entrepreneurship (Jones, et al., 2011). In this sense, comparative entrepreneurship research grounded on institutional economics analyzes formal institutions (Estrin, et al., 2013); on the other hand, those based on cultural sociology usually examine informal institutions (Puffer, et al., 2010). Even though researchers in the institutional theory discipline in other disciplines have argued that institutions should be studied together (formal and informal), studies integrating both in comparative entrepreneurship are scarce (Stephan & Uhlaner, 2010), and such studies analyzing social entrepreneurship in a developed location are virtually inexistent.

DiMaggio (1988) introduced the concept of institutional entrepreneurship as an effort to explain how institutions surface and/or change. DiMaggio argues that institutional entrepreneurs are actors who have interest in changing current institutional structures or in generating new ones and who uses resources to generate new institutions or change existing ones. The initial new institutional research program stressed isomorphism and social conformity to elucidate legitimacy and institutional pressures (DiMaggio & Powel, 1983). However, this initial attempt to understand institutional entrepreneurship left little space for agency (Fligstein, 2001). Thus, DiMaggio (1988) introduced the concept of institutional entrepreneurship to close this gap.

Social entrepreneurs have been able to catalyze social change by modifying long-established organizational fields or institutions (DiMaggio & Powel, 1983). In fact, social entrepreneurs have changed some deep-rooted institutional tenets of the banking system. For example, microfinance institutions challenged established banking practices by lending money to the very poor without requiring collateral. Thus, it can be said that social entrepreneurship and its relation with institutional theory should be studied firstly by understanding the values underpinning the social enterprises, how such values shape the operations of these enterprises, and how these enterprises change the formal and informal institutions on which they operate.

Recently, scholarship has analyzed the efforts by development actors (such as the World Bank, and other non-profit organizations) in their attempts to transform the institutions needed for integrating the poor in market activities (Mair & Marti, 2009). The main assumption in these efforts is that markets are effective mechanisms to achieve lasting improvement in living standards around the globe, especially

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in developing countries. In this sense, scholars have built on the idea of institutions as the requirement for markets to exist. However, even though existing scholarship has focused mainly on the institutions needed to build proper functioning markets, such research has not fully addresses the role of the institutional environment to enable access to markets in a developed location.

Institutional Voids in a Developed Country

Recent work on institutional theory in economics and strategy acknowledges the main role that institutions (and the lack of them) play in creating market economies and in creating the behavior of firms and entrepreneurs. When adequately designed and implemented, such institutions offer the rules of the game that create the foundation of markets. Nonetheless, if these institutions are weak or inexistent, institutional voids appear, and a compensatory social structure is required to incentivize market formation and operation (Khana & Palepu, 1997; Mair & Marti, 2009). Institutional voids have a direct effect on market formation, economic growth, and development (Stephan, et al., 2014). Also, an institutional environment that is weak or inexistent strengthens social inequalities such as limited access to markets and economic opportunities (Puffer, et al., 2010).

Current scholarship on institutional voids in economics and strategy acknowledges the main role that institutions (and their absence) play in creating market economies and in modelling the actions of a specific set of actors: entrepreneurs and firms. Mainstream scholarship argues that the source of market institutions is property rights and autonomy in state actions and rules (Campbell & Lindberg, 1990; La Porta, et al., 1998; North, 1990). If adequately designed and implemented, these institutions offer the rules that provision the creation of markets to form. If such institutions are weak or inexistent, however, then institutional voids arise and a social structure is needed to compensate for market formation and operation (Khana & Palepu, 1997). Expanding on Leff (1976), Khanna and Palepu (1997) argue that business groups replicate and substitute for inexistent institutions to make sure that markets function even when there are market failures because of institutional voids.

Building on Khanna and Palepu (1997), and taking into account research in the broad institutional theory sense, recent literature in organizational theory and strategy has centered on the consequences of institutional voids on business strategy. In this sense, Meyer and colleagues (2009) concluded that the relative weakness or strength of several institutional frameworks has a direct effect on entry modes in India, South Africa, and Egypt. Puffer et al., (2010) concluded that weak and missing formal institutions in China and Russia compel entrepreneurs to depend on trust within networks. Also, Chakrabarty (2009) argued that institutional voids can influence family ownership patterns in different countries.

Another stream of research analyzes the impact that institutional voids have on entrepreneurial processes in the base of the pyramid (BOP) markets and local informal economies. In this sense, Webb et al, (2010) proposed many forms on which institutional incongruence and lack of enforcement of formal institutions aid entrepreneurial processes in an informal economy. Alliances among commercial companies and local social entrepreneurships are also thought to be responsible for removing hurdles of employing BOP models by reducing uncertainty created by weak market institutions (Mair, et al., 2012). These studies underpin the central role of understanding the institutional environment of a location to create markets and the impact of voids on efficient market functioning. Such studies also display a productive collaboration among strategy scholars and institutional economists, a collaboration that highlights a common interpretation as institutional voids as spaces without institutions. This explanation contrasts

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to that of anthropologists and sociologists, who stress the richness and complexity of institutions present in comparable contexts and situations and who pays attention on the people participating (or not) in markets (Friedland & alford, 1991; Geertz, 1978).

Connecting the strategy and economic line of research with the anthropological and sociological ones creates a salient debate on what needs to be considered to build markets for social interaction and economic exchange. Even though pervious scholarship has analyzed a wide set of consequences that result from the presence of institutional voids, this issue is still largely unknown. Topics such as how institutional voids are created, how they relate to existing institutional environments, what is their influence in local populations, and if such voids can be found in locations with different development levels should be carried out to better understand this topic.

Work on institutional voids has focused on businesses operating in developing economies. In this line of research, scholars argue that large business groups imitate and substitute for weak or inexistent institutions to guarantee market function in the event of market failures in case of institutional voids (Greif, 2006; Khanna, et al., 2005). Thus, institutional voids in a location have been represented as discouragers of Western-style markets (Mair, et al., 2012). In this chapter, we argue that institutional voids can arise in developed markets. Scholarship analyzing institutions have assumed that developed markets have strong institutions that facilitate transactions and encourage entrepreneurship (Puffer, et al., 2010). While for the most part this assumption might be appropriate, it does not account for those not being able to participate in formal markets in developed countries.

From an institutional point of view, it is reasonably to question whether or not institutional voids actually occur in a developed country. The concept of a developed country presupposes that its institutional environment is well established and works well. Implicitly underpinning the concept, then, is the assumption of very little impediments to market and the activities that can happen within them. However, there are individuals within any society that cannot fully participate in economic market activities in the place where they live because of the institutional arrangement of such location. Furthermore, this exclusion can also happen in countries where the institutional arrangement is supposed to work efficiently and effectively. Thus, institutional voids have an impact on entrepreneurial processes for the very poor regardless of the level of development of the location where they live. Even though formal institutions in a developed market work efficiently for the majority of the population, there is still a section of such population who cannot benefit from such institutional arrangement.

INSTITUTIONAL VOIDS IN THE BANKING INDUSTRY IN THE UNITED STATES

The banking system in the United States is one of the most regulated in the world (Viñals, 2014). This system is considerably more regulated than those of other developed nations (Financial Services Agency, 2013). While most of these countries only have one bank regulator, in the United States, banks and their activities are regulated at the federal and state levels. Thus, depending on its type and organizational structure, a banking organization can be subject to several state and federal banking regulations. For example, while in the United Kingdom and Japan the regulatory authority over banking, insurance, and securities industries is overseen by a single agency. In the United States, however, separate agencies regulate these activities at the state and federal level (Rolnick & Weber, 1986).

Banking regulations in the United States also address issues such as disclosure, privacy, fraud prevention, money laundering, anti-usury lending, terrorism, and the promotion of lending to low-income

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populations (Viñals, 2014). Moreover, since the enactment of the Federal Deposit Insurance Corporation Improvement Act of 1989 (FDICIA), all commercial banks that receive deposits are required to have a FDIC insurance and to have a primary federal regulator. All these regulations make banking in the United States one of the most rigid and costly systems in the world. This means that low-income populations are less likely to fully participate in this industry since banks usually transfer the costs of compliance with all regulations to the end consumer.

In 2014, the total population of the United States was 318 million; of those, 68 million Americans paid the greatest price to manage their money because of unequal access to financial systems (Yeung, et al., 2014). More than 55% of those making under $15,000 a year do not have a bank affiliation, and more than a quarter of those making between $15,000 and $30,000 are also unbanked. Also, an estimated 17 million adults are unbanked, while 51 million of them are under-banked (Yeung, et al., 2014). This represents a 20% of households in the country. Yeung and colleagues show that in the United States Black and Hispanic minorities are disproportionately represented in the number of financially underserved consumers (Yeung, et al., 2014).

In their work, the authors point out that 26% of unbanked and under-banked households are African American, and 19.6% are Hispanic (Yeung, et al., 2014). These numbers, the authors argue, can be explained due to cognitive and normative attributes, such as lack of trust in banking institutions, and language, and regulative attributes, such as education level, income, and cost barriers. While some of these figures might seem discouraging, social entrepreneurs are helping these populations with their integration to formal markets. These actors are working to achieve financial inclusion by not only offering innovative products and services, but also by forming a bond with their clients through special education programs that are tailored to their needs.

Social Entrepreneurship to Work Institutional Voids in a Developed Market: The Case of CDFIs

Institutional researchers have established substantial empirical and theoretical arguments regarding the institutional infrastructures and rules that allow market formation and associated economic development (Mair & Marti, 2009). Their main conclusions are that the configurations of micro and macro institutions result in market formation. Also, they conclude that in the absence of institutional arrangements (the presence of institutional voids) there is an impediment in the establishment of markets and their subsequent benefits. The majority of this body of work, however, assumes that markets just "fall in place" and come into being in equilibrium (Mair, et al., 2012). Thus, such works has traditionally neglected how institutional voids are worked out to allow market building.

In a developed country, the formal institutional environment is assumed to work rather efficiently and effectively. However, as presented before, there may be individuals or groups that might not be able to benefit from such institutional environment. Institutional theorists argue that when formal institutions fail, informal ones take precedence (Scott, 1995). Therefore, it is safe to assume that when in a developed location, with strong formal institutions, those who cannot participate in such formal institutional arrangement turn to informal institutions to fill such void.

In the late 2000s institutions in the United States started recognizing that an important part of those living in poverty had been bypassed by formal banking services. As stated before, many banking programs have failed to reach out the very poor. Today, it is well known that the poor are not a homogeneous group and that differences exist between them. Defining characteristics of the poor in the United States

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include education levels, cost barriers, and language (Yeung, et al., 2014), also, recent scholarship has acknowledged that a lack of trust in the banking system has alienated low-income populations from the banking system in the country. These characteristics have alienated these populations from participating in the formal economy in the United States. Nevertheless, social entrepreneurship programs are trying to include this population in the financial industry in order to better their lives. Of these, the Community development financial institutions (CDFIs) are the most successful institutions to help the poor participate in the banking system in the country. CDFIs are private financial institutions that are 100% dedicated to delivering responsible, affordable lending to help low-income, low-wealth, and other disadvantaged people and communities join the economic mainstream. One of the most common reason for the success of CDFIs is that part of their business model includes building trust with their clients.

Community Development Financial Institutions (CDFIs)

CDFIs are financial service providers that operate in the mainstream social banking sector with the main mission of encouraging community development. These institutions target underserved populations that cannot access traditional finance services. Thus, CDFIs seek to serve socially-disadvantaged populations and mainly niche groups like ethnic minorities, women, and low income customers that do not have access to conventional sources due to lack of collateral, enough capacity, or resources to borrow. In this sense, the main activities of these organizations is to solve financial problems that vulnerable populations face by not only providing loans and development investment to underserved populations but by also providing counselling and technical assistance in order to help their clients to be included in formal markets (Chinn & Ito, 2008).

The idea of the CDFI is believed to have its origins in the history of self-help finance that resulted because of the financial exclusion of some communities by traditional financial institutions (The U.S. Department of Tresury's CDFI Fund, 2005). The current form of this organization can be traced back to the late 1960s and early 1970s when community organizations began to offer affordable financial services to underserved populations in the United States. During that period of time the central government began initiatives to create development-oriented organizations to combat poverty and racial discrimination. Nevertheless, it was until the 1990s that the CDFI industry recorded a drastic boost in the country, which has since been replicated in other developed nations such as the United Kingdom (The U.S. Department of Tresury's CDFI Fund, 2005).

According to Dewees (2004), CDFIs have six basic organizational types: (1) community development banks, (2) community development credit unions, (3) community development loan funds, (4) community development venture capital funds, (5) micro-enterprise development loan funds, and (5) community development corporation-based lenders and investors. Each of these organizations has a distinct goal that helps their communities. The community development bank aims to provide capital to provide funds to rebuild low-income communities by targeted lending and investment. The community development credit unions seek to promote community ownership of assets and savings, to provide affordable credit and to provide access to savings mechanism. The community development loan funds' goal is to aggregate capital from individuals and organizations to help their customers develop housing and businesses at a low rate. The main goal of the community development venture capital fund is to provide equity and debt with equity features for medium-sized businesses. The micro-enterprise development loan funds function similar to the community development venture capital but they work to provide loans to micro-

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entrepreneurs. Lastly, the community development corporations work to help revitalize neighborhoods by offering affordable housing, creating jobs, and providing social services to low-income populations.

The number of CDFIs in the United States is reported to be between 800 and 1000 with operations in every state and servicing both rural and urban communities (The U.S. Department of Treasury's CDFI Fund, 2005). These organizations encompass more than 500 community development loan funds, 80 venture capital funds, 275 community development credit unions, and 100 community development banks. According to a survey of 496 CDFIs in 2005, these organizations provided about $4.3 billion in funds to their customers and financed about 55,242 housing units, 9,704 businesses, and were responsible for creating 39,151 jobs (The U.S. Department of Treasury's CDFI Fund, 2005).

The main role of CDFIs is to serve the social, economic, and physical well-being of the communities on which they operate (Chinn & Ito, 2008). They aid in job creation, in economically empowering individuals, in building local businesses, in developing entrepreneurial initiatives, in developing small businesses, in providing affordable housing, and in providing essential community services such as child care, health and education. CDFIs, therefore, seek to help people escape poverty by facilitating self-sufficiency through individual initiatives and self-sufficiency programs instead of grants (The U.S. Department of Treasury's CDFI Fund, 2005). Hence, they work with the local population and motivate them to make a positive change in their financial and economic situation.

Overall, CDFIs can affect the institutional environment on which they operate in a positive manner by changing the economic growth of a region or sector. They might also have an effect on the political and economic status of a sector, for example, by shifting the rural sector from barter to a monetized economy. Also, CDFIs can be responsible for changes in the psychological aspects of individuals, households and communities by allowing them access to financial services (Ledgerwood, 1999). CDFIs can offer these changes due to the close relationship they have with their clients that might not trust regular financial institutions. Also, CDFIs understand the social barriers that their clients might have to participate in markets such as their education level, income, and cultural differences such as language abilities. In order to illustrate this process, the case of Capital Good Fund will be utilized. This organization was chosen because it helps illustrate how a CDFI tackles the problem of financial exclusion in an innovative manner that includes products and services as well as educational programs that are individualized to the population they serve. The data collected for this chapter was generated through conversations with the founder of Capital Good Fund, as well as information provided by their public documents.

Capital Good Fund a CDFI in the United States

Capital Good Fund is a non-profit, CDFI that takes a holistic approach to fighting poverty and promoting financial inclusion. Their mission is to provide equitable financial services that create pathways out of poverty. Capital Good Fund recognizes the endemic nature of poverty in the United States, as well as the interlocking problems that enact barriers to eradicate it. They use financial empowerment in a holistic manner to meet the needs of their clients, foster true social mobility, and eradicate opportunity and wealth gaps in the society on which they operate. Capital Good Fund has operations in Rhode Island, where it is headquartered, as well as in Florida and Delaware (Capital Good Fund, 2016).

Capital Good Fund was founded in 2009 in Rhode Island with the aim of encouraging entrepreneurship through microfinancing and other innovative financing methods. In 2015 the organization embarked on a plan to finance 17,000 loans over five years with the goal of covering all of their operating expenses

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through interest income from their loan portfolio. In order to fund such growth they launched a $4.5 million direct public offering, which allowed individuals, foundations, and others to invest as little as $1000 in Capital Good Fund and earn up to 6% return on investment (Capital Good Fund, 2016). Also, in order to achieve their goal, they expanded operations to Florida and Delaware. Currently, the organization is self-described as successful due to the emphasis placed on helping those affected by poverty by offering products and services that traditional financial organizations do not.

Lack of Trust in Banking Institutions

One of the main reasons for low income individuals in the United States for not participating in formal financial services is their lack of trust in such institution. Trust is a critical element in relations when people are dependent or vulnerable to the actions and decisions of others (McElvy et al., 2003), especially when their assets are at stake. Trust is important in the banking industry since it influences the costs and efficiency of transactions that involve risks (Arrow, 1973).

Also, trust can potentially reduce risk and uncertainty, as well as lowering the need for control in certain situations. However, traditional financial institutions have not been able to gain the trust of many low-income individuals since such institutions can be seen as predatory due to the high costs associated with formal financial institutions. In order to close the institutional void of lack of trust, Capital Good Fund offers programs to help entrepreneurs and businesses that are underserved by traditional financial institutions. This organization provides a distinctive range of financial services and products in economically distressed target markets. In this manner, Capital Good Fund helps financially excluded populations in a developed location by firstly gaining the trust of their clients.

Capital Good Fund generates trust with their clients by not only providing funding to their clients, but also by offering technical assistance to them in order to build relationships with them, which helps closing the trust gap with them. According to a Capital Good Fund client, the fact that the organization is willing to create programs to teach borrowers to manage their finances and to improve their credit scores is a good sign that the organization is not going to take advantage of him (Capital Good Fund, 2016).

Capital Good Fund also hires people from the communities it serves. According to the organization, people are more likely to trust someone with whom the clients share a connection. In this sense, Capital Good Fund believes that if its human resource force has the same cultural connections than its clients, the clients will be more willing to trust the organization. Also, the organization recruits its best clients to serve as loan officers or client coaches. In this manner, Capital Good Fund ensures that its employees can understand its clients not only because they share a cultural link but because its employees have actually experienced the adversities that their clients face in their day-to-day endeavors (Capital Good Fund, 2016).

Education Level

According to Yeung and colleagues (2014), approximately 40% of unbanked consumers and 15% of under-banked ones in the United States have less than a high school education. This is in contrast to individuals with college degrees who represent only 1.1% of the under-banked. Such low education levels have a direct effect in low financial literacy, according to Yeung, et al., (2014). Education levels are important financial barriers since banking institutions often have complicated banking and services

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options, and navigating such options need a minimum level of understanding their terms and conditions, as well as the costs and benefits.

Institutional scholars argue that education is a vehicle for institutional building (Greif, 2006; Trevino, et al., 2008). In the United States, there are several organizations committed to bringing financial education for those traditionally alienated from commercial banking. These institutions' primary objective is to provide knowledge to their customers regarding the benefits of participating in formal banking, as well as how to do so. These social entrepreneurial institutions fill the formal institutional void left by the expensive and rigorous banking system by providing equitable financial services that create pathways out of poverty (Mair et al., 2012). In fact, according to the Community Development Financial Institutional Fund, 7 out of 10 people who participated in a financial education program provided by a CDFI certified provider saw improvement in their participation in formal banking upon graduation of such program (Mair & Marti, 2006).

Several CDFIs close the education gap by providing programs to build financial skills with their clients. To provide education to its clients Capital Good Fund offers a year-long coaching program to its clients who wish to learn to improve their personal finances. In the coaching program clients create an action plan with the help of their coaches that tackles every aspect of their personal finances. These aspects include credit, debt, budgeting, banking, and saving. The organization provides education for their clients to improve their financial goals that include get out of debt, save for college, or to simply learn to manage their money more effectively (Capital Good Fund, 2016).

Income and Cost Barriers

Bank accounts and most of the services provided by such institutions in the United States are not designed towards low-income consumers (Yeung et al., 2014). The costs of maintaining a bank account, which includes minimum balance requirements and penalties for overdrafts and bounced checks, are simply not worth it for many consumers. Thus, bank clients routinely cited not having enough money as their main reason for not having a bank account. Also, high service fees are also a factor, but to a lesser degree.

Social entrepreneurs in the United States have noticed the negative impact in the lives of those who cannot afford to have a bank account and have taken action. In order to lower the cost of their services, CDFIs obtain their capital from national and community banks, socially-conscious individuals, foundations, corporations, and religious institutions. These organizations and individuals provide with funds to CDFIs at a below-market rate of interest. Also, CDFIs have a special arrangement with the federal and local governments on which complying with regulations is at a lower cost than traditional institutions. These decrease in costs and fees means that social entrepreneurs CDFI-certified can transfer the low costs to their customers and thus, lower the institutional barrier for such customers to participate in the banking industry.

To reduce the barriers created by the high costs of providing financial services to the poor, Capital Good Fund offers different loans to people at different rates. These services have different interest rates depending on the nature of the loan, but always significantly lower than regular loans. Their most popular loan is intended to cover emergencies. This loan, according to Capital Good Fund, works very similarly to pay day loans but without the extraordinarily high interest such loans carry. Instead, Capital Good Fund will only charge 10% of the cost of a pay day lender for the same service (Capital Good Fund, 2016).

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Another loan that Capital Good Fund offers is to help pay for a car. In a place like the United States a car is not a luxury but a necessity. Without a safe and reliable car, many people may not be able to keep their employment. Needless to say this issue affects the poor in a disproportionate rate. For this reason, Capital Good Fund offers car loans (either to buy or to repair a car) at a 7.60% to 16.66% annual rate to its customers. Finally, Capital Good Fund understand that one of the most important deterrents for financial advancement in the United States is the immigration status of its clients. Therefore, they offer special loans for immigration services. These loans can be between $700 to $20,000 and have a rate of 15 to 24% annual percentage rate (Capital Good Fund, 2016).

Language

In the United States Latino communities are particularly negatively affected by language issues in the banking industry (Yeung, et al., 2014). Also, Latino communities are more likely than other groups to not understand the terms and conditions of the documents they signed when using financial services. This issue was acutely manifested during the financial crisis in 2008, in which a disproportionally large number of Latinos were affected by predatory lending that was caused in large part to a lack of understanding on loan terms.

In order to fill the institutional void caused by language in the banking system in the United States, CDFIs have implemented a bilingual (English and Spanish) mandate for their participants. This mandate is the response to the issues experienced by the Latino population in the United States during and after the most recent recession. In fact, according to Nancy Negron, Chief External Affairs Officer at Opportunity Financial Network, once CDFIs offered all their literature in Spanish, CDFIs have been largely responsible for keeping the money flowing in the Latino community.

Capital Good Fund has purposely started operations in locations with a high percentage of Latinos. The organization recognizes that one of the most financially excluded populations in the United States is immigrants from Spanish-speaking countries. Also, Capital Good Fund traces such exclusion to language issues. For that reason, they provide all their services in English and Spanish and make a priority to hire employees that have an excellent command of the two languages. This policy along has been acknowledged by the customers as one of the most important reasons why they prefer Capital Good Funds to other CDFIs in the area (Capital Good Fund, 2016).

ISSUES, CONTROVERSIES, AND PROBLEMS

The topic described in this chapter raises numerous issues regarding financial inclusion in a developed market. Researchers, policymakers, and practitioners have adhered to the notion that developed countries have adequate financial structures to serve their populations. However, in reality, many residents of such locations have been left out of the formal banking industry in these locations. The main reason for such financial exclusion can be traced back to the high costs associated with providing financial products and services in developed markets. Also, mainstream financial institutions have often overseen cultural issues that prevent vulnerable populations from participating in traditional banking.

Also, the financial industry in a developed market, in this case the United States, has contributed to financial exclusion because of the rigidness of their operations. In general, traditional banks have adhered to a business model that requires expensive facilities and services that are not required by the

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very poor. This business model, although profitable for most financial institutions in the United States, has neglected vulnerable populations. This practice has prevented traditional banks from increasing their business operations by including vulnerable populations as its clients.

SOLUTIONS AND RECOMMENDATIONS

Traditional financial institutions should take a look at what CDFIs are doing. CDFIs are helping underserved populations by including them in the financial system of a developed country by offering the financial products and services they need at an affordable price. CDFIs are achieving this goal by reinventing their business model, which entails cutting costs in places like bank subsidiaries and emphasizing more lean operations. CDIFs are also integrating education programs that not only build trust in their clients but also help them manage better their money, which increases repayment rates. If traditional banks emulate and collaborate with CDFIs, financial inclusion in a developed market can be a not-so-distant reality.

LIMITATIONS AND FUTURE RESEARCH

Finally, this chapter has its limitations. Mainly, the chapter's goal was to illustrate how institutional voids arise in a developed location and how institutional entrepreneurs are filling them. Further research should include rigorous analysis that includes empirical evidence. Such analyses should be performed in order to understand and measure the impact of institutional voids in vulnerable populations as well as the impact of firms attempting to close them.

CONCLUDING REMARKS

This chapter reports on the activities of CDFIs to alleviate institutional voids in the banking system in the United States. The chapter highlights the work carried out by Capital Good Fund that provides affordable financial products and services to traditionally underserved populations in the country. The example presented here, however, does not claim that this is the only way in which voids in this industry can be filled. Actually, it would be naïve to think that there is only one way to close such gaps (Mair et al., 2012). Thus, the intention of this chapter was to illustrate how market exclusion can be traced back to institutional voids and that such voids can arise in a developed location. Also, this chapter is an example of how there are intermediaries that have in place mechanisms to alleviate such voids.

The institutional environment perspective acknowledges that human behavior is shaped by formal and informal institutions at once (Trevino et al., 2008). Scholarship has analyzed these claims concluding that the institutional configuration of a location can encourage (or discourage) market inclusion depending on how well such configuration works. When analyzing such institutional environments, scholars have argued that the absence of a strong institutional environment in a location (the presence of institutional voids) can actually hinder the participation of certain populations in formal market activities (Bowen & De Clercq, 2008). However, such analyses have been performed mainly in developing locations. Thus, the aim of this chapter was to describe how institutional voids arise in a developed location and to illustrate how social entrepreneurship works these voids.

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Institutional researchers have assumed that the institutional environment in a developed country is well established and works well. Tacitly supporting the concept, then, is the assumption of almost non-existing impediments to market activities within such markets (Greenwood et al., 2014). However, there are individuals within those societies that cannot take full advantage of the institutional environment of the location where they live (Mair & Marti, 2009). Hence, institutional voids do exist in a developed location and have an impact on their populations, especially those more vulnerable.

The banking industry in the United States is one of the most restrictive systems in the world and thus it is costly. This means that low-income populations are less likely to fully integrate in the formal economy, especially minorities (Yeung et al., 2014). The reasons for such lack of inclusion, besides the high cost, include lack of trust in financial institutions, education level, income, and language. In the United States, social entrepreneurship with the help of CDFIs has been actively working to close the gap left by these voids. One interesting aspect of CDFIs is that they rely entirely on government support. The trust placed upon government support makes these entrepreneurs different than those in developing countries since governments in such countries are far from reliable.

One example of how CDFIs are working to close the institutional voids left by the financial industry in the United States is Capital Good Fund. This organization has presence in three locations in the country, Rhode Island, Delaware, and Florida, and provides affordable products and services to traditionally unbanked populations. The key to their success is to establish trust with their clients. They establish this trust by providing low cost access to finance which is targeted at specific needs of the location where they operate. They also create trust by providing financial education programs to their customers. Finally, trust is created by hiring members of the community they serve. In this manner, Capital Good Fund makes sure that their employees understand the issues pressing their clients and in their own language. In this manner, the organization is able to work institutional voids to include traditionally vulnerable populations in the formal financial industry in the United States.

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Chapter 24
The Crowdsourcing Scheme as an Innovative Management Tool in University Spin-Offs

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ABSTRACT

Crowdsourcing is an emerging technique adopted by companies in the process of innovation. It can be also adopted by university spin-offs that play the significant role in the process of knowledge and technology transfer. In recent years, they have been researched from diverse perspectives. However, there are hardly any studies based on university spin-offs that have implemented crowdsourcing. This chapter presents how crowdsourcing business model might be applied to develop a university spin-off. The paper explains the rationale behind the adaptation of crowdsourcing by innovation-driven spin-offs. One overarching question of the chapter is "Can crowdsourcing be well adopted by university spin-offs?" Our study will open new paths for research and discussion, and its results will be supportive for decision making in the context of innovation and entrepreneurship. The logic of this paper is to speculate how university spin-offs can create value with the groups of online users through adopting crowdsourcing in its operation.

INTRODUCTION

The creation of new companies from university, or the process of 'spinning-off', has received attention from a range of perspectives in recent years. They are not only to innovate, but also contribute to the productivity and creativity of a university (Hayter, 2013). The effects of the activity of academic spin-offs are well known in stories of the origin of the Silicon Valley and more recently in the biotechnology and IT industry (Chiesa& Piccaluga, 2000). The role of particular universities, such as Stanford and MIT in the USA or Cambridge in the UK, in these processes is also well documented (Rosenberg& Nelson, 1994).

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There is no doubt that spin-offs are seen as a valid means of knowledge and technology transfer under certain conditions. However, there are several aspects of university spin-off companies that have not been widely canvassed. It is relatively rare to find case studies of spin-offs that have implemented the crowdsourcing business model. As Thomas Allen and Rory O'Shea (2014, p. 34-35) state there are six primary research groups focusing on the determinants of the spin-off activity within a university context (from 1 to 4) and on the consequences of spin-off activity (5 and 6), that is,

1. The attributes and the personality characteristics of academic entrepreneurs.
2. The resource endowments and capabilities of the university.
3. University structures and policies facilitating commercialization.
4. Environmental factors influencing academic entrepreneurship.
5. The development and performance of spin-offs.
6. Studies that measure the economic impact of spin-offs on regional economies.

Nowadays, information and creativity replaces material as the dominant currency, where stages such as product design, development and production are no longer solely the creation of business but can now be activated and accomplished by the crowd. Though it is hard to tell whether this revolution will ever enable individuals to completely overthrow large multinational corporations, however our analysis will help to assess the possible use of crowdsourcing in the spin-off environment. A key question guiding the paper includes: Can crowdsourcing be well adopted by university spin-offs? Our study will open new paths for research and discussion, and its results will be supportive for decision making in the context of innovation and entrepreneurship. The logic of this paper is to speculate how university spin-offs can create value with groups of customers and users via the web through adopting crowdsourcing in its operation.

BACKGROUND

The term crowdsourcing has developed on the intersection of various disciplines (e.g. management, economy, sociology). It is therefore not a coherent term. The idea of outsourcing a task to the web-based community closely relates to other concepts in the social sciences such as prosumerism (Toffler, 1980), user-innovation (von Hippel, 1988), open-innovation (Chesbrough, 2003), co-creation (Prahalad and Ramaswamy, 2004). These terms, however, overlap with the crowdsourcing term (Brabham 2013; Estellés-Arolas & González-Ladrón-de-Guevara, 2012). In consequence, scholar discourse mixes with popular media discourse which indicates the dynamic increase in the popularity of that approach in all possible contexts.

The term accentuates a novel business model to solve problems by leveraging the "collective intelligence" (Lévy, 1997) of crowds in which a major communication platform is based on the web. Crowdsourcing refers to situations where an organisation (*a crowdsourcer*) announces openly via the web a task to be fulfilled by any web user (*a crowdworker*) who can voluntarily submit his or her proposal to face an issue. In fact, the task could be undertaken by staff of an organisation, however, it might be of great importance to leverage the creativity of external groups of web users or enthusiasts of a field.

Brabham points out the following features that differentiate crowdsourcing from similar creativity-based processes: top-down management, shared process of bottom-up creativity, locus of control with regards to the creation process between an organization and the public. It is important to notice that the

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concept of open source (e.g. Linux) and commons-based peer production (e.g. Wikipedia) are by Brabham excluded to be perceived as crowdsourcing activities (no top-down management, locus of control resides among the users) (Brabham, 2013). There are few approaches to classify crowdsourcing, including the most transparent taxonomy by Brabham (2013, pp. 44-50) presenting four dominant crowdsourcing approaches based on the kind of problems being solved: the knowledge discovery and management, the broadcast search, the peer-vetted creative production, distributed human intelligence tasking.

Literature profoundly analyses the use of crowsourcing in the case of business where crowd wisdom is essential to solve a business problem or gain competitive advantage (Kittur et al. 2013; Kleeman, Vox, & Rieder, 2008; Acar& Ende 2011; Aitamurto et al. 2011). However, the recent evolution of crowdsourcing shows the application of this phenomenon by a wide variety of organizations including start-ups emerging in different areas to solve social, ecological or technological issues.

Crowdsourcing can include diverse tasks which previously were developed within an organization (Garrigos-Simon, Narangajavana, & Galdon-Salvador, 2013, p. 32). The crowd can support the process of designing products, producing them, solving problems, creating content and many more. That is, crowdsourcing can "help an enterprise in every aspect of the lifecycle of a product or service" (Porta, House, Buckley, & Blitz, 2008, p. 8).

Crowdsourcing has been used in manifold contexts by a broad spectrum of entrepreneurs, and also policymakers and academics. It might be seen as an innovative management tool which contributes to the acceleration of the competitiveness and productivity.

The formation of new businesses from research organizations has historically been seen as one of the most effective ways in which knowledge and technology are commercialized. These spin-offs result from the transfer of people and intellectual property from the parent institution. Defining what constitutes a spin-off company is not straightforward (Howells& McKinlay, 1999). A simple definition captures the fact that a transfer of resources occurs between the parent and the spin-off. Rogers et al. (2001) define spin-offs based on the parent R&D organization as those including the government R&D laboratory, the university, the university research center, and private R&D organizations as examples. Nicolaou and Birley (2003) take account of the human element and state that a spinoff is formed by individuals who were former employees of the parent organization. A complex definition presents Callan (2001) the term spin-off defines as a small, new, high-technology company whose intellectual capital has its origins in a university or public research institution. Spin-off occurrence necessarily implies that founders formerly employed by a parent organization and core technology are transferred from the parent organization to a company. And Roberts and Malone (1996) identify four important entities involved in a spin-off process:

1. The technology originator, the person or organization that nurtures technology from basic research through the stages of innovation-development to the point where the transfer of technology can begin.
2. The parent organization, where R&D is conducted by the technology originator, assists or restricts the spin-off process by controlling the intellectual property rights to the technology.
3. The founder, who establish a new business venture based on the technology designed by the originator. 4 The investor who provides financial in return for partial equity ownership in a new company.

In the context of the spin-off activity consequences Pirnay, Surlemont & Nlemvo (2003) define a university spin-off as created for the purpose of commercially exploiting knowledge, technology, or research results developed within a university. In case of a university spin-off company transfer of re-

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sources occurs between the university and the company. Therefore a spin-off is sometimes defined as a completely separate company representing a technology developed at university (Howells&McKinlay, 1999). For the purposes of this chapter, we defined a spin-off as: a company formed through the transfer of technology from an R&D company, which is independent of the parent company, and involves the transfer of human capital. University spin-off companies tend to operate in more of a business, rather than academic, model (Arnold, Rush, Bessant & Hobday, 1998).

Chiesa and Piccaluga (2000) review various surveys among university spin-off companies and, combined with their own studies, they described a model characterized by a lower tolerance of risk and higher comfort levels with academic life which acted as disincentives to academic spin-offs. And Radosevich (1993) found out the same reason for a lack of entrepreneurial spirit among employees of US Federal laboratories. Therefore, the question remains as to whether the crowdsourcing business model can be implemented into university spin-off companies.

THE CROWDSOURCING SCHEME IN UNIVERSITY SPIN-OFFS

Why Do Spinoff Phenomenon Matter?

As universities are under growing pressure to innovate with technology and disseminate the results (Dennison, 2014), they have to stimulate entrepreneurship strategically. One of its incorporations is spin-off entrepreneurship. There are several critical success factors to determine the rapid development of spin-offs at universities including among others (Hisrich& Kearney, 2012):

- Opportunity recognition leading to the successful capitalization of the concept;
- A unique business concept that takes the form of a product, service, or process;
- An individual leader able to balance vision with managerial skill, passion with pragmatism.

The phenomenon of spinoffs shows that a great number of technology companies were originated in university incubation ecosystems. The activity of university spinoffs covers a wide variety of different technologies including software, medical devices, communications equipment, and biotechnology. There are rich intersectoral examples illustrating the phenomenon including:

- **Digital Equipment Corporation:** A former major US company in the computer industry, was founded by Kenneth Olson who applied intellectual property he developed while working at Lincoln Laboratory at the Massachusetts Institute of Technology (Roberts, 1991).
- **Medtronic:** A company that develops innovative medical device technology emerged from the University of Minnesota (Chrisman, Hynes, & Fraser, 1995).
- **Google:** An Internet search engine was founded by Stanford University doctoral students (Pressman, 2002).
- **Genentech:** A university biotechnology spinoff emerged from the University of California at San Francisco and Stanford University to exploit the Cohen–Boyer genetic engineering patent (Parker & Zilberman, 1993).

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University spinoffs compose a highly diverse group of entities – some of them develop innovative technology which is sold to external companies (e.g. Perry Rosenthal founded Polymer Technology Corporation to exploit contact lens technology he developed while a faculty member at Harvard University and later sold the company to Bausch and Lomb (Shane, 2004, p. 16.), some aim at consumer markets (e.g. Hangers Cleaners, a spinoff from the University of North Carolina at Chapel Hill and North Carolina State University, is using a patented technology to transform the dry cleaning industry (Pressman, 2002). It comprises 51 franchisees in 23 US states (Pressman, 2002).

Shane (2004) points the following valuable outcomes resulting from the spin-off activity at universities:

- Enhanced commercialization of university technologies;
- Effective commercialization vehicle for uncertain, early stage university technologies;
- Effective mechanism for involving inventors in the process of technology commercialization;
- Enhanced primary mission of a university (that is scholarly research and teaching, training students);
- Opportunity to conduct additional research.

How Can Spin-Offs Implement Crowdsourcing in Their Operation?

In general, crowdsourcing has been made possible thanks to the evolution of information and communication technology which, in turn, supports innovation and development of enterprises. Crowdsourcing seems therefore an interesting tool to be adopted by innovation-driven spin-offs. There are several ways spin-offs might apply crowdsourcing strategies. Aitamurto, Leiponen and Tee (2011) classify internal crowdsourcing initiatives (e.g. IBM innovation jams which take place internally within the IBM various divisions), external crowdsourcing initiatives (e.g. LEGO Group's LUGNET or DELL's IdeaStorm that enables users to publish their product-related ideas or product improvements) as well as collaboration initiatives that are outsourced to companies specializing in crowdsourcing innovation problems to the public (e.g. InnoCentive.com).

Innovation-Driven Spin-Offs

"The businessman investigates new products and production processes to see if they represent improvements that he could adopt. Similarly, the average human inquires both consciously and unconsciously into changes that will make his life easier and more enjoyable. While change is all around us, the most outstanding feature of innovation is its mysteriousness." (Knight, 1967, p. 478). Innovation is very important to all organizations to sustain their competitive advantage through creating new services and products. Therefore it is important to invest in different types of innovation. This differentiation of the innovation exerts strong impact on innovation orientation of an organization which allows to achieve different outcomes and impacts (Siguaw, Simpson & Enz, 2006). However, there have been few conceptual and methodological contributions to the classification of innovations so far. One early model of the four element schema of innovation was proposed by Kenneth Knight (1967), each type of innovation can be implemented into university spin-off activity with the usage of crowdsourcing process.

1. **Product or Service Innovation:** Which is concerned with the organization's new product or service offerings.

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According to Freeman (1982), product innovation includes the technical design, R&D, manufacturing, management and commercial activities involved in the marketing of a new (or improved) product. OECD defines product innovation as "the introduction of a good or service that is new or significantly improved with respect to its characteristics or intended uses. This includes significant improvements in technical specifications, components and materials, incorporated software, user friendliness or other functional characteristics." (Oslo Manual, 2005, p. 48). The document points at such examples of significant improvements as the introduction of ABS braking, GPS navigational systems, the use of breathable fabrics in clothing, improved speed and ease of use in Internet banking services, providing on-site rather than remote management contact points for outsourced services (Oslo Manual, 2005, p. 48).

According to Malerba and Orsenigo (1993), the technological environment in which a company is founded represents some of the most important economic properties of technologies and the characteristics of the learning processes involved in innovative activities. The technological environment can thus be characterized by the fundamentals of the knowledge characteristics underlying the technological regime, including the complexity, the tacitness, and the level of pervasiveness or scope of the technological knowledge base. Companies encourage users to take part in crowdsourcing initiatives by presenting the characteristic, but intangible quality of the open content culture. This is consistent with the domains in which crowdsourcing is commonly used: configuration, design and testing of products, innovation, configuration, and problem solution (Kopec& Szopa, 2014). According to Kleemann et.al (2008) calls for participation in the creation of new products represent one of the most popular forms of crowdsourcing process. These vary in intensity from simple opinion polls to elaborate schemes for the collaborative development of products by users. Brahman in his publication presents an example of product development in collaboration with crowdworkers in Fiat company for its new Fiat 500. In a few months, the call generated ten million clicks, 170,000 designs, and 20,000 specific comments. In this project crowdworkers created a mascot and almost 1,000 accessories. The campaign was also a complete success from crowdworkers point of view- they had the feeling that their opinion mattered, and the opportunity to apply their creativity. Product development in crowdsourcing business model is also generated through on-line voting whereby internet users select their favorite solution. There exist crowdsourcing calls proposed to mobilize crowdworkers for the creation of a product that wholly depends on their input, the whole process goes beyond the designing, configuring, and marketing. Such solution is used in start-up companies sometimes their strategy bases entirely on the crowdsourcing business model. Many of these start-ups are successful, in part because of the ready availability of good online tools for managing user input, and in part because a significant number of hard core internet users are aesthetes with an affinity for good design (Kleemann, Voß, & Rieder, 2008).

2. **Production-Process Innovation:** Referring to the changes to organizational operations and production; this is also usually initiated by technological advancements.

OECD defines process innovation as "the implementation of a new or significantly improved production or delivery method. This includes significant changes in techniques, equipment and/or software." (Oslo Manual, 2005, p. 49). The objective of the process innovation might be to reduce costs of production or delivery, to enhance quality, or to manufacture new or significantly improved products. This might include new production methods (e.g. new automation equipment on a production line, computer-assisted design for product development), new delivery methods (e.g. a bar-coded or active RFID Radio

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Frequency Identification goods-tracking system), new service methods (e.g. GPS tracking devices for transport services, a new reservation system in a travel agency). (Oslo Manual, 2005, p. 49).

The university spin-off company is an outcome of an entrepreneurial process based on exploitation of a university technology it is part of a macro environment where evolutionary processes, such as industry cycles, affect both timing and viability of the spin-off project. Reichwald and Piller (2006) in their publication indicate saving time for new product enhancement, wider acceptance of new products among customers, and strengthening of consumers' individual assessment of the new product's originality as important advantages of involving customers in the value creation process. In addition Ogawa and Piller (2006) in their publication Reducing the Risks of New Product Development suggest that due to crowdworkers engagement the product design process is an" effective way to reduce the risk of new product manufacturing", with the use of IT technology. In addition using the crowdsourcing model, university spin-off companies might break their giant research projects into micro tasks that are then farmed out to the crowdworkers.

3. **Organizational Structure Innovation:** Concerned with the organization's "authority relations, communication systems, or formal reward systems" (Knight, 1967, p. 482).

OECD definition sees organizational innovation as "the implementation of a new organizational method in the firm's business practices, workplace organization or external relations" (Oslo Manual, 2005, p. 51) that has not been used before in the firm and is the consequence of strategic decisions taken by management. This kind of innovation can be intended to enhance a firm's performance by cutting costs of supplies, administrative costs, improving workplace satisfaction, acquiring access to external knowledge).

The examples from the business practice include new practices to improve learning and knowledge sharing within the firm (e.g. establishing databases of best practices, lessons and other knowledge), practices for employee development and improving worker retention, such as education and training systems or management systems for general production or supply operations (e.g. supply chain management systems, business reengineering, lean production, and quality-management systems). (OECD Manual, 2005, p. 51)

Einar Rasmussen claims that university spin off creation and development can be explained by evolutionary process. A university spin-off organization process is located in a specific institutional context, but many factors outside the university influence this process. Examples of such external conditions are access to external capital, university and governmental regulations, labor market conditions, and regional industry composition (Shane, 2004). The external environment affects the spin-off process by influencing the opportunity, the individuals involved, and the university context. Examples of evolutionary processes where the spin-offs both participate and are influenced by are the development of new industries, the development of regional clusters, the development of university and government policies, and changes in markets and customers' needs and preferences. Network activities with the university, customers, suppliers, and the regional innovation network are crucial important for spin-off development (Pérez and Sánchez, 2003). Managing university spin-off companies is complex and rich. Crowdsourcing business process determines organizational innovation. In consequence, the link between enterprises and the groups of consumers is more and more evident. Crowdsourcing links an open creation process with conventionally managed top-down process (Kleemann, Voß, & Rieder, 2008).

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4. **People Innovation:** Relating to changes to the people (staff) within an organization, including changes in staffing levels, personnel, job roles, cultures, and behaviors.

Definitions of entrepreneurship often include the individuals, the opportunity, the context, and the process over time. And the creation of a university spin-off companies can be explained as a process where an opportunity, individuals, and a context create the necessary properties for a new organization to emerge (Bruyat& Julien, 2001). Among other means, personal networks of academic and researchers, and graduates are very important channels for disseminating the latest knowledge from academia to the local high technology industry. This process can be developed through crowdsourcing business model where the new consumer type is defined as "working consumer" – creates immaterial labor, and adds value to market offerings (Kleemann, Voß, Rieder, 2008). Toffler uses the term "prosumer" to describe person who produces some of the goods and services entering his own consumption (Toffler, 1980). Czepiel, Solomon and Suprenant characterize "service encounters" and describe their active roles in various types of services (Czepiel, Solomon, &Surprenant, 1985). The new consumer type is providing services usually for free, however the capacities that he possesses are valuable economic assets. Since he takes part in the production process and can be utilized as value-adding worker. He is systematically integrated into corporate structures, and his activities are monitored and manipulated by project managers much as if he was an employee. The concept of the new type of consumer supplements existing approaches to consumer co-production, while challenging extensive changes tries to create an ethereal environment in which consumers and producers live in harmony. (Kleemann, Voß, &Rieder, 2008). Crowdsourcing in the context of new type of consumer can be explained through a theory of crowd wisdom, communicative planning and collective intelligence. Crowdsourcing remains model capable of collecting talents and leveraging ingenuity it leads to the time and costs and time formerly needed to solve problems. Surowiecki, in his book "The Wisdom of Crowds" discovers that "under the right circumstances, groups are remarkably intelligent, and are often smarter than the smartest people in them"(2004, p. xiii). Crowdsourcing is derived not from averaging solutions, but from aggregating them. Another theory is associated with collaborative processes involving a wide range of stakeholders. Communicative planning theory recognizes that all forms of knowledge are socially constructed, and collaboration between all participants in the process (new type of consumer, planners, and decision makers) is the process and context within which plans are made and new products and services are created. Plans emerge from the interaction of participants, and it is obligatory that planers ensure that power relations are known and anticipated in the design of the participatory basics of the planning process (Healey, 2006). The third crowdsourcing theory associated with the role of new consumer type is described by Pierre Lévy, who emphasizes that our living knowledge, skills, and abilities are in the process of being recognized as the primary source of all other wealth he claims that the most socially useful goal is to supply ourselves with the tools for sharing our mental abilities in the construction of collective intellect of imagination. Lévy claims that since "no one knows everything, everyone knows something, and all knowledge resides in humanity" (Lévy, 1997).

The process of innovation (product process, organizational and people) in university spin-off companies can be developed by following types of crowdsourcing:

- **The Knowledge Discovery and Management:** This approach is similar to commons-based peer production (e.g. Wikipedia), where users create online content. In this crowdsourcing case the organization manages the process of knowledge discovery (what information is needed, its objec-

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tive, ways to collect this knowledge). Example: SeeClickFix, the US website where the internet community report non-emergency problems occurring locally (e.g. potholes, graffiti etc.). City governments use SeeClickFix to better understand local issues and to respond to them in a proper way.

- **The Broadcast Search:** This approach focuses on searching scientific solutions. It might be the case of the Innocentive or OpenIDEO (companies that crowdsource innovation problems to talented individuals who compete to provide novel solutions to challenges in e.g. engineering, life sciences, and business). Based on a statistical analysis Lakhani found out that solvers were able to solve 29% of the problems of the seekers (large companies with R&D departments) that had remained unsolved before (Lakhani, Jeppesen, Lohse, & Panetta, 2007). In the broadcast search approach, financial remuneration is commonly designed for problem solvers whose solution wins and the intellectual property belongs to a seeker.
- **The Peer-Vetted Creative Production:** In this approach – the creation process is open to online community and finally the best option is selected. This approach can be applied in the matters of user preferences, also one's business can be based on crowdsourcing strategy.
- **Distributed Human Intelligence Tasking:** In this approach the data is available but the problem includes data processing which can be split into small tasks done by people only. In this approach an organisation tasks a crowd with analyzing large amounts of information e.g. Amazon Mechanical Turk – an online platform that coordinates sets of effortless jobs which cannot be fulfilled by computers as they require human intelligence (e.g. tagging images, responding surveys, rewriting texts, transcribing audio, conducting internet research). It is a very interesting research due to opening up corporate boundaries to external labour via a digital platform (Bergvall-Kåreborn &Howcroft, 2013).

To sum up this part of the chapter we present the results of Poetz and Schreier' s research held in 2012. They asked a question: Can crowdworkers compete with professionals (e.g. engineers, designers etc.) in creating new ideas. Under their guidance, the company undertook an experiment focusing on an innovative product generated by its employees as well as by a group of crowdworkers. The quality of provided ideas was measured considering three factors: the novelty of a product, customer benefit, and feasibility. The study presented that user ideas score notably higher than professional ideas when it comes to the novelty and customer benefit whereas professional ideas are easier to be implemented. In consequence, the crowdsourcing initiative seems to be a valuable addition to products developed internally by professional staff.

However, crowdsourcing process has its drawbacks and not always can be implemented into the operation of university spin-offs. First of all legislative framework of crowdsourcing labor model is based on existing labor laws which does not address a variety of employment-related issues (e.g. status, issue of control, working equipment). In addition it is very difficult to revise the law due to the specific features of crowdwork. Since the work is anonymous and carried out online (Felstiner, 2010). Another crowdsourcing-related risk is consumer data security as enterprises can attempt to reveal data about their crowdworkers to external parties to support research and development. In addition, crowdsourcing initiatives raise ethical concerns like substituting company's own employees with lower-wage crowdworkers what shows the exploitative nature of crowdsourcing (digital sweatshop, slave labor) for the enterprise's benefits (Harris, 2011). A very important factor in the university spin-off activity is the level of qualifications of participants involved in the productive process. Corporate employees possess

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very specific knowledge and qualifications. The issues relating to the qualifications of crowdworkers are unexplored. This means that companies take a risk in transferring knowledge and responsibilities to the crowd. Another problem is that consumers' expertise is very specific and relates only to the companies' front stage, to use. Crowdworkers know little or nothing about the processes, it makes them uninitiated in a core area of knowledge, which companies' professionals have at their disposal (Kleemann, Voß, &Rieder, 2008). Therefore it is suggested to take advantage of crowdworkers' fresh perspectives on the problems, and let experts estimate and use it in creating new solutions.

Allied Minds and Its Commercialization Model of Academic Research

Boston-based Allied Minds (Allied Minds, 2012) as a private equity company invests in university-derived inventions. It has operated since 2006 and its priority is to form, fund, manage, and build products developed by means of innovative technologies by the top US universities and federal research institutions.

Allied Minds identifies the most promising early-stage laboratory research leading to innovations which possibly might have an important impact on commercial markets. If an emerging technology passes the company's due diligence review process, Allied Minds develop a subsidiary company giving the inventors and their institutions a stake. The majority of subsidiary companies are financially supported by Allied Minds only, what differentiates them from typical venture-backed startups. Allied Minds employ experienced staff members including a leader who manages each phase of the product development cycle. (Allied Minds).

Allied Minds works with more than 33 universities (some of them exceed $1 billion each in annual research spending) and 32 federal research centers (including laboratories) run by the US Departments of Defense and Energy on a similar commercialization structure. It currently has 18 operating companies in the U.S. (FierceBiotech).

One example of the Allied Minds' activity is the Spin Transfer Technologies (STT), the company established together with the New York University. The company's objective is to develop and commercialize its Orthogonal Spin Transfer Magnetoresistive Random Access Memory technology (OST-MRAM). The STT technology was developed from research conducted in the laboratory of Professor Andrew Kent at the New York University. The discovery has major implications for the development of spin transfer MRAM devices, including faster switching times, lower switching energy, higher write endurance and greater scalability to smaller dimensions. (Spin Transfer Technologies). The New York University and the key scientist received an equity stake in the new venture. Spin Transfer Technologies received seed funding in 2007. In 2011 it received a $36 million private equity investment raised by Allied Minds and Invesco. "The capital goes toward scaling operations, purchasing equipment, and growing its team to accelerate development of its patented orthogonal spin transfer MRAM technology (OST-MRAM)." (Allied Minds). The Spin Transfer Technologies will make the technology commercially available for license in the future.

Another example of the Allied Minds activity is the AlliedMindStorm.com, an open innovation website designed to discover the best commercial application for a technological invention. The reason to establish the platform was the fact that in the past Allied Minds did not fund some breakthrough technologies because of the difficulty to identify any profitable applications for them (Cole). It enables universities to advance research towards effective commercialization. It is the first crowdsourcing platform within the institutional investment industry designed to promote technology challenges. The underlying idea of the platform was the problem how to make practical use of an early scientific breakthrough? "The decision

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regarding which application to pursue first is a complex and important one. Allied Minds is creating an entirely new way for universities to make this decision, while showcasing their most interesting research, but also improving them through open collaboration." (Allied Minds, 2012). The platform posts regular challenges for the public (so called creative minds or thinkers) to brainstorm new commercial applications around technologies invented by US university researchers. Its only requirement is that the thinkers have LinkedIn accounts. Financial remuneration up to $25,000 is designed for any "creative mind" (thinker) whose specific application of the technology results in a new startup or who present best-in-class suggestions (Allied Minds, 2012).

To protect university intellectual property, Allied Minds only posts non-confidential information and forgoes rights to any IP generated from Allied MindStorm.com. There are no costs for universities or the public to participate.

The first three technologies posted on Allied MindStorm.com include the following initiatives where the public was invited to suggest new uses of the technology in the open innovation setting:

1. **Paper-Thin Plastic Battery Mash-Up (Brown University):** This new battery uses plastic to conduct electrical current. The hybrid device marries the power of a capacitor with the storage capacity of a battery. It can store and deliver charge over long periods of time with greater power and with twice the storage of a double-layer capacitor. Its power and paper-thin dimensions could be used for wrapping electronic devices but also be made into a fabric-like material. (Lawton, 2006). A description of the prototype is published in Advanced Materials, a leading international journal in Materials Science (Song& Palmore, 2006).
2. **Resurrecting 4,000,000,000-Year-Old Enzymes (Columbia University):** By measuring the properties of these enzymes, the scientists can examine the conditions in which the extinct organisms lived. The results shed new light on how life has adapted to changes in the environment from ancient to modern Earth. The discovery can be applied to other enzymes to get a clearer picture of what life was like on early Earth, but also in biotechnology, where enzymes are playing an increasing role in many industrial processes. (Researchers Resurrect Ancient Enzymes…, 2011).
3. **Silver-Ink Pens that Write Circuits (University of Illinois):** This is a silver-inked rollerball pen capable of writing electrical circuits and interconnects on paper, wood and other surfaces. The offers flexibility to apply ink directly to paper or other rough surfaces instantly, at low cost and without programming. The key advantage of the pen is that the costly printers and printheads typically required for inkjet or other printing approaches are replaced with an inexpensive, hand-held writing tool (Ahlberg, 2011).

FUTURE RESEARCH DIRECTIONS

University spin-offs are companies founded by an academic inventor. Their objective is to make practical use of a technological discovery done by a university researcher. University spin-offs transfer technology from a university (a parent organization) to themselves and then to external customers. This ability to develop industrial application of scientific knowledge (Bigliardi, Galati& Verbano, 2013) has received great attention from both researchers and practitioners. Spin-offs have shown growing economic importance, mainly because of scientific expertise which is of great value for bigger companies.

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Universities market thousands of technology inventions to investment firms. Many of these are technologies with obvious commercial uses. Therefore it is a real chance for universities to commercialize the most ambitious research and not to pass it over to external companies. So, what is the best application to develop a sustainable product or service? Universities all over the world create incubation hubs to support the commercialization of entrepreneurial venture based on both student and faculty research. "Entrepreneurship entails commercialization of innovation and is driven not only by personal characteristics of entrepreneurial individuals but also to a large extent by the environment in which they operate" (Shah, Gao, & Mittal, 2015, p. 185). This is a starting point for the analysis of the adoption of crowdsourcing in the spin-off operation. In the future, more and more spin-offs may consider the creative potential of crowds to enhance their innovation processes. A more integrated view of the crowdsourcing scheme as an innovative management tool evokes new perspectives of adapting crowdsourcing by university spin-offs. Future research should further explore the opportunities of the adoption of crowdsourcing in spin-off environment.

CONCLUSION

By applying crowdsourcing business model, this chapter presents how opportunities and individuals, contribute to the emergence and development of university spin-off firms. This study have synthesized some of the fragmented knowledge about crowdsourcing and university spin-offs and provided theoretical explanations for the spin-off process. In this context university spin-offs are seen as a tool for technology transfer where the goal or outcome is to transfer university knowledge and its activity can be efficiently supported by the crowdsourcing process.

Enterprises create innovations in order to gain competitive advantage in the traditional, as well as in the cyber-marketplace. In this context, crowdsourcing is an original instrument for advancing products, developing services and organizational process. Crowdsourcing links an open creation process with conventionally managed top-down process in which crowdworkers play a significant role.

Since the process of the new product creation and development in university spin-off companies is more complex risky than traditional production and requires very specific knowledge, crowdsourcing business model can be used in contributing to product innovation, contributing to product improvement, evaluating customer service or participating in the configuration of a product or its production. Among the advantages of crowdsourcing we can indicate: cost effectiveness, the opportunity to involve crowdworkers in a business activity on demand, more efficient use of resources, increase of turnover, quality improvement using consumer knowledge, the increase of market acceptance of new products and consumers' willingness to buy them, and the increase of consumers' subjective perception of the actual newness of a new product.

Crowdsourcing is an emerging technique outside of its application by companies in the process of innovation. There are a lot of areas for additional research and activity. Simply the rapidly advancing practice of utilizing urban information flows to inform both decision makers and citizens represents an explosion of new work and opportunity.

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KEY TERMS AND DEFINITIONS

Crowdsourcing: A business model in which one party (an individual, a company, a public institution) solicits a group of individuals for solving a task via the Internet.

Entrepreneurship: Social process through which individuals and teams create wealth by bringing together unique packages of resources to exploit marketplace opportunities.

Innovation: The process through which economic and social value is extracted from knowledge through the generation, development, and implementation of ideas to produce new or improved strategies, capabilities, products, services, or processes.

Spin-Off: A new venture founded by current students or faculty members of a university to develop and commercialize their inventions.

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Chapter 25
Crowdsourcing as a Tool for Improving Learning in Tertiary Institutions in Developing Countries

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ABSTRACT

Higher education in many developing countries faces the triple challenges of inadequate funding, need to improve quality of learning outcomes, and the pressure to increase quality of graduates. Crowdsourcing offers opportunity for institutions to face these problems with little resource expenditure. The chapter describes/analyzes how crowdsourcing can be applied in curriculum and teaching material development activities through collaborative efforts of higher education institutions from different parts of the world to develop suitable curriculum for teaching English for specific purpose. The chapter analyzes the process and the evaluates the outcome of the crowdsourcing tool and suggests that its application can keep higher education institutions in developing countries in forefront of education and research innovation, and prepares members in these institutions for innovative problem solving and for the challenges of the online world.

1. INTRODUCTION

There are many issues facing higher education, among them are the need to improve quality with increased intake, but with dwindling means for internal resources mobilization and for tapping from the global community of educators. The key challenge is the design and implementation of collaborative educational programs that integrate the students' culture and background as well as the anticipated future workplace demands. The discussion on how higher education is using or can use the emerging new tools such as crowdsourcing to achieve its broadening objectives with limited resources through collaboration seems to be muted and needs exposure to a wider community involved in the various sectors of higher

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education, whose resources and opinions can be tapped relatively quickly and inexpensively (Sharma 2011). Additionally, while crowdsourcing is frequently discussed in terms of the power of a massive and anonymous publ**ic (**Estellés-Arolas 2012**),** however its techniques are also being applied to smaller, more specialized audiences. This application to more specialized or more specific audiences seems to be a gap in academic research that needs to be highlighted.

Careful exploitation of the opportunities offered by these two types of crowds, a crowdsourcing project can be used to create culturally suitable English for Specific Purpose (ESP) curriculum for higher education. In practice, however, there are many other benefits as well. For example, many communities or institutions have used it as a strategy for numerous new digital projects that aim to create or strengthen community spirit around and through crowdsourcing projects. Well-designed crowdsourcing tools endeavor to point out the value added to the project by each participant to the project as a whole.

This chapter seeks to explore how crowdsourcing can be used to develop and implement educational program that integrates the students' culture and background as well as their projected workplace demands. Progressively narrowing the scope of the study, its background is focused on the review of the growth and development of ESP in the Middle East, as good example of active regions of the developing world.

The chapter is divided into five main sections. After this introductory part, the next section explores the growth and development of ESP and crowdsourcing in the Middle East context. The third section explains the process of ESP curriculum development based on the Middle East using both theory and practice to produce curriculum components. In the fourth section, the evaluation and application processes of the developed curriculum are discussed. Finally, the direction of future research and the conclusion drawn from the experience are presented.

2. GROWTH OF ESP AND CROWDSOURCING IN THE MIDDLE EAST

English for Specific Purposes (ESP) and crowdsourcing are emerging strategies that are increasingly being used to achieve desired policy goals, including higher education. Higher education is a knowledge-based industry that needs an inflow of ideas and innovative ways of doing things - including those provided by ESP and crowdsourcing- in order to increase its own efficiency and productivity. In this section, we shall discuss the growth of ESP first and then explore the role of crowdsourcing on higher education in the Middle East.

- **ESP and Its Growth:** By way of providing a background to the growth of ESP, this section briefly explores its form, approach and rationale using the available literature and then identifies the major growth factors.

The primary focus of ESP focuses on language context rather than on teaching syntax and language structures (Lorenzo, 2005). In this sense, ESP is considered different from English language teaching in that it focuses on outcome rather than language syntax (Dudley-Evans and St. John 1998). Because of the diversity of global socio-economic activities Belcher (2004) observes that ESP increasingly encompasses a diversifying and expanding range of purposes. Regarding its teaching method, ESP bases all decisions with respect to content and method on the learner's reason for learning (Hutchinson and Waters 1987).

However, a definition of ESP, as Dudley-Evans (1998) maintains, 'requires much more than an acknowledgment of the importance of needs analysis.' This suggests that there are additional features

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or characteristics that are central to ESP. In his extended definition of ESP, Dudley-Evans and St John (1998) proposed a definition of ESP with characteristics grouped into absolute and variable types as presented in Table 1.

- **ESP Growth Factors:** The growth of ESP may be attributable to a combination of a number of important factors, some of which are the following:

First, as Table 2 shows, English is important due to its emergence as the global lingua franca (Chan, 2017) triggered by the growing influence of globalization. In a recent study, it constituently was first in geographic spread, in application in the areas of economy, communication, knowledge, media and diplomacy. While languages with colonial spread –such as English, French and Spanish- benefited from the historic adventure, the rise of Mandarin may be associated with the recent performance of China in the areas of the economy, communication, as well as in knowledge and media.

Most of the development of ESP was influenced by the old style globalization, which is gradually giving place to a new form. The emerging form of the globalization is affected by geopolitical and technological transformations which are reshaping the economic, business, and political models of the old form of globalization, creating a completely different system with the following new features that are bound to influence changes in ESP programs.

Table 1. Absolute and variable ESP characteristics

ESP Characteristics	
Absolute Characteristics	**Variable Characteristics**
• Defined to meet specific needs of the learner • Related to or designed for specific disciplines • Makes use of the underlying methodology and activities of the discipline it serves • Centered on the language (grammar, lexis), skills, discourse and genres appropriate to these activities.	• Uses, in specific teaching situations, a different methodology from that of General English • Designed for adult learners, either at a tertiary level institution or in a professional work situation, and could also be for learners at secondary school level • Generally designed for intermediate or advanced students; • Assumes some basic knowledge of the language system, but it can be used with beginners.

Source: Dudley-Evans & St John (1998: 4-5).

Table 2. Ranking of global languages efficacy based on five domains

RANK	SCORE	LANGUAGE	NATIVE (MM)	GEOGRAPHY	ECONOMY	COMMUNI-CATION	KNOWLEDGE & MEDIA	DIPLOMACY
1	0.889	English	446.0	1	1	1	1	1
2	0.411	Mandarin*	960.0	6	2	2	3	6
3	0.337	French	80.0	2	6	5	5	1
4	0.329	Spanish	470.0	3	5	3	7	3
5	0.273	Arabic	295.0	4	9	6	18	4
6	0.244	Russian	150.0	5	12	10	9	5
7	0.191	German	92.5	8	3	7	4	8
8	0.133	Japanese	125.0	27	4	22	6	7
9	0.119	Portuguese	215.0	7	19	13	12	9
10	0.117	Hindi*	310.0	13	16	8	2	10

** If all Chinese dialects/languages (Mandarin being the largest) are considered as one it would not change the rank ordering. However, if Urdu and Hindi – and all the Hindi dialects – are taken as one it would vault it past Portuguese and Japanese.*

Source: Chan, 2017

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- **The New Economic System:** Instead of the unipolar world, the global economy is growing more multipolar, with growing number of regional economic growth poles. The emerging growth centers are becoming important centers of diverse activities including cultural and language development.
- **The New Business System:** Growing protectionism, changing production costs around the world, emerging new industries are slowing growth in trade and international investment. These factors are dispersing worldwide supply chains, while on the rise in digital systems are integrating regional businesses and activities. The global decentralization and regional integration of businesses are bound to have the impact of ESP use and learning.
- **The New Political System:** Global economic transformations are triggering political changes whereby national political interests are over riding global political concerns. However, international and regional political issues such as digital security, terrorism and money laundering are forcing nations toward collaborative actions, which may influence the future development of ESP.

Second, the tremendous development in all scientific, technical and economic activities on an international level required an international language that meets the needs of both the experts and the learners.

Third, in language institutes, a revolution in linguistics has helped to redirect the focus, the form and mechanics of the language to its actual use in daily communication in ways that the language curriculum can be designed to meet different and specific contexts.

Fourth, it appears that emerging developments in the field of educational psychology has influenced the growth of ESP by stressing the vital role of learners, their inspirations and needs so that curricula for the language courses consider them.

These factors created a new generation of learners of English language, learners who not only wanted to learn but were more significantly aware of why and how they would use it in their daily activities in such fields as commerce, economy, medicine, finance and engineering. Through this emerged English for Specific Purposes (ESP). Because of its global situation in the areas of crude oil sales and related financial flows, international commerce, huge spending in education, the Middle East has become an important global region in ESP growth and development.

- **ESP Research in the Middle East With a Focus on Saudi Arabia:** Arabic is the official language of most countries in the Middle East, although in most technology-oriented higher institutions this rule is relaxed to allow the official use of English as the medium. While relatively elevated at the university level, however, English teaching and learning has been given limited importance at the other levels of the educational system both by the authorities and students, who seem to study it only in order to go through examinations.

There are signs that there is a renewed interest in the region as the example of Saudi Arabia shows. According to Rahman & Alhaisoni (2013), the importance of English language has risen rapidly due to the increased worldwide demand for English and its recognition as the language of 'science and technology, business and commerce' as well as its global spread. The authors suggest that English is accepted as one of the important subjects in the school system of the Kingdom and is afforded that official recognition.

This point seems to be supported by the growing crop of literature on a range of ESP issues expressed in the last five years. Just to illustrate some of these issues, Ahmed (2012) has set out a theoretical framework on the growing demand for ESP in Saudi Arabian higher education. Saleh &Elyas (2015) focuses on ESP for linguistic analysis of Qur'anic Surah to help recent convert to Islam and Javid dis-

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cusses the unusual role of students, teachers and teaching methods in response to the needs of growing ESP programs. While Koci (2016) emphasizes that students' needs analysis are vitally important in the development of ESP, Alsamani (2016) provides a conceptual framework for incorporating computer students' project assignment into ESP program, and Younes & Albalawi (2016) identifies ESP speaking needs for business students. More recently Fadel & Rajab (2017) study the English language needs of the female students in Computing and Information Technology.

The key findings of other similar studies may be summarized as follows: First, on the communicative needs of health professionals Alharby (2005) finds that the curriculum of English language course at the college level was not adequately defined in terms of the medical students' future occupational needs. The context of the medical field requires a high level of English communicative skills since these professionals deal with patients' lives. Communication skills literally have "life or death" consequences.

Second, regarding the effectiveness of ESP course for business administration by Liton (2012) reveals that the existing ESP Course syllabus is not tailored appropriately according to the students' needs in the workplace. It, therefore, suggests that ESP course should be redesigned in assimilating the learners' real needs in the job field and teacher-centered traditional ESP classes need to be replaced by the learner-centered task-based language teaching (TBLT) and communicative approach as a teaching technique.

Third, on the suitability of courses to students' needs and attitudes, Abdalla (2013) shows that the majority of respondents indicated that their needs for studying ESP course rest with the four language skills of listening, speaking, reading and writing together with grammar and vocabulary. Fourth, about the evaluation of the effectiveness of using ESP course for Preparatory Year Program (PYP) students by Al Fraidan (2012), referring to the two books they were using finds that both books would be appropriate if they are merged and additional materials included to form suitable ESP teaching material. Fifth, on the effectiveness of using ESP course for PYP students, Younes& Albalawi (2016) reveals that the existing ESP Course syllabus is custom-made to properly fit the students' needs in the workplace. It recommends that ESP courses should be re-structured to integrate the learners' culture and background.

Crowdsourcing and the Social Networking

Many researchers date the growth of crowdsourcing in the Middle East to the time when an informal trader called Mohamed Bouazizi, set himself on fire on December 17th, 2010 in protest of harassment and humiliation by Tunisian policeman. Bouazizi's protest led to a chain of events, assisted by Al Jazeera, got the video from nawaat.org and broadcast it back to Tunisia informing Tunisians of the unfolding story. Bouazizi's protest, assisted by Al Jazeera TV, snowballed into a full-blown revolution that engulfed not only Tunisia but also the Middle East. Most importantly it redefined the role of the "crowd" of largely students of higher education using networked smart-phones to provide the international news agency with live pictures of events and reactions to them from various streets, in different cities and in multiple countries. Thus, the Arab Spring - as this the Middle East revolutions came to be called- has shown the power of the social media and the young people who used it to trigger social and political change, thereby underlined the significance of crowdsourcing in a global political context.

Most of the media outside the Middle East as well as local Middle East media attribute the growth of crowdsourcing to the work of Jeff Howe (2006), who described crowdsourcing as "the act of a company or institution taking a function once performed by employees and outsourcing it to an undefined (and generally large) network of people in the form of an open call." However, crowdsourcing has long non-digital and non-cash history. For example, In 1714, according to McGonigal (2011), the British

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Government established a commission offering 20000 pounds (roughly 12 million dollars) to anyone who could invent a way to determine 'longitude' on a sailing vessel and the prize went not, to an Oxford don, but to John Harrison, an uneducated cabinet-maker from Yorkshire. Firms turned to crowdsourcing tool; Netflix too sought help from the crowd to solve a non-recurring challenge and awarded a 'Netflix Prize' to the team that came up with a solution. Such open innovation or crowdsourcing initiatives help companies gain a competitive edge over others.

Digitalization and globalization converge to create fertile ground for the emergence and growth of crowdsourcing, which many believe to be a potent problem-solving tool that combines knowledge, energy, and creativity of the worldwide online community to great effect. Internet-based companies with global reach such as Google, Amazon, Facebook, and eBay and MySpace have lucrative businesses that are dependent on the contributions of their users from across the world, both internal and external to their organizations. Howe (2008), on the original exponent of crowdsourcing, pointed out that it is not a single strategy but four. He explains its robustness by highlighting the four strategies derived from crowdsourcing based on the type or resources it uses in each case. The models include (a). Crowd Wisdom, that uses crowd's knowledge for specific themes, (b) Crowd Creation, which uses crowd's creative energy to develop plotlines and concepts; (c) Crowd Voting, the model using crowd's judgment to organize vast quantities of information; and (d) Crowdfunding, that which uses crowd's collective funds for projects development. The strategy functions as a distributed problem-solving and production process, which operate by sourcing tasks to generally undefined, large group of people or communities through an open call (Li & Hongjuan, 2011). These large individual participants or groups form the "crowd". Many authors have suggested that in the development of his crowdsourcing ideas, Howe was to a large extent inspired by Surowiecki (2004) who through an extensive research concluded that in most given situations the judgment of the group is smarter than that of the smartest among them; and this idea he defined as the "wisdom of crowds".

- **Educational Activities and Crowdsourcing:** Crowdsourcing may be used to enhance the activities in higher education in many ways. For example, a recent trend of crowd creation project in higher education is the rise of student-generated guide to colleges and universities through the appraisal by students-based "crowd." One such project is called Unigo, which is mainly student-generated that provides a useful guide to North American colleges for all interested parties including potential applicants. As described by Dee (2008), the project initially featured less than 300 colleges but it quickly grew to include over 100,000 institutions. At the same time its contents in terms of number and material-types, as well as the number of its users grew rapidly.

Other important examples are that the strategy can be applied to produce crowdsourced college textbook, create new and more relevant curricula as well as courses or class teaching materials. Solemon, et al, (2013) use the four crowdsourcing strategies identified by Howe (2008) to illustrate examples of projects that were developed in the USA. Table 3 summarizes examples of a few of the crowdsourcing projects for creating crowdsourced content in the USA. According to the authors, the Online Textbook project initiative of the Brigham Young University, USA sourced the contributions from over 680 students of Project Management course in order to produce an electronic textbook (Wiley, 2011).

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Table 3. Summary of crowdsourcing projects for creation of crowdsourced content

Project Name	Institution	Volunteers	Project	Source
Online Textbook	Brigham Young University, USA	682 students of Project Management class	Textbook – Project Management for Instructional Designers	(Wiley, 2011)
Crowdsourcing Textbooks	North Carolina State University, USA	120 students	Textbooks - Object Oriented Design, Architecture of Parallel Computers	(Gehringer, 2011)
Management Through Collaboration Book Project	St John's University, USA	Almost 1000 management educators and researchers in about 90 nations	Textbook – Management through Collaboration: Teaming in a Networked World	(Wankel, 2009)
The SOS Classroom	University of Southern California, USA	Teachers, parents, and students	Course materials for K-8 students – ESL (English as a second language), language arts, math, music, and science	http://sosclassroom.org/

Source: Solemon, et al, (2013). A Review Of The Uses Of Crowdsourcing In Higher Education http://www.aessweb.com/pdf-files/ijass-si-3(9)-2066-2073.pdf

Applications of Crowdsourcing in Translation and Language Learning

Due to the increased globalization and cross-cultural activities, the demand for translation and language learning is on the rise. The translations may be of textbooks, trade literature or culture related texts. The languages benefiting from the translated material are those associated with the global rise of their economies, such as Mandarin and Hindi.

It is increasingly being realized that the best people to help translate the content materials related to product or service are the relevant customers themselves. As indicated, above crowdsourcing is becoming a tried and tested strategy of increasing the global reach for multinational businesses, including higher educational institutions, and engaging local clienteles directly in their native languages. This strategy often opens up many other opportunities. First, it enables the tapping into the knowledge and resources of the local customers, enthusiasts, and brand advocates. Secondly, it affords high levels of scalability and flexibility, which are very important but usually not easy to achieve by other means. Thirdly, it provides an opportunity for a snowballing of closer interactions with the local customers and allowing them to shape the development of products and services in accordance with the preferences and culture of the local markets.

- **Engaging the Multilingual Crowd:** In the multilingual crowdsourcing solutions, some companies such as Moravia (2017) are able to get the best of the crowdsourced model by integrating it effectively with other translation processes and similar work activities. In other cases, the best approach seemed to be one that only manages, develops, and uses clients' current crowds. In yet other cases it is imperative to build client-specific crowds from the firm's large and global resource pool. There are many ways followed by different firms, however, for Moravia (2017) the most typical scenarios for crowdsourced solutions include the following steps:
  - First, translation of select types of the client- and user-generated content.
  - Second, the aggregation and analysis of reviews or user comments, e.g., from blogs, Twitter feeds, and onsite reviews
  - Third, product evaluation and testing, whether prior to an official release or as part of incremental updates

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  - Fourth, keyword testing, which includes getting the most relevant local terms that are to be used to optimize the concise summary of the global strategies and online campaigns
  - Fifth, consists of suitable terminology and style advance and administration
  - Sixth, the language quality reviews and assessment
- **Crowdsourcing Language Learning:** Recently language learning is being crowdsourced. Doulingo (2017) for example is a new platform that consists of a language-learning website and application, as well as a digital language proficiency assessment. The platform provides all its language courses free at no cost to the users. It is a scalable system, which by the end of November 2016, offered "68 different language courses across 23 countries, with 22 additional courses in development" Doulingo (2017). It is a versatile application that is available on iOS, Android and Windows 8 and 10 platforms with about 150 million registered users across the world.

Its language courses components offer not only written lessons and dictation but also speaking preparation for the more mature learners. It has a scalable skill tree, which allows users to progress through according to the ability of the users. In addition, there is vocabulary section where learned words can be put into practice. In the process, users accumulate experience points when lessons are completed and skills are regarded gained when all lessons associated with the skill are completed.

- **Creating a Crowdsourcing Culture:** To better understand the different crowdsourcing capabilities, it is first important to appreciate the layers of actors involved in the process. 1. The client layer – a firm or person that has a task that needs to be fulfilled, and is occasionally called "the seeker." 2. The crowd layer – consisting of persons who are eager and able to undertake the required task as specified by the client company or persons, and 3. The platform layer – that is an online marketplace through which projects are announced to the crowd (Nylund, Mats, Gopalkrishnan, Asha 2014).

Thus, it is this collaborative effort between a news organization, its audience, that crowdsourcing culture is created, and through which the roles of citizen contributors are plainly well defined in ways to ensure generation of a new crowdsourcing culture. Philips (2012) defined this type of collaboration as open innovation and often uses both by business corporate companies and media firms in various combinations, as categorized hereunder with relevant examples:

1. **Suggestive/Participative:** This format encourages anyone with an idea to submit it, review and rank from others. For example, the company Yle Svenska (July, 2016) regularly welcomes varied ideas or pitches for shows to be telecasted on the channel.
2. **Suggestive/Invitational:** This (usually) event or campaign based initiative invites specific individuals or teams to submit ideas of their choice (on chosen topics). An example is when the Al Jazeera news media invites documentary filmmakers to submit stories or films focusing on certain themes (environment, activism etc.) IBM's IdeaJam periodically invites chosen people to submit ideas and this list of chosen individuals keeps getting updated (Philips 2012).
3. **Directed/Invitational:** In this case, the firm builds a web of selected individuals/partners to participate in innovation. For example Procter & Gamble's Connect + Develop program allows firms to partner with Proctor & Gamble in innovation activities.

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4. **Directed/Participative:** A sponsor directs a group to address a specific topic/problem or opportunity. For example, many journalists from media companies- such as BBC, CNN or Al-Jazeera- tend to use social media to connect with the crowd and crowdsource news either on a continuing basis or targeted to a particular happening/event.
5. **The Opportunities and Challenges of Crowdsourcing:** The benefits of crowdsourcing are immediately understandable: it is highly scalable; the workforce is available instantly, and one can get as many or as few resources as one requires. Revolutionize information collection and processing systems are emerging and are enabling in-depth, large-scale, and cost-effective information gathering, more accurate techniques for information extraction from data.

In the current business environment where goods and services are sent to open, international markets, many businesses demand that highly qualified individuals with extreme product knowledge translate the accompanying product instructions over ever-tighter production schedules. Some of the affected companies claim that over eighty percent of the crowdsourced projects have deadlines shorter than 24 hours. Admittedly, crowdsourcing has its challenges, too. Experience has shown, for example, that the larger the crowd, the more complex are its management activities. According to Philips (2012), some of these activities include:

- Recruiting and engaging the right in-country talent
- Creating a community where that talent can share their expertise
- Managing that community to ensure that business requirements are met

These changing and challenging situations suggest that it is also important to manage carefully the crowdsourcing process so that when volunteers are not available, professionals can step in and make sure that deadlines and quality standards are kept.

3. ESP CURRICULUM DEVELOPMENT: WITH MIDDLE EAST FOCUS

The development of ESP curriculum is an important component of higher education in many non-English speaking developing countries. The Middle East is emerging as an important global region of growing ESP activities. This may be due to its increasing importance to the stability of the global economy, especially in view of the rising flows of people, finance, information and trade between it and the rest of both developed and developing worlds. In this section we analyze the experiences and importance of crowdsourcing curriculum development both in general terms and as it relates to ESP.

Crowdsourcing Curriculum Development

A wide variety of new options and opportunities are created by the rapid increase of access to free high quality digital educational material and the growth of online workers, both of which are probably triggered by the expansion in Information Technologies. One of these opportunities is crowdsourcing that offers all development actors, including higher educational institutions to harness the time, knowledge and resources of large crowds of online users at any time and space. To the ESP departments and teach-

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ers, crowdsourcing offers the opportunities to use the wisdom of the billions of online crowd as well as the offline crowd to develop and run new curriculum to meet the changing societal needs. Worldwide, crowdsourcing is a rapidly growing activity that is embedded in large and small organizations such that it is estimated by 2018 (Deloitte 2016), with crowdsourcing about seventy-five percent of all high performers, including educational institutions, will perform better, faster and produce goods and services at lower costs.

Other important benefits of crowdsourcing for businesses as identified by Deloitte (2016) are worth highlighting, as they may prove useful to higher educational institutions. Besides faster design and quick prototype production ability, is has proved capable of achieving these abilities with higher quality and more elasticity, besides its demonstrated capability to accomplish tedious tasks. In the area of talent identification and use, crowdsourcing has shown the capacity to open up new external talent pools and has the means of efficient management and retention of internal talent. Any team given the responsibility to develop new education curriculum, will find these emerging qualities of crowdsourcing as useful guides to draw up its action plans.

The diversity of backgrounds, knowledge, skills, and abilities within the global crowd is already helping ESP teams to develop new curricula proposed by Maggio et al. (2016), and Helps and Grant (2013). These crowdsourcing platforms are intended to promote issues of "openness" (open education, open access, open source, open science, open data, etc.) among the communities of educators across developing countries.

Maggio et al. (2016) created an online system that crowdsourced the curriculum for their massive, open, online course (MOOC) that was intended as a personalized learning experience. With the help of other instructors, the team led a 13-week course for over 12,000 learners from 178 nations. The instructors offered the participants the chance to "increase their understanding of the foundations of open knowledge creation, use, dissemination, and evaluation; collaborate with learners from other cultures and disciplines; work effectively in rapidly changing knowledge environments; and develop as independent, self-directed, lifelong learners." The result showed that personalized learning can be promoted through networked technology but allows learners to create their own learning involvement, that many students were unprepared for the flexible approach and preferred clear direction. Other observations were that personalized learning needs a balance between student autonomy and teachers' strong direction and between content openness and licensing and that effective personalized learning needs a blend of pedagogies with new technologies.

Helps and Grant (2013) proposed a system to house curriculum and teaching material on diverse fields and act as quality assured crowdsourcing platform. It will be flexible and open to all global community of educators to contribute and use to design quality curricula and support material suited to them, but which will be published and distributed worldwide for use by educators from the developing countries.

From the literature review, it is clear that there are few types of research on the use of crowdsourcing for the development of ESP curriculum in the Middle East which seems to be lagging behind other regions of the developing world. The application of crowdsourcing in ESP curriculum development is a potentially rich area for academic research which should be explored not only in the Middle Eastern countries, but also other developing countries.

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ESP Curriculum Development Process

Many researchers have used or proposed ESP curriculum development process around the world and in the Middle East. Smith (2000) suggests four ways of approaching curriculum theory and practice, which is applied for ESP, as a body of knowledge to be *transmitted*, an attempt to achieve certain ends in students – *product*, as *process* and as *praxis*. While viewing curriculum in these terms, it is important to stress that curriculum development must respond to the spirit of the time, by using emerging ideas and the digital technologies to maximize the effectiveness of the ESP curriculum. Hence, the author advocates the crowdsourcing of tasks, ideas, influence, and support.

As discussed above, crowdsourcing offers tremendous opportunities to mobilize diverse resources and support from the "crowd" to achieve an effective outcome. In the present case, the crowd may consist of people and organization internal and external to the institution and the mode of interaction with them may be online or offline. The internal crowd may include curriculum developers, other faculty, learners, administrative & technical staff, and other stakeholders for personnel, commercial resources, and political support. The external crowd may include public agencies, allied institutions, granting agencies or others who have supported the curriculum, professional societies, existing and potential consumers of ESP graduates, donors for funding, political support, researchers and authors, and curricular development institutions at the local, national and international levels.

The online exchange uses virtual or cyberspace that implies the use of the wired and wireless network often using free online collaborative tools such as Dropbox, Google Docs, Slack, Skype, Google Hangouts, Trello, and Asana (Flowerdew 2012), The offline is reality (i.e., real life) physical, face to face interactions based on the mechanisms of meetings, syllabus materials, reports, site visits.

Framework for ESP Curriculum Development

After a careful analysis of the ideas of these authors, the following six steps are accepted for use to guide the development of ESP curriculum in developing countries with emphasis on the Middle East. Figure 1 shows a framework for ESP curriculum development- based on the proposal by Lynn (2011) that forms the basis of discussion in this section. In each stage in the framework, main purpose, the process, and the key resources are identified, but these should be seen as part of a broader context of crowdsourcing with a wider reach in time and space. There is need to also emphasize that these stages reflect the fact that ESP is capable of self-renewal (Flowerdew, 2012) and is continually evolving in the process of which is widening and deepening its scope.

Stage 1: ESP Problem Identification/Needs Assessment

- **Purpose:** To identify the ESP problems related to the field that is to be addressed by the curriculum and to make a general needs assessment related to the relevant field, for example, business, health sciences, or engineering sciences.
- **Process:** Identify and analyze ESP needs & related problems; "what" and the "how" of a course, impact on clients, stakeholders, and society; define how it is currently being addressed; suggest how it should be addressed by stating an ideal approach.

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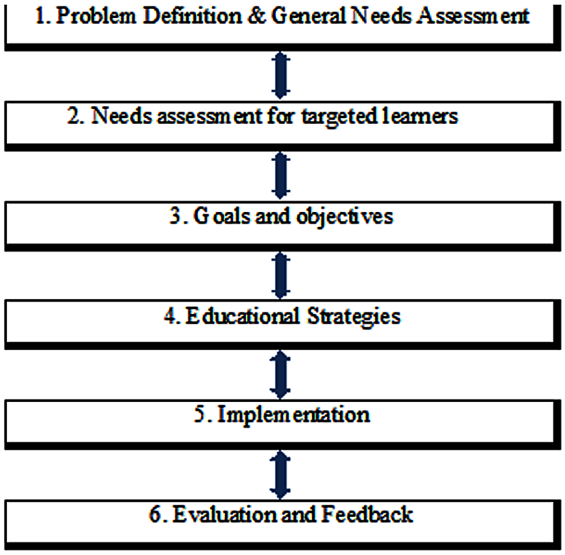
Figure 1. Framework for ESP curriculum development
Source: Developed by the author based on the proposal by Lynn (2011).



- **Resources:** Some of the researchers on this topic include Lynn (2011), Flowerdew (2012), and Smith (2000). Smith (2000) in particular suggests that there is a clear link between curriculum as a theoretical concept (Syllabus), which influences practical elements (process & praxis), which in turn affects the productive outcome (product). Douglas (2012) explores the theory and practice of assessment in ESP, then reviews specific areas of learning.

Stage 2: ESP Needs of Targeted Learners

- **Purpose:** To define, in operational terms, the target ESP learners' needs that should be met by the proposed curriculum.
- **Process:** A number of online and offline activities by the curriculum development team are to be carried out if the ESP objectives are to be achieved. The first activity is to identify the differences between the ideal and actual characteristics of the ESP targeted learner group and their environment. Second, the team needs to identify ESP targeted learners and define the appropriate educational intervention needed. Third, assessments are needed in the following areas: the existing and planned training; existing and perceived proficiencies, existing deficiencies and future needs; define learning styles and strategies, identify barriers, enabling and reinforcing factors; inventory existing recourses: crowdsourcing information, teachers, IT, and other factors.

Methods for target learners' needs assessment may include the use as appropriate the following: Informal discussions /formal interviews, focus group discussions, questionnaires, direct observation of skills, examinations, audits of current performance, and strategic planning session.

- **Resources:** Lynn (2011) provides a categorized list of the desired information about learners and suggests methods for learners' needs assessment. Toister (2014) provides good insight on adult

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learning theory, understanding the four stages of learning, comparing active vs. passive learning, ways of overcoming learning barriers, and methods of turning theory into practice. Crowdsourcing of language skills is suggested by Paltridge & Starfield eds. (2012) while resources on the following skill areas are provided by the authors as follows: speaking skill by Feak (2012), listening by Goh (2012), reading by Hirvela (2012), writing by Hyland (2012), and the skill of vocabulary by Coxhead (2012).

Stage 3: ESP Goals and Objectives

- **Purpose:** To set the goals and objectives of the ESP curriculum, the curriculum development team has to define the general and the specific ESP educational and quantifiable targets covering all activities of the curriculum.
- **Process:** The ESP learners' needs analysis should lead to the definition of goals and objectives of the curriculum. They should guide the sequential choices of curriculum contents and assignments, suggest effective learning and evaluation methods, and inform on expected curriculum outcome.
- **Resources**: Talbot (2017) highlights the importance of long-term, goal-oriented, big-picture-driven professional practice, and how these could be incorporated in the process for designing and developing ESP curriculum using four objective-based questions. Lynn (2011) lists the functions of goals and objectives, suggests how to write goals and objectives, identifies the types and outcome of objectives including knowledge, skill, and attitudinal.

Stage 4: ESP Curriculum Educational Strategies

- **Purpose:** To generate suitable educational strategies that meet the needs of the learners in terms of material content and methods.
- **Process:** Define the ESP educational strategies that should have clear contents and methods based on quantifiable cognitive, affective and psychomotor objectives; preferably using multiple methods to meet varying learning styles and motivations of the learners. Then develop suitable methods for meeting cognitive needs, the choice of educational tools, skills learning, self-directed learning, and for promoting teamwork.
- **Resources:** Lynn (2011) provides useful strategies for selecting educational methods, plans for the choice of educational tools, methods for meeting cognitive objectives, approaches to advance self-directed learning, and identifies educational strategies for stimulating teamwork. Ilarde (2014) summarizes key elements of ESP course design, skills and strategies plan and its application in the developing world.

Stage 5: ESP Curriculum Implementation

- **Purpose:** To identify resources needed for the full implementation of the curriculum in terms of personnel (faculty and support staff), time (available from faculty, support staff, and learners), facilities (space, equipment, and utilities) and funds (direct, indirect and opportunity costs).
- **Process:** The implementation of the ESP curriculum needs adequate resources (personnel, time, facilities and funds) and support (internal and external, see crowdsourcing). Next, it needs an effective management structure that can deal with barriers and hurdles of financial shortage or re-

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sistance from people & institutions. Finally, there should be an effective execution plan (piloting, adjustments, phasing of full implementation).

- **Resources:** Ahmed (2014) identifies key issues in ESP teaching -such as able to design teaching materials, develop effective teaching methodology, apply various technologies in ESP class and review teaching objectives. In addition, managing the curriculum requires careful consideration of instructors' teaching skills and learners' changing needs. While these are generally under control of the teaching faculty, there are issues beyond their control. For example, Storey (2007), Lynn (2011) and Flowerdew (2012) highlight the issue of mobilization of resources - including monetary support- for curriculum implementation in which intra- and inter-organizational management skills are crucial for support from senior administrators. Such support can be very important in assisting new opportunities or in helping to overcome challenges.

Stage 6: ESP Curriculum Evaluation and Feedback

- **Purpose:** To complete fully the curriculum development cycle by providing guidelines on how to enhance the curriculum, attract support for it, assess progress and satisfy external institutional and marketing demands.
- **Process:** This consists of the evaluation of the ESP curriculum after some years of application to provide a feedback for possible revision of the curriculum. The evaluation results may be used to mobilize support for the ESP curriculum, evaluate individual learner's achievement, fulfill external demands, and to serve as a basis for presentations and publications. The feedback normally defines the users, resources used in the curriculum to determine if it meets its goals and objectives. It consists of the evaluation questions carefully structured and their responses, includes explanations of how the ethical concerns are addressed, reports data collection and analysis; and includes a report on the methodology of data collection and analysis.
- **Resources:** The issues of evaluation and feedback have been highlighted by Smith (2000), Lynn (2011), Kelly (2009) and Bruner who is reported by Clark (2010) the leading advocate of the spiral curriculum that seek to revisit basic ideas, building on them until the student has grasped the full formal concept. A similar concept being promoted is the constructivist approach, which proposes that learning is best via pro-active engagement with the educational environment. These spiral and constructivist approaches to learning have democratizing tendencies and are supported and promoted by the application of online interaction and crowdsourcing activities.

4. DRAFTING ESP CURRICULUM

From the general staged ESP curriculum development description, the focus is now on the crowd to produce a draft ESP curriculum that will become much more instrumental and more relevant to local and regional needs, and therefore much more practical. To this end, this section will discuss the form and content of the following four action instruments that will guide the learners and the instructors in their daily activities:

- Course Information
- Course Syllabus

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- Course Plan
- Student Learning Outcomes Alignment With Assessment

Course Information

The course information is a document that concisely describes the intended learning outcomes and it is the means by which these outcomes are accomplished. This section sets out the theoretical background against which the skills and knowledge contents must be seen. Thus, after a brief discussion on the theoretical approaches to course information, its main components are discussed as follows: general course information, learning outcomes and assessments, and the main learning resources.

Approaches to Course Design

Hutchinson and Waters (1987) identify three main types of approaches to course design: language centered, skills-centered, and learning-centered.

- **Language Centered Course Design:** The basic idea behind the language-centered approach is to create direct correlations between the language taught in the classroom and the language of the subject area as it is used in the real world. This approach is essentially the oldest type of course design in the ESP teaching method. Out of the many problems associated with the language-centered approach, is that it lacks depth and some researchers criticize as ”just a surface level approach” (Hutchinson and Waters 1987, p. 66).
- **Skill-Centered Course Design:** This approach seeks to guide learners in developing skills and strategies that will continue even after the ESP course by making learners better processors of information. This approach tries unlocking the processes that would enable the learner to perform better, to apply the processes to the ESP course. The approach, according to Hutchinson and Waters (1987), is based on two fundamental principles: the theoretical and the pragmatic: In the theoretical basis, the underlying language behaviors are certain skills and strategies, which the learner uses. The pragmatic principle is based on the distinction between goal-oriented courses and process-oriented courses. Needs analysis plays two roles in a skill-centered approach: first, it provides a basis for discovering the essential competence that enables people to perform in the target situation, it enables the course designer to discover the potential knowledge and abilities that the learners bring to the ESP course.
- **Learning-Centered Approach:** This approach is based on the principle that the learner determines the learning process. While teachers can influence what is taught, likewise the learners themselves determine what to learn. In this approach, Hutchinson and Waters (1987) remind us, learning is seen as a process in which the learners use what knowledge or skills they have in order to make sense of the flow of new information. Thus, learning is not just a mental process; it is a process of negotiation between individuals and society.

To sum up, it is clear that language-centered approach concentrates on performance, while the skills-centered approach concentrates on competence, and the learning-centered approach focuses on how to get competence.

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General Course Information

The general course information normally includes the name of the institution, department, course code and title, credit hours, core and pre-requisite if any, mode of instruction (e.g. lecture, blended, e-learning, etc.), basic instructor information (name, phone number, email, office hours). Under this part, is also the course objectives which state the main purpose of the course, the course description gives a general description of the course and what it offers to the students as well any plans for developing and improving the course that are being implemented.

Detailed course content may also be presented in this part. It shows the topics to be covered and the number of weeks it will take to cover the topics, contact hours and the weeks in which summative assessments are to take place.

- **Learning Outcomes and Assessments:** The second part of the course information deals with the learning outcomes and assessments. In this section, the course learning outcomes (categorized under different learning domain- knowledge, cognitive skills, interpersonal skills and responsibilities and psychomotor) should be spelled out and assessment methods and teaching strategies pointed out.
- **Student Academic Counseling and Support:** The third part of the course information may be on student academic counseling and support where the institutional requirements for availability of instructors for individual student consultations and academic advice are stated (the amount of time instructors are expected to be available each week to support students).
- **Learning Resources:** The last part of the course information may include the list of required and recommended textbooks for the course, reference materials, electronic materials (such as websites, supplemental readings, etc.) as well as the facilities that are required for the successful execution of the course.

There should also be a section which shows how the course will be evaluated and what the improvement processes are. The evaluation process depends on what individual institutions follow, for example, peer observation/evaluation, departmental surveys, etc. Whatever method is followed, there should be a clearly stated plan for improvement of the course based on the results of the evaluation.

Course Syllabus

The syllabus is an academic document that communicates course information and defines expectations and responsibilities (Storey 2007). It is descriptive (unlike the prescriptive or specific curriculum) and ensures that students have easy access to the course syllabus by either handing out hard copies on the first day of class or by posting a digital copy on the institutional website.

The course syllabus should contain the following minimum information: course title, time, required texts and other materials; course topics; major assignments and exams; course policies on grading, academic integrity, attendance rules and contact information of the instructor. The structure of the syllabus should consist of at least the following topics.

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Course Profile

1. **General Course Information:** Title, time, course code and number, instructor's contact, etc.
2. Course Description
3. Course Objectives
4. Course Learning Outcomes
5. Course Contents (Topics to be covered)

Course Guidance

6. Teaching Methodology
7. Assessment Tools
8. General Rules
9. Recommended Books, References & Teaching Materials

Course Plan and Aligning Student Learning Outcomes With Assessment

The Course Plan provides details instructional guidelines for plan units of teaching, select materials, and learning activities, set up working groups, arrange the teaching-learning environment and seek to move students forward towards learning outcomes.

- **Define Course Goals:** The purpose is to determine what the students are to learn and accomplish. The goals should specify the content, cognitive development, and personal development.
- **Theoretical Background:** Establish sequence in order of succession, the content materials have to be organized to show what should be the sequence of topic/units. Ensure cumulative learning by reinforcement and integration of materials. In selecting an approach, consider the preferences of other instructors, while providing variety in the mode of learning (Ilarde 2014). With respect to the course material selection, select the main topics and arrange them is a sequence and where possible use the latest textbooks or the current literature. At the same time, use the desired content to refine the course goals.
- **Alignment of Student Learning Outcomes with Assessment:** An important curricula document that guide instructors on assessment (both formative and summative) is the alignment of the student-learning outcome to appropriate assessment procedures. For example, in an ESP course, to assess a speaking skill, a role play or simulation may be used with the help of a rubric. It is very important that each learning outcome under the four English language skill including vocabulary is carefully aligned to particular assessment modes.

Draft Curriculum Implementation: Piloting and Survey of Effectiveness

Review how other institutions have piloted new curricula as well as the evaluation of its effectiveness.

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Process

1. Draft to be given to all members of the crowd within and external to the institutions for their comments and suggestions.
2. The feedbacks to be used to improve the curricula documents and get them approved by institutional policy-making body. The curricula will then be piloted for at least one semester.
3. After a semester of piloting, conduct a survey to assess the effectiveness of the curricula including opportunities & challenges encountered. Survey data should be collected from the learners and the ESP course instructors.
4. Make adjustment and improvement on the curriculum and get approval for final adoption
5. Review the curricula every three years or as deemed necessary by the policy-making body of the institution at the recommendation of the relevant departments.

5. DIRECTION OF FUTURE RESEARCH

The general worldwide trend in ESP research includes such topics as genre, corpus studies, English as a lingua franca, advanced academic literacies, identity, and ethnographic approaches to researching specific purposes of language use (Paltridge 2015). Of increasing importance are such topics as the need to develop courses that meet learners' needs and how to balance qualitative and quantitative types of research in ESP as well as the growing argument that teachers need to learn more about their learners' imagined communities and how this can be achieved.

In the Middle East, recent ESP research efforts include an investigation in the communicative needs of health professionals by Alharby (2005), a study on the effectiveness of ESP course for business administration by Liton (2012). Other studies related to crowdsourcing include the exploration of the suitability of courses to students' needs and attitudes by Abdalla (2013), the external and internal evaluation of ESP courses, and an evaluation of the effectiveness of using ESP course for PYP students by Al-Fraidan (2012). Also, Younes & Albalawi (2016) investigates the effectiveness of using ESP course for PYP students at Tabuk University from the teachers' perspectives. However, there is still need for research in the application of crowdsourcing in the development of ESP curriculum in the Middle East as well as other regions of the developing world.

With respect to future research direction, Gollin-Kies (2014) propose more studies applying mixed quantitative and qualitative techniques and more of the collaborative and larger scale types that are conducted across institutions as well as across nations and regions thereby encouraging multi-disciplinary approach. This will foster greater collaboration among faculty, students and institutions in ways that can spill over into other academic areas.

In addition to the importance of collaboration between institutions, there is also the need for members of these institutions to continue research engagement in the following areas:

First, studies that seek to identify current issues and future directions in their learners' professional areas

Second, enhance the management and development of research to eliminate, reduce or deflect issues in their learners' disciplines.

Third, researchers should seek to deal with the following Research Questions and/or Research Areas

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1. Increase the effectiveness and equity or inclusion concerns in their learners so as to ensure a positive impact on the society.
2. Ensure greater efficiency and cost-effectiveness of their research on their students, in ways that have impact on the society.
3. Create the optimal combination of ESP teaching tools so as to enhance goals achievements.

6. CONCLUSION

The key challenge of this chapter demonstrates how crowdsourcing can be used to improve higher education through the design and implementation of collaborative educational programs that integrate the students' needs, culture and background as well as the anticipated future workplace demands. The ideas, experiences and materials from the offline and online digital crowds are used as key resources to design and implement ESP programs by constantly drawing resources from the crowds located across continents.

To strengthen the learner-centered approach, efforts should be on drawing authentic materials from worldwide experiences leaving the participating faculty to initially sieve these materials using local values and judgments. It is in the application and evaluation of the draft curriculum that the learners' understanding and judgments are fully employed and reflected in the final revised document before it is fully implemented as a program that meets learners' culture and background.

ESP is an offspring of globalization that was defined by specific types of economic, business, and political models prevalent in the last few decades, but these models have been affected by the profound structural shifts in the global socio-economic system, which have been triggered by digitalization (BCG 2017). These transformations in the political economy and network technologies are redefining the economic, business, and political models of the old largely non-digital globalization system, thereby creating quite a different paradigm. It is therefore very important for the institutions to be aware of this changing direction and the needs of paradigms, without this fundamental understanding, a mere review and replacing curriculum is like putting new wine in an old bottle! [or like watering a desert plant with a sieve]!

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KEY TERMS AND DEFINITIONS

Collaboration: Cooperate and work with other people to produce teaching materials, for example, a curriculum and teaching resources.

Crowdsourcing: Individuals with diverse opinions or contributions relevant to a subject who are able to make a contribution both online and offline.

Curriculum: An educational program of study outlining course information, goals, objectives, plan, and assessment procedures.

Developing Countries: Countries that have relatively low GDP (gross domestic product), low level of health facilities, lower standard of living and life expectancy.

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English for Specific Purpose: A learner-centered approach to teaching the English language which focuses on developing communicative ability in a specific discipline such as business, IT, health sciences, and engineering.

Globalization: The interaction of people across the world through the flow of money, ideas, and culture.

Higher Education: An education which is attained at a post-secondary institution with experience in research, teaching, and community service relevant to the English language.

Middle East: A geographical and cultural region located between Asia and Europe consisting of the Gulf States, Iraq, Iran, Jordan, etc.

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Chapter 26
Business-Oriented Analytics With Social Network of Things

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ABSTRACT

In the modern era of technological advancements, internet of things (IoT) and social network of things (SNoT) have gained vitality with the extensive application of sensors for accumulation of socially relevant data. A colossal amount of social data collected becomes unfeasible to process and deliver with progress in time and domain. Therefore, a major problem lies in analysis, interpretation, and understanding of the huge amount of social data. This challenge has been greatly leveraged by context-aware computing, which permits storing context information so that meaningful analysis of data can be achieved. Also, the importance of context-aware social networking and network diffusion is elaborated with the aim to develop effective solutions to issues in this domain. The main concept here is people around a person share common experiences with that person, which in turn can be made interactive, thereby leading to collective and quick resolving of problems. Social network of things is closely coupled with context awareness to make interpretation of big data easier and compatible to recent trends.

1. INTRODUCTION

Social media and networking provides a platform for sharing content, opinions and views for interaction and building influential communities. The chapter is organized into four sub-sections to deal with several research oriented challenges and recent trends. The chapter would begin with a complete systematically introduction of fundamental concepts of social networking, business applications & analytics, social network of things. This is followed by explanation of tools, statistics and services of social networking with business perspective. In next section various categories of context is discussed along with their individual relevance. The basic definitions of context and context-enabled features are detailed. Later characteristics of context aware systems would be considered with deeper insight of context aware systems which further will lead to various usages of such systems in various fields.

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1.1. Social Networking

Social network portals are gaining popularity via vast usage of mobile internet in present day scenario. It offers a massive ground for exchange of multimedia, entertainment, news, opinion, communication, microblogging, media sharing, bookmarking etc. Some of the major social network sites include, MySpace, Facebook, Hi5, Bebo, Friendster, LinkedIn, StudiVZ, Xing, YouTube, Imeem, Twitter, Digg, StumbleUpon, Delicious, Scribd, Flickr, SecondLife etc. are used for various applications such as photo, audio, video, virtual worlds, online gaming, social news, blog etc. for creating public or semi-public profile for social media users.

Information present on social network include contact, location, associations, personal information, work history, preferences, friendship etc. Social media promote brand or product to the potential customers and connects an individual with their friends. Advertisement in the social media connect consumer and company to share information about their products in community group who share same interest or ideas. The online advertisement in social media attracts mostly the younger population (Normally age between 18 to 30 years). The electronic messages generate more interest about a product due to internet rather than exposure to information provided by marketers.

Due to the popularity of online social network sites, people communicate with each other for communication, create and share content, give and receive recommendations. Social media changed the existing communication method. A social network is a social structure between actors, people, groups, organizations, information or knowledge processing entities through some links that shows relationship among them. The primary purpose of social network is for communication and exchange of ideas or interest among peer groups or communities.

Social network consists of a graph $G = \left(V, E\right)$ in which vertices represent node or individual and edges represent social link or relationship between them. The graph made by the social network is represented by adjacency list or matrix internally having binary values. If there is a relationship between two nodes, value is one otherwise it is zero. Social network analysis focuses on the relationship between people and groups of people. Social network analysis combines mathematical models with organizational theories to help the organizations and groups dynamics in which patterns can be discovered from which valuable conclusions can be drawn.

A social network consist individuals or organizations connected by kinship, friendship, beliefs, common interests, financial exchange and many other relationships. Inter network relationship of individuals in the social group access more knowledge or information rather than intra network relationship. These sub network are also connected by some type of relationship and acts as a connecting node or bridge. Social network provides a platform for the users to share and use information in all fields due to revolution in the digital world. With the increasing numbers of social network user, a large volume of dynamic raw data (structured, semi-structured and unstructured) is generated, which is parsed and interpreted to get reports and results with the help of several data mining tools. Social network analysis provides a media for knowledge sharing and helps in determining various results such as how the information flows with in nodes in an interconnected network, finding important or higher degree nodes, information popularity and other network metrics. Business intelligence tools analyse huge amount of data for getting patterns, recommendation, predicting future trends and forecasting possible opportunities from social media data that helps in decision making for business organizations to get better results and profit. It also provides

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possibility for a node or an individual to join a certain group or a particular community in near future (Vibhav et al, 2015).

Social networking sites are now used for building and managing relationship, communication and online opinions/blogs for extracting more information and knowing more about their business. Social network and business analysis is a large multidisciplinary area of study which is evolving very fast. The number of social network users increased exponentially in last few years. Facebook and MySpace are most commonly used social network site. Younger respondents spend more time than older respondents. Reuniting with old friends, maintaining long distance friendship, and sharing photos are greatly simplified by social network sites.

Social media changed business process, politics, entertainment and other areas to a great extent. Most of the internet users prefer to connect with brands via social media ("Nielsen Social Media Report", 2012).

Social media spread message or information in very less time in the entire network to their users. Social media has become popular in last few years. Now a days organizations use online social media for brand awareness and marketing to find out the potential customers. Social network analysis has various applications such as finding potential customers and promotional scheme based on their past purchase history, identifying loyal customers who are vocal, active and passionate. They can be characterized as brand ambassadors, identifying central Connectors, determining the likelihood and impact of activity, detecting patterns, establishing linkage between individuals.

1.2. Business Application

The use of social networking services has become popular and integral part of daily communication in the world. Social media acts as a viral marketing of the new information with the help of new users, direct/indirect friends and interested group. People create community or network with unknown/known users in the social network all over the world. The content posted on social network include uploading photos, audios and videos, install application, messaging friends, writing a blog, dating, promoting a brand, currently occurring events, posting status message and comment, joining several groups that belong to same interest. The number of users on social network is location dependent. Percentage of active users on social networking site vary from country to country.

Social network sites provide real time behavioural data. The data from social network sites can be collected through the use of tools or directly from the company data warehouse or repository. Social media can be used for internal communication as well as for existing and potential customer interactions. Social media is growing rapidly with web and mobile based technologies.

Social media is used in several fields like as increasing brand awareness, product promotion and development, knowledge sharing and feedback mechanism. By the use of social media, companies perform better in creating brand awareness and image. Social media helps in determining marketing strategy. With the creation of profile, page and group social media provides a way for users to connect with others virtually. Individual share information about themselves and identify others in the network. Online social media provides collaboration and communication, instant informal commenting and feedback.

Social media has impact on brand recognition and business revenue. Users can freely create content and transmit information irrespective of its location instantly to a large population in online social media. Twitter is a micro-blogging site allow users to share news, information or thoughts with other user (followers) with 140 characters or less known as tweets within their network. Twitter share information

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or news faster to a large audience online. In LinkedIn, company or business organization access user information through their profile data for advertisement and reaching towards their members. All group members write at least one tweet message for solving problem for teaching and learning purpose. Social media acts as an extension for marketing strategy.

The business organizations increase awareness about their product by engaging customers on the social media and forms virtual communities. Global as well as local companies are adopting online advertisement, campaign and marketing using online social network sites rapidly. Organizations generally use social media data to understand customer behaviour and their needs with respect to the organization current and future services or products. The combination of network and text mining reveals new insights into customer behaviour in social media which is not possible by using any one of these techniques alone.

1.3. Business Analytics

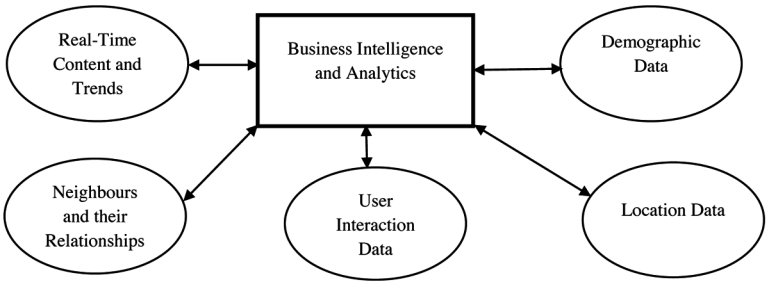
The main objective of business analytics is to explore data for generating knowledge, understanding and learning support for decision making and performance management. It focus on discovery, interpretation and communication of meaningful pattern in data. Decision making in business today, replace the traditional process of performing action first then examining working of process. Now a days, business organizations first understand the process and make intelligent business decisions. Historical data can be used to predict the happening of an event in future.

Individuals with prior knowledge and experience make decision by collecting, integrating and analysing data. Decision making is dynamic, contextual and personal/group activity. Artificial intelligence and machine learning technology reduce the effort to search patterns, identify relationships and patterns from historical data to influence performance in the business environment. A large amount of data is available on the social media, the main task is to find out the usable information and pattern.

Business analytics use data mining and prediction techniques for gathering, storing and analysing data to make better and strategic decisions, likelihood of an event occurrence, identify relationships and patterns, what is happening today and what will happen in future. Analytic tools and techniques include statistical, quantitative and mathematical models, finding information, decision making and visualization methods for improving business operations (Evans, 2013). Data collected from different sources for business intelligence and analytics is described by figure 1.

Data mining tools extract hidden and predictive information from large database. Data is collected from facts and figures as a collection of files. Several metrics are used to quantify the performance (Evans, 2013). Business analytics software include tools and applications for tracking, storing, visualizing,

Figure 1. Data Source for Business Analytics and Intelligence



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analysing, and modelling data for decision making process. Business analytics process improve business performance and determine strategies to achieve competitive advantages in sales, pricing, coupons and advertisement. Business intelligence users find out followers, todays trend, ideas and feelings of a people so that information provide business value.

Combining business intelligence and social media together helps in attracting target audience and cost reduction to the business firms via online advertisement and campaigns. Business intelligence system analysed real time data from social media. Various tools fetch data from online social media in easy and readable formats on the basis of certain input parameters. Business intelligence software retrieve, analyse, transform and report data. The process of analysing social network business data is described as:

- Data collection and processing
- Data modelling and information retrieval
- Analysis and prediction

Social media have various types of services and communications simultaneously taking place throughout the cyberspace. Social media attains new customers rapidly that has been previously a tough task. It creates a series of links for connecting customers to the companies or organizations. Social media analytics analyse comments and data related to product or brand to find out opinions, targeted followers and audience. Social media provides a platform for interlinking social internet with business process for the current and potential customers knowing their requirements, interest, problems and feedback.

Natural language processing algorithms based on social network analysis, data mining techniques and sentiment analysis filters the data on the basis of blogs. Influencing individuals for brand reputation and voice of targeted customer helps in deriving critical decisions to the business. Web community focuses on the real-time sentiments and opinions of a new product advertisement or campaign via messages or video sharing while they are released/launched across the globe. Business analytics software automates business process for an organizations to monitor, capture and analyse the huge amounts of data and optimize the process of strategic and tactical decision. Business analytics is used in several fields like as in managing customer relationships, financial and marketing activity, supply chain management, human resource planning, decision making in pricing etc. Business analytics is associated with profit, shareholders returns, understanding of data, competitiveness with other business firms, generating information reports. Business analytics use descriptive, predictive and prescriptive analytics methods to understand present and past data, analyzing past performance and optimization method.

Social business analytics access unstructured text data from social media communities, blogs, forums, online comments to analyse and integrating it to their organization data to deliver better results, profit and decision making process. Sentiment analysis optimize marketing campaigns, building customer and employee relationships, product services from social communities very fast. Social media and predictive analytics tools give better results in business from sales, development of product, marketing and financial operations. Most department stores clear their seasonal stock by reducing price and discount on the basis of historical data to maximize sale and profit. They change the scheme and discount offer time to time, it is decided by analyzing the previous data. Social business analytics provides opinions, preferences, new opportunities, hidden patterns and trends in the social media. Social business analytics transform business processes in several areas such as:

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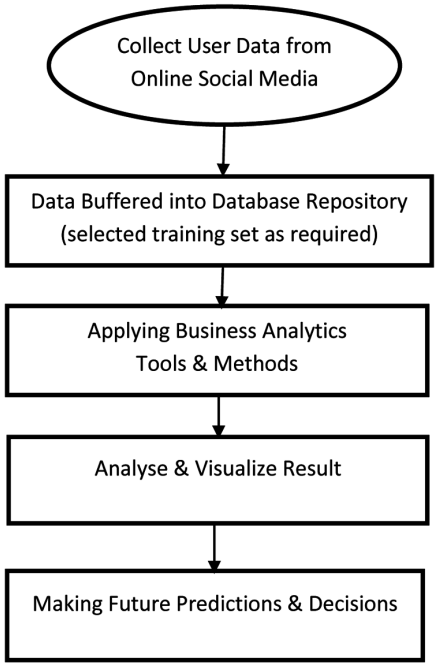
- **Marketing:** Social media provide information about campaigns details for future plans by Integrating and implementing end to end social media strategy.
- **Sales:** Social media develop promotional offers and discount to increase sale on the basis of user data.
- **Product Management:** Find out new consumers and their choice in the market.
- **Customer Service:** Helps in identifying real customer issues and resolving them before they become major problem to business.
- **Human Resources:** Identify potential customers and thoughts of people about company and product.

User data from different online social media is collected to analyse social conversation to build a model for prediction and recommendation. Self-social media network is created for collaboration and sharing important business information to the users. Business Analytics process is described by the figure 2.

1.4. Impact of Social Network on Business Application

Social media analytics provide various types of information such as sales marketing, customer and public relations, product development, effectiveness of promotional campaigns, customer needs, preferences, feedback and market trend data (Ruhi, 2014). Social media is a web based technology mechanism that transmit information to a large number of users quickly. It increase the number of people who visit the company website by mentioning the uniform resource locator (URL) in the social media web page. In other words, online social media directly connect customers with the business organizations.

Figure 2. Business Analytics Process



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Social media reduce the budget to search and reveal target audience for online shopping etc. Now a days, business organization update product information through social media so that it is directly visible to their followers or users. Informal communication in the viral marketing promotes product, services and brands among social media users. The information propagation depends on the manners and user interaction and the type of relationship they share in the social graph. Diffusion mechanism increase the adoption rate of product or service. People often tend to use online social media for collaboration, communication and sharing information rapidly. Advertisements in social media about newly launched products easily attracts a large number of users or customers. Social media generates higher revenues, assisted with online feedback for better customer retention.

Social media network in the business perspective helps to find out answers for several queries such as which sections/regions are targeted for acquisition and growth, Who influences brand or product, emerging business related topics or themes, brand perception among users, brand comparison against rivals, knowing best social media channels for discussion/advertisement/ promotion. Social networking sites such as Facebook creating data centers around the globe to collect and process business related data of their users which can be used to assist in decision making particularly in marketing and brand management (Ruhi, 2014). It helps in identifying potential customers and new market prediction and forecasting outcome helps in growth opportunities of business to their customers. Social network affect business application in several areas, including:

- **Consumer Trends and Opinions:** Several API are used to aggregate and collect comments from online communities to find out keywords for gaining information about frequently purchased items on the basis of past or historical data.
- **Ratings:** On the basis of numerical value of product rating, this information is used for sentiment analysis purpose.
- **Desires for Improvements:** Reviews and comments about a particular product helps in improvements to be taken further. It provides a real evaluation of a product given by the interested groups of people.
- **Location and Density of Communities:** By knowing mass users and their geographical location helps companies to identify the areas where a product is to be launched first for their product popularity in short time period.
- **Degree of Involvement in the Product:** Consumer behaviour can be find out from small and detailed review feedback information given by the targeted consumers.

1.5. Social Network of Things

Social media data present on communities, blogs, forums and comments on social network sites provide business value to a great extent. By knowing the reviews about product or services from customers or employees, effective decision and action are taken for competitive advantage. Social business analytic tools fetch, measure and analyse social media and provide solution for the experts for taking decision. The higher correlation to customer, brand awareness, increase in sales and revenue find out the factors which attract public attention.

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1.6. Social Media Networking and Services

Social media is a tool for advertising, marketing, creating brand awareness, to find out new customers, innovation, customer service, problem resolution in the business to attract and engage their customers, employees and other stakeholders. There are several benefits and application of social networking services usage such as formal and informal education, learning, innovation, self-identity, building relationships, communities and participation.

1.6.1 Advantages

Various advantages associated with social media in context of business usage and applications, are enlisted as:

- **Feedback Analysis:** Business organizations get fair feedback to improve the quality of product from people across the globe.
- **Marketing:** Social media has become hub for marketing and branding product services with mobile and internet technology. All E-Commerce sites use this method for product advertisements and sale.
- **Connection With Customers:** Several E-Commerce and business firm created their own forum or web space for directly connecting customers or users providing latest offers and product information. A lot of customers have a registered account on their sites. Their feedback and review increase the popularity of product in the media.
- **Reduction in Overall Marketing Expenses:** Most of the social network sites are free, we can post create page or profile of our product on social network site so that it enables to identify peer groups or influencers in the network. Social media can capture target market segment through network effect in very less time with cheaper cost as compare to traditional advertising methods for a small business firms.
- **Professional Networking:** LinkedIn interconnects professionals throughout the world and acts as a job portal. Social media has become an important tool for recruiting top talent employee for desired profile. Professional people used online social network sites to increase their visibility, profile seen by others, telling about their company services and getting more clients etc.
- **Entertainment:** Individual joins a social network to get connected with his friends irrespective of geographical or cultural barriers.
- **Polls:** Opinions and polls help in decision making having for diverse topics.
- **Knowledge Pool:** Experts collect data based on their customer experience and feedback.
- **Education:** Educational institutes have existence on social networking sites mainly aiming at academics, extra-curricular activities, achievements, highlights etc.

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1.6.2. Disadvantages

Certain disadvantage of social media networking are in perspective of security and false personification, are detailed as following:

- **Security:** There are still some chances of committing online crimes or fraud activities using personal information of user present on the social media. Only the authorised or valid user can access the information and various security level should be implemented to stop hacking.
- **Online Harassment and Stalking:** On social networking sites, Personal information of user is easily available. There is a risk of misuse of information, posting humours, photo downloading and morphing.
- **Fake Identity:** Some people make their online profiles with fake information for making real users fool. It is not easy to determine whether the profile of any person is real or not, if you do not know personally.
- **Addiction:** People physically interact in the community but in online social media it is virtual and having addiction of using these sites.

2. SOCIAL NETWORK TOOLS IN BUSINESS PERSPECTIVE

Social network analysis tools used to identify, analyse, visualize and represent individuals and their relationships from various types of input data. Individuals are represented by nodes or vertices and their relationship is shown by links or edges in the social network graph (Kumar et al, 2016) Output data is further analysed and can be saved in external files.

2.1. Business Analytical Tools

Analysis tools explores network of small size to very large network such as family, team, disease transmission, internet, web link etc. These tools include mathematical and statistical methods to analyse the social network graph (Kosorukoff, 2011). Social network analysis, in business perspective, support various activities such as customer interaction, information analysis, marketing and business intelligence requirements.

2.1.1. NetMiner

NetMiner mainly used for visualization and analysis of large social network data to discover pattern and structure. It can be used for research and teaching social networks. Python programming script language used for transformation, analysis, statistics, and visualization of network (Kosorukoff, 2011). NetMiner data file format is .NMF. It Import/export data in various file formats such as .txt, .csv, .xls, .xlsx, .ntf, .dl, .da, .net, .vec, .clu, .per, .dat, etc.

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2.1.2. iPoint

iPoint aggregate news and topics with sentiment and demographics, monitor and analyse social media data from all levels. Analysed data can be viewed and managed from worldwide, state and local neighbourhood level.

2.1.3. Inflow

Network data can be entered from CSV files, different databases, spreadsheets, automated survey tools etc. and calculate various network metrics. InFlow attracts many business users due to its simplicity.

2.1.4. KeyHubs

Keyhubs is a simple online tool for informal networks, permitting business managers for mapping interactions in a business organization.

2.2. Network Visualization Tools

Network visualization offers an integrated interface with rich graphics to display results from experimental analysis in a more meaningful and interpretative way (Kosorukoff, 2011).

2.2.1. Sentinel Visualizer

Sentinel Visualizer is a Comprehensive network analysis and visualization tool that generates dynamic link chart, timeline and geospatial view for temporal analysis and individual relationship in social network. It has a multi-user knowledge base for storing analysed data efficiently.

2.2.2. NodeXL

NodeXL is an open source network analysis and visualization tool for Microsoft Excel. It imports data from various online social media such as Facebook, Twitter, Flickr, web hyperlinks, YouTube, Microsoft Exchange Server, Google+ etc. via application programming interface to collect, analyze and visualize network data (Kosorukoff, 2011). NodeXL contains library of network metrics parameters such as centrality, clustering coefficient, diameter, average path length, giant component etc. for both directed and undirected network (Kumar et al, 2016). Different community detection algorithms are applied to find out clusters in the social network. The network graph contains edge lists or adjacency matrices representation in various file formats. NodeXL also imports UCINet, GraphML files, Excel spreadsheets etc. data.

2.2.3. KXEN Social Network (KSN)

KXEN social network analysis extract, integrate and exploit social network attributes from database storage. It has several important features such as classification, regression, segmentation, time series, product recommendation, prediction, finding group of individuals with similar behaviour and pattern.

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2.2.4. ORA

ORA is an assessment and analysis tool for dynamic meta network consist of hundreds of social networks. It finds out dynamic network and trail metrics, cluster nodes, local pattern and change detection techniques from dynamic meta network. It examines how network changes with time. ORA can handle multimode, multiplex and multilevel networks and identify main influencing players and groups (Kosorukoff, 2011)

2.2.5. Sonamine

Sonamine is a scalable network and analyse millions of nodes and billions of edges. It is used for improving data mining prediction method for marketing. It retrieves the functioning of neighbouring nodes of the current user in a very less time period, improves social advertisement through clicks and speed up initial user adoption in the social network.

2.3. Social Media Analytical Tools

The social media analytics tools assess volume, sentiment and trends from online social media sources across the globe.

2.3.1. IBM Social Media Analytics Tool

IBM analytics contains users search items, feedback about product, brand, services, employee, partners, etc. data for a certain time period. Analytic results in charts and dashboards are easy to understand for a business organization. Information obtained from these tools can be used for marketing campaigns, enhancing reputation and market share, improving customer service and experience, product development, resolve problems, new opportunities etc.

2.3.2. IBM SPSS Predictive Analytics

Data from social media interactions is analysed for customer behaviour to attract new customers and boosting marketing campaigns. Social media and predictive abilities build advertisement and campaigns to a particular customer group through right channel delivering and accepting the offer at the right time. It predicts user desires and expectations in the future about a product.

2.3.3. IBM Cognos Business Intelligence

It provides dashboard, scorecard and report analysis, planning and accounting abilities on social media for achieving better business output in present and future time for an organization. All relevant stakeholders know what is happening on social media for decision making and customer satisfaction.

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2.3.4. IBM Connections

IBM Connections build co-operative social networks, share business process and respond to evolving opportunities from professional networks and communities with various applications. It connects organization and customers to provide exact business outcome. It reduces the guesswork in finding trends and decision making in the business process.

2.3.5. SAS

SAS is a statistical analysis tool for business intelligence, predictive analytics, data management and multivariate analysis for mining, altering, managing, retrieving data from a variety of sources (web, social media) to find out customer, predict their behaviour, manage and optimize communication.

2.3.6. Microstrategy

Microstrategy is a business intelligence tool for query, generating report, dashboard and scorecard to make decision.

2.4. Network Statistics

Network parameters are calculated from graph build by social network data set. Higher degree or central nodes (Hub Nodes) are important in social network analysis for diffusing information at a fast rate (Kumar et al, 2016). On deleting these nodes from graph, various sub graphs are generated (Kosorukoff, 2011) Let $l\left(i,j\right)$ is the shortest path from node $i to j$. Let the total number of nodes in a graph is N. Network metric parameters for a graph $G=\left(V,E\right)$ are defined below, where V and E represent nodes and edges respectively.

2.4.1. Diameter

The maximum distance between any two nodes in a graph.

$$Diameter = Maximum\, l\left(i,j\right) \tag{1}$$

2.4.2. Average Path Length

Average path length for a network graph is calculated as:

$$Average\, Path\, Length = \frac{\sum_{i\geq j} l\left(i,j\right)}{N\left(N-1\right)/2} \tag{2}$$

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2.4.3. Centrality Measure

It defines the relative importance of a node in the network. It indicates how well they connect the network and to what extent they are central (Kosorukoff, 2011) Centrality is classified into degree, betweenness and closeness centrality.

2.4.4. Degree Centrality

Total number of nodes directly connected to a node is defined as degree centrality. In-degree and out-degree is defined for a directed graph. For an undirected graph, an edge acts as both in-degree and out-degree. For node i, degree centrality can be expressed as:

$$C_{D}\left(i\right)=\frac{Degree\left(i\right)}{N-1} \tag{3}$$

2.4.5. Closeness Centrality

It measures the degree to which a node is close to all other nodes in the network graph. For a node i, closeness centrality is defines as:

$$C_{C}\left(i\right)=\frac{N-1}{\sum_{i\neq j} l\left(i,j\right)} \tag{4}$$

2.4.6. Betweenness Centrality

It analyses the extent to which a node lies among rest of the nodes in the network graph. It determines importance of a node connectivity in the network structure. If the node is eradicated, it divide the network into sub networks. Let $P\left(i,j\right)$ is the total shortest paths that exist between node i and j; and $P_{k}\left(i,j\right)$ is the total shortest paths that exist between node i and j, including node k. Betweenness centrality is calculated as:

$$B_{k}\left(i,j\right)=\sum_{i\neq j,k\notin\left\{i,j\right\}}\frac{\frac{P_{k}\left(i,j\right)}{P\left(i,j\right)}}{\frac{\left(N-1\right)\left(N-2\right)}{2}} \tag{5}$$

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2.4.7. Clustering Coefficient

It measures how neighbours of a node are linked to each other. Higher value of clustering coefficient represents well connected group. The value of clustering coefficient exist between 0 to 1. Clustering coefficient is defined as:

$$Cl\left(G\right) = \frac{3 \ ^{*}No.of\,triangles\,in\,the\,network}{No.of\,connected\,triples\,of\,nodes} \tag{6}$$

2.4.8. Density

It is the ratio of total number of edges present in network to number of edges for a complete graph.

$$Density = \frac{No.\ of\,edges\,present\,in\,the\,network\,graph}{N\left(N-1\right)/2} \tag{7}$$

2.4.9. Bridge

An edge which connects two or more different networks. Its end point lies in different components of graph.

3. CONTEXT AWARENESS AND SOCIAL NETWORK OF THINGS

Context awareness is evolved from various application ranging from web and desktop application, mobile and pervasive computing to Internet of things (IOT) in last few years (Perera et al, 2014). The communication and interaction among users regarding various products and objects enables several applications in various smart domains to operate as Internet of things. With the increasing popularity of Internet and social media, colossal amount of data is generated from users' activities from social networking sites. User identity is identified by social network profile. In Internet of things, data collected from a large number of intelligent sensors is analysed and interpreted with the impact of context-awareness. The sensors and handheld electronic devices communicate to each other via internet without requiring too much human involvement at any instant of time and independent of their location. Various types of sensors (homogenous or heterogeneous) are interconnected to perform cross-disciplinary functionalities. Data from various sensor nodes is collected by the sink node and further it is transmitted to computational devices. Context is used for fusing sensor data to get novel information and knowledge with reference to situational awareness that surrounds the region of interest. Middleware technology is used to impart context awareness to Internet of things.

Worldwide interconnection of object such as sensors, actuators, RFIDs (Radio Frequency Identification) and smart applications forms the internet of informative resources (Perera eta l, 2014). Data collected from social media is analysed by various contextual reasoning and decision models such as decision tree, naive bayes classifier, hidden markov model, regression analysis, support vector machine,

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k-nearest neighbours algorithm, neural network, fuzzy logic, supervised and unsupervised learning. Pre-processing methods are further applied to remove ambiguous and interpolate missing values.

The context information collected from various online social network sites aligned with context information collected by mobile and network-enabled devices, enhances applications for prediction, recommendation and personal assistance. These applications use location data, user preference and schedules, likes/dislikes and other information to apply the contextual essence.

3.1. Context

Context is an information which is used to describe the state of an entity for interaction between user and application. An entity can be person, place, software and application services, objects or any handheld electronic devices which significantly enable for interaction between user and application. Context information gets generated by processing the raw data gathered from group of intelligent sensors deployed in the region of interest (Perera eta l, 2014). The context types are described below:

- **Primary Context:** Information generated without using sensor data fusion method and existing context.
- **Secondary Context:** Information is computed from primary context and data retrieval operations.

3.2. Context-Aware Systems

Context-aware system uses context information to provide appropriate service and information to users on the basis of application specific task. These systems have presentation, execution and tagging features. The context information is presented to user on the basis of location and time. Some actions are taken dynamically on an automated basis with contextual information. Context data is tagged with multiple sensor data for processing (Perera et al, 2014b). Various charts, graphs and other visualization methods are used to present information in desired form.

Context awareness is classified into three levels including, personalisation, active and passive, depending user interactivity. Context lifecycle is divided into four phases that involves acquisition, modelling, reasoning and diffusion of context. The context awareness communication and computing play an important role in ubiquitous computing and Internet of things (IoT) systems, thereby creating an intelligent interaction (Perera et al, 2014). People and things are now connected with anything from anywhere at any time by the Internet of things (IoT) systems.

3.3. Applications Coupled With Context-Awareness

Normally in sensor-based applications, several sensor nodes are deployed in bulk around a certain geographical area to monitor and capture the description of environmental situation. The captured sensor data is further processed and fused to generate information that could be eventually used for decision making purposes (Perera et al, 2014) There exists certain intelligent sensor devices (for instance - Nest thermostat) that has ability to understand user behaviour and preferences over a particular time and control temperature efficiently. This can enable real-time remote monitoring of patients, thereby making eHealth intelligence a reality. All smart applications tend to make use of contextual data such as location, time and other surrounding detail to build an intelligent system. These systems are capable of

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processing real-time data and approach with dynamic solution. Voice triggered IoT solutions can answer common questions by processing natural language and semantic technology. Users can easily interact with IoT based solutions through voice, gesture and touch screen method. Mostly, the centralized hubs are managed and controlled by smart phone, tablet and computers. The intermediate nodes exist between sensors/actuators and centralized node that assists in coordinating the operation intelligence.

Generally, IoT solutions are categorized into smart wearable, smart home, smart city, smart environment and smart enterprise. These IoT systems use information and communication technology to provide smart services. In smart home environment user can switch on their appliances apart from home. In the supply chain management system, SenseAware use context information such as location, temperature, humidity, pressure and other parameters for processing. Another such IoT based application is Mimo, a baby monitoring product that notifies parents about abnormal health conditions (Perera et al, 2014).

Internet of things is used in various applicable areas widely spanning over waste management, parking slot management, street lighting, fire safety, indoor localization, manufacturing process management, concrete structure, health monitoring, environmental monitoring, air quality monitor, smart farming, smart river management, weather monitor, smart home, smart cities, smart water, security automation systems etc.

3.4. Social Network of Things in Contextual Business Network

Social network is considered to be perhaps the richest source of variety of user information, including location coordinates, personal identity, addresses, preferences and user neighbourhood statistics. Online users interact with each other through social structure formed owing to capabilities and extensibilities of electronic gadgets, thereby forming social network of things. Owing to tremendous development in sensor & digital domain, the electronic devices are well-equipped with networking, computational, sensing and buffer capabilities.

A global network of interconnected objects represents an intelligent end to end system based on communication protocol stack. Social Internet of things add an essence of sociality and smartness to the manner electronic devices interact without intervention of humans. The network relationship and interactions among the electronic objects is similar as per social network services. The real-time requests for an event are made to extract facts from social profiles of the users with application of several natural language processing techniques. By analysing the user profile, an application send notification to mobile device having relevant services and objects, for further processing on contextual basis.

With the rapid development in networking infrastructure, systems can access application and services on demand anytime from anywhere, pervasively. The contextual information of an individual at a particular time is collected from heterogeneous data such as personal, applications, devices, entities and other networking components. On occurrence of a particular scenario, the aggregated outcome is published to social media and an event is triggered to a nearby location area in social Internet of things (SIoT). Certain components of the contextual information can be static as well as dynamic in nature (Moore et al, 2013).

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4. DIFFUSION AND INFLUENCE IN BUSINESS

The diffusion of information, ideas, virus, disease, innovation, influence and cascading behaviour exist in social and information networks (Gomez-Rodriguez et al, 2010). Diffusion model mainly includes threshold, cascading and epidemic model. In threshold-based models, an individual who diffuse information or transmit it to their neighbours depends on the threshold value. Threshold value is chosen as per network structure and connections. In the cascading model, the nodes who already adopt the information or idea (activated node), influence or activate other nodes which are currently in inactive state (nodes which have no information) that are directly connected to them. This process stops when all nodes participate for active state in the network. Cascading process initially start from some source nodes on the basis of degree centrality or distance value. The tendency of a node to become active increases as most of its neighbour node are in active state (Kempe et al, 2003). A node becomes inactive to active state but active to inactive transition is not allowed. In the business perspective point of view, the brand promotion or advertisement will go in a single direction progressively.

An epidemic model describes propagation of infectious disease in a community network. In epidemic model, there are susceptible, infected and recovered state. The disease spreads in the community through some agents like as fungi, bacteria, virus etc. when a people comes in contact of a person which is infected, then there are chances of people which are connected to the infected one to become infectious. It will depend on immunity power of a person. Information like as news, rumours and innovation ideas in the social media network follows epidemic model for transmission of information from one node to other through some relationship between them. The spread of virus or malware in computer network also follows epidemic model. The network metrics parameter value affect the rate of information diffusion. Consumers adopt the behaviour of an early adopter if they are closely related or distance between them is less. Lesser distance nodes will diffuse information first and they will forward the information to their connected neighbours. A social network is an interaction graph of individuals that plays a major role in diffusion of information, idea and influence in the network.

Influence Maximization choose most potential individuals to diffuse information so that maximum number of users adopt the product, news or information in the network (Huiyuan et al, 2014) In the last few years, exponential increase in users of online social network site (Facebook, Twitter, GooglePlus etc.) provide a best platform for information diffusion and exchanging information (Huiyuan et al, 2014). Influence maximization in information diffusion process will depends on the seed set (initially chosen) nodes. Viral marketing, recommendation system and information diffusion process can be seen in many forms on online social network and follow social influence phenomena. The adoption of new ideas, technology and information is affected by the decision of their friends, colleagues, neighbours and word of mouth phenomena.

The network structure and information content jointly affect the path of diffusion process in the network. It predicts how rapidly an individual is aware about news or information will depends on strength and ties of communication media. Initially the diffusion process is fast and after some time it will become constant (follow S shape pattern). Information spread between individuals via behaviour, word of mouth effect, marketing, innovations and social groups in the industrial organisation. Different types of information diffuse in a different manner. The user creates and share information with each other for their mutual understanding. Spread of information is dependent on the degree or connection of an individual to others in the network. Highly or strongly connected nodes increase the possibility of accepting information as compare to loosely connected nodes.

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Higher degree and clustering coefficient value in the network increase the number of adopted population or users to follow their behaviour or information who have already adopted the information, news and product. The network parameters identify influencers and predict the adoption probability of the users that have not adopted till now. A highly connected sub group in the network have a strong influence on its members. Innovation ideas are key factors for business growth. It enhances the competitiveness in the business environment. Without diffusion process, an innovation has no impact on business economy. The parameter that influence the business is the rate of diffusion and it is different for different products, news and information. It is affected by social, political and economic chrematistics. Diffusion predicts the rate and pattern of innovation adoption over time and space. It increases the productivity in the business process.

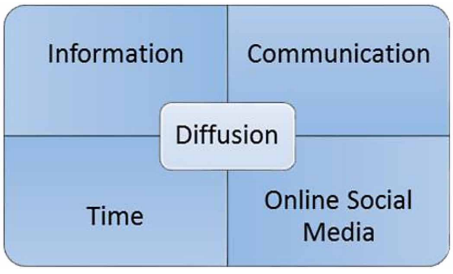
4.1. Diffusion in Social Network

Diffusion in the social network is the spread of information from one place to another. A social network is dynamically changing and continually evolving in nature. Such evolution is attached with the spread of information on top of the network. The network connection affects the diffusion of information. A node can adopt a new behaviour or technology, it will depend on how many neighbours an agent has (Degree), cost, threshold value and communication media. Individuals receive multiple types of information during communication in the social media. Diffusion in social network analysis is applied in many areas such as diffusion of innovations, health care, organizational studies, social media, trend prediction, business and marketing, community detection, content sharing, epidemic model. Innovation is generally considered as a progressive model, making communication a medium for adoption. At each time instant the number of users who adopt the innovation increases.

4.2. Influence of Diffusion in Online Social Media

Diffusion in online social media is a process that explains how, why, and at what rate new ideas, technological events, information or news propagate through certain mediums among individuals for a certain time period is given by figure 3. Information, communication medium, time, social system (media) are important parts of the diffusion process. The information spread from one node to another node through influence of external sources (Myers et al, 2012). The external influence process affects the information adoption process to some extent time to time. External influence increases the brand popularity in the business network.

Figure 3. Elements of Diffusion Process



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Diffusion of information in online social media is affected by direct or indirect connections and by some external factors such as newspaper, television, radio etc. In the business perspective product popularity is also affected by its features, quality, price etc. and by other sources like as comparison with respect to competitors.

Online social network sites such as MySpace, Facebook influence the customer decision in the business environment and an organisation explores about their marketing strategy. Friends of individual have dense connection with each other i.e. average distance between individual to any other on this planet is six (Six degree of phenomenon). Highly connected members have strong influence on adoption as compared to sparsely connected members in the network.

4.2.1. Viral Marketing

Spread of information and ideas in online social network where individual act as the motivation for the others. It will predict the future popularity based on the early adopter and the connections between them. If we post any news/advertisement on any social media with initially on a central or highest degree node, then how much time it takes to become popular among the social media. Viral marketing is a technique for increasing brand awareness. People choices are also affected by decision of their friends, colleagues and neighbours.

Initially, viral marketing choose small number of influential members to convince other users to adopt new product. Adoption is increased to a great extent by advertisement and recommending product to their friends. Influence maximization problem finds out key individuals for maximizing spread of influence (Huiyuan et al, 2014). Online social networking sites attract mass number of people for influence maximizing in viral marketing strategy (Huiyuan et al, 2014). In viral marketing, people adopt particular behaviour or product without knowing the key influencers for adoption process (Gomez-Rodriquez, 2010). Strong communities in the network have more relevance for word of mouth effect.

4.2.2. Market Basket Analysis

While getting the relevant dataset of opinions or blogs from online social media and applying several preprocessing and mining techniques, we finally get the list of products that are purchased by the customer frequently/most of the times. Normally, there exists certain products, news and some kind or source of information that is highly associated with other one. Such commonness acts as the basis for this analysis so that we get the list of these associated items sorted by their value, rank or popularity.

4.3. Discovering Trends in Business

The mass media play an important role in spreading information from one vertex to another. In figure 4, vertex number represents the distance from source vertex and the connection between them.

Mass communication consists of two parts. In the first part, mass media nodes inform and influence initiator nodes. In the second part, initiator nodes influence potential adopters within their communities and so on. The second part of diffusion is important in spreading of information because it sees the high degree network connections. First, less number of people adopt an information/news/product, but after some time it increase exponentially, then it becomes constant (follows S shape pattern).

Some facts related to diffusion are:

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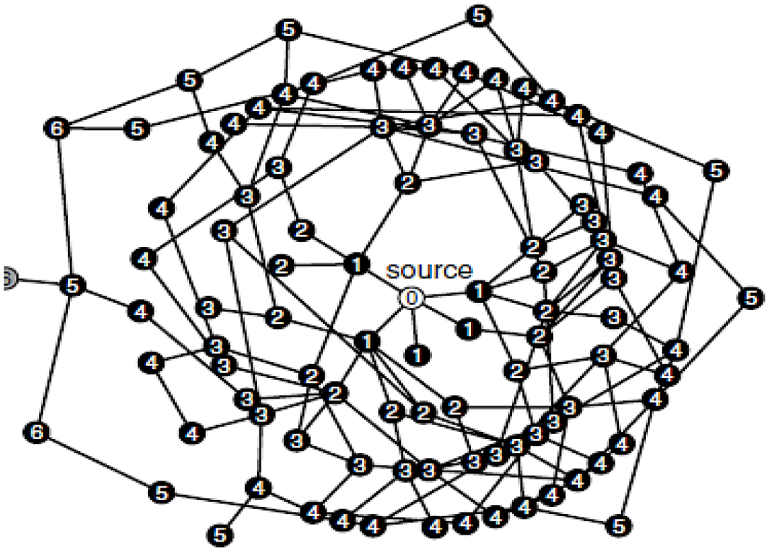
Figure 4. Random Network with 100 Nodes



- Diffusion of information/news/product is fast in dense networks as compared to sparse networks
- Diffusion rate is low in an unconnected network
- Higher degree or central nodes are chosen to adopt innovation initially

Network parameters play important role in information propagation at each time instant. Diffusion model is used in prediction, forecasting in various areas in taking decision. Node with high degree and centrality act as a vast source of spreading information to their connected neighbours.

4.4. Business Strategy and Marketing Communication

Many business organization communicate to their customers through social media. Social media provides direct communication interface to connect customer and business organization. By knowing target audience profile factors such as age, likes, dislikes, interest, income etc. then it is easy to locate them on the social media. Social media strategy relies on type of content, frequency of posting and time at which content is posted. Social media advertisement increase the competition in business which is beneficial for the consumers.

Communication in social media helps companies to know their clients, services required by them, communicating to a larger group of community, sales and building reputation over the globe. Communication in marketing includes several mode such as advertisement, sales offer, publicity, direct and interactive marketing, word of mouth etc. social media is communication tool which exchange various types of information among users and customers in the business.

Social media include activities of interaction about companies brand and connecting firm to their target audience. Customer reviews about product or services helps companies to take corrective actions. The presence of huge number of people on the social media increase brand awareness and interaction among people. Social media is an easiest method for communicating and listening their customer requirements. Online social media have interactive communication with its target audience for spreading

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short information message while increasing sales and adding new customers in the business. Business organizations increasing their network towards social media users.

Social media helps in managing consistency, sales, exposure, marketing expenditure, ranking, position and customers in the business. Individual is free to write any type of review on the internet, so negative review on social media also impacts the reputation and brand of the product. Social media provides a platform for receiving feedback about customer feeling to the product, ensuring companies to respond quickly from avoiding future problems. Now a days, companies post audio, video, image and other information related to their current and upcoming product on the social media for reducing the time of knowing features. Companies made various group of community of their user to know their behaviour and reviews. Fortune 500 companies are using online social media for advertisement and campaign. Companies communicate their customers directly, also customer can interact with other on the social media without knowing each other. An information is instantly updated on the social media and can be seen by a lot of people in a very less time.

5. CONCLUSION

To summarize, the chapter addresses the prevailing methods, new models, current trends and future projections of research in business social network. This would foster the understanding of formidable challenges confronted and expanding scope in developing business analytical standards. The chapter is designed with the aim to serve as the leading reference for those who seek broad knowledge with in-depth conceptualization on impact of networking in business perspective with social network of things.

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Chapter 27
The Influence of Crowdsourcing Business Model Into Artificial Intelligence

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ABSTRACT

We observe situation in which human computation processes leverage the abilities of people via the Web to perform complex computation. In this context human intelligence is harnessed to solve computational problems that are beyond the scope of existing Artificial Intelligence (AI) algorithms. The aim of this paper is to achieve an in-depth understanding of the influence of crowdfunding business process into Artificial Intelligence and what kind of computational problems can be efficiently answered using human computation. Wisdom of crowd has been applied successfully to a range of tasks, from translating text and marking images, collecting information to building large databases and to solve problems that are difficult for machines to solve. Presented hybrid solutions will be considered as optimization- leveraging machine intelligence to help improve the accuracy and efficiency of algorithms.

INTRODUCTION

Progress in information, communication and multimedia technologies and the increasing expansion and use of the internet, are generating gradual innovation in diverse areas, leading to the creation of new business processes. The innovation process is currently undergoing significant change in many industries, it very visible in Information Technology (IT) sector. Recent developments in technologies and the usage of Artificial Intelligence techniques make the IT more intelligent and provide higher-level services to its users. Therefore, building an appropriate infrastructure for intelligent agents to run around the IT performing complex actions for their users is the biggest challenge for organizations of the future (Hendler, 2001). An enormous potential exists in rich collaboration between humans and computers. Countless open computer science problems remaining in Artificial Intelligence, can be readily solved by

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humans with the usage of their creativity, planning abilities, visual processing, and verbal tasks (Quinn & Bederson, 2011).

The new computer world has created a virtual collective intelligence- helped large groups of people connect and collaborate. According to Von Hippel a large number of users of a given technology comes up with most innovative ideas (Von Hippel, 2005). A decentralized, disorganized group of people, thinking independently can use "crowd intelligence" to make judgments and solve problems that would be very difficult to make using only one person (Surowiecki, 2005). Crowdsourcing business model have had important impact into AI it has been applied to a range of tasks such as: collecting information, translating texts, annotating images, building complex software. While traditionally these tasks have been small and could be completed employees, organizations are now starting to crowdsource larger, more complex tasks to experts in their respective fields. Presented combination of crowd and computers offers another point in the tradeoff space where solutions are faster than individual human efforts due to diversity and network effects of human participation (Long Tran-Thanh, 2014).

The strategy of combining computers and humans by delegating parts of the problem to the crowd is conducted via the internet, in this process a computer system having global knowledge of the problem to be solved requests the crowd to resolve it then proposed results are usually checked and aggregated by the computer system in presented process humans help computers to do computer-type projects. Finally, group of these participating humans later became the first professional programmers (Malone et.al., 2009)

In most advance processes of artificial intelligence (AI) crowd builds large databases of common sense facts. That's possible due to the fact humans acquire a great deal of common sense knowledge. Large databases of spread humans' knowledge collect information into knowledge bases and ontologies using data mining. Presented process influences of recent innovations in the competitiveness of organizations (Zaidan & Callison-Burch, 2011).

Background

The idea of humans and computers collaboration was implemented in 1960 in the article, "Man-Computer Symbiosis," (Licklider, 1960). However recently field of human computation is being advanced by researchers who explore human intelligence to solve computational problems that are beyond the scope of existing Artificial Intelligence (AI) algorithms (Michelucci, 2011; Bederson, 2010; Brachman et.al, 2011; Quinn, 2011). According to researchers from University of Maryland Alexander J. Quinn and Benjamin B. Bederson human computation is related to, but not synonymous with terms such as collective intelligence, crowdsourcing, and social computing. The term human computation was primarily used in philosophy and psychology literature, as well as more recently in the context of computer science theory. And it refers to a set of operators in addition to traditional computation. Lav von and Ahn emphasize role of humans and define the process as "…a paradigm for utilizing human processing power to solve problems that computers cannot yet solve … the idea of using human effort to perform tasks that computers cannot yet perform" (Law & von Ahn, 2009). Chandrasekar, Chi, Chickering, Ipeirotis, Mason, Provost and Tam take under consideration tasks that are completed, defining human computation as "…a new research area that studies the process of channeling the vast internet population to perform tasks or provide data towards solving difficult problems that no known efficient computer algorithms can yet solve" (Chandrasekar et.al., 2009). Quinn and Bederson underline collaboration "A computational process that involves humans in certain steps … systems of computers and large numbers of humans that work together in order to solve problems that could not be solved by either computers

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or humans alone" (Quinn & Bederson, 2009). And Law highlights complexity of the process "…a new area of research that studies how to build systems, such as simple casual games, to collect annotations from human users" (Law et.al., 2009). Most comprehensive definition of human computation present Brachman, Cohen, and Dietterich defining it as "intelligent systems that organize humans to carry out the process of computation—whether it be performing the basic operations (or units of computation), taking charge of the control process itself (e.g., decide what operations to execute next or when to halt the program), or even synthesizing the program itself (e.g., by creating new operations and specifying how they are ordered)" According to authors still many problems are simple for humans to solve, but complicated for even the most sophisticated computer algorithms. Those problems are mainly referring to Artificial Intelligence (AI) and include perceptual tasks such as object recognition, classification, natural language analysis- language translation, sentiment analysis and complex cognitive tasks including planning, analyzing and reasoning. Presented process stands new opportunities for artificial intelligence leveraging the human computation systems, tackling problems that neither humans nor machines alone can resolve where crucial role plays collective intelligence (Brachman et. al., 2008). According to Levy knowledge communities voluntary and temporary, create collective intelligence, he claims that "thinking community search, inscribe, connect, consult, explore … Not only does the cosmopedia make available to the collective intellect all of the pertinent knowledge available to it at a given moment, but it also serves as a site of collective discussion, negotiation, and development. Unanswered questions will create tension within cosmopedic space, indicating regions where invention and innovation are required" (Levy, 1977).

Crowdsourcing Business Model

The term crowdsourcing, was first used in a Wired magazine article by Jeff Howe (Hove, 2006) and the subject of his book (Hove, 2008), and it was derived from outsourcing. Howe defines crowdsourcing as: "the act of taking a job traditionally performed by a designated agent (usually an employee) and outsourcing it to an undefined, generally large group of people in the form of an open call." (Hove, 2008). The transformation of the customer from a passive client into a highly active one who wants to participate in all production and development process. The term is also defined also as "the outsourcing of tasks to the general Internet public" (Kleemann et al.2008), "describes a new web-based business model" (Brabham, 2008). In recent years, a wide range of organizations, have turned to a new emerging labour market to achieve their operating objectives. Using the internet, they announce request to a global audience this so-called crowdsourcing promises considerable flexibility, as it quickly connects employers and workers. The development of crowdsourcing has been leveraged for working with people in a larger geographic scope, as well as task demands for accomplishing human intelligence tasks (Doan et.al, 2011).

According to Brabham crowdsourcing harnesses the creative solutions of a distributed network of individuals through open call for proposals. He points out that the public can help design products, produce memorable commercials and images, and that it outperforms the industry faster and cheaper than ever (Brabham, 2008). It includes customers, considered as "co-workers", and various stakeholders who are not employees of the organization, in the production process (Rieder & Voß, 2010). Crowdsourcing processes includes four dimensions: pre-selection of contributors, accessibility of peer contributions, aggregation of contributions, and remuneration for contributions. The classification scheme focuses exclusively on an organizational perspective and on the mechanisms available to these organizations (Geiger et.al, 2011)

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Hove in his publication "Why the power of the crowd is driving the future of business" classifies the applications of crowdsourcing as (Howe, 2009):

1. Collective intelligence when people solve problems and provide new insights and ideas.
2. Crowd creation when people create various types of content and share it with others.
3. Crowd voting when people give their opinion and ratings on ideas, products, or services, as well as evaluate information.
4. Crowdfunding when people raise money for investment, donations, or for micro-lending of funds.

Crowdsourcing process is very broad and includes everything from the design of a product or process, creating content, product development, solving problems, advertising, quality monitoring, etc. (Howe, 2006; Brabham, 2008; Kleemann et al., 2008). Crowdfunding has developed mainly through the expansion of social networks, which has allowed labor to be outsourced to the public with very diverse kinds of remuneration and motivation mechanisms for contributions. (Corney et al., 2009). Crowdsourcing business model is related to a few concepts that may be used to render similar concepts, including: open source, open innovation, user innovation, and co-creation. Open source software allows users to freely access, use, modify and redistribute software products and their source code under a public license (Howe, 2006). The idea of open innovation assumes that companies should use external ideas to create innovations, share risks, and improve productivity and competitiveness. Chesbrough indicates several methods for importing external ideas: consulting, employing focus groups, conducting joint design sessions and using other collaboration methods that were in use for decades to facilitate open innovation (Chesbrough, 2011). The last concept- co-creation describes a joint effort of producers and consumers aiming at developing new products or services and significates working collaboratively with a group of people with specialized skills or talents to come out with new ideas (Ramaswamy, 2000).

There is no doubt that crowdsourcing business model is a phenomenon involving the use of volunteers to accomplish complex tasks however it has couple drawbacks that should be taken under consideration in context of Artificial Intelligence. The first problem that may occur is the lack of contributors. Crowdsourcing business model relies on voluntary participation and benefits from network externalities and reaching of essential crowd workers not always is guaranteed. Second issue is the knowledge correctness- the model is relevant in fields where knowledge is highly codified - as it is in case of artificial knowledge The third problem that can occur while implementing crowdsourcing model is the statement formulation. When addressing a request to the crowd, the firm seeks to obtain a number or candidate solutions to its problem. If the request to the crowd is wrong defined, the process is very likely to lead to non-satisfactory contributions as result feedback cannot be implemented (Teece, Pisano, 1994). As stated above the problem and requested definitions should be major concerns for companies that implement crowdsourcing business model.

THE IMPORTANCE OF CROWDSOURCING BUSINESS MODEL FOR ARTIFICIAL INTELLIGENCE

The potential of intelligent machines associated with human minds, such as learning and problem solving cannot be conceived without the participation of people. In this sense, the source of competitive advantage of artificial intelligence can be found in crowd wisdom- where knowledge is the principal feature.

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A growing number of businesses implementing Artificial Intelligence projects crowdsource work on large-scale that require many hours of activity by experts in a particular field. In this context expert crowdsourcing is used for the creation and development of large software applications. Accordin to Long Tran-Thanh, Sebastian Stein, Alex Rogers and Nicholas R. Jennings researchers who investigate the problem of expert crowdsourcing we can observe growing popularity of this approach. According to their data in 2013 oDesk platform had 2.5 million registered workers, while Freelancer had 6.7 million. Presented expert crowdsourcing instead of doing small units of work rises new challenges (Tran-Thanh, 2011).

Crowdsourcing business model enables knowledge creation, sharing and learning (Shiffman, 2008), therefore is able to facilitate central problems of artificial intelligence that include (Luger, Stubblefield, 2004):

1. **Deduction, Reasoning, Problem Solving:** Developed algorithms that imitate reasoning that humans use when they make logical deductions,
2. **Knowledge Representation:** The problems that are expected to solve require extensive knowledge about the world,
3. **Planning:** Intelligent machines should be able to set goals and achieve them. Therefore, need a way to project the future and be able to make choices that maximize the of the available choices,
4. **Learning:** Studying of computer algorithms that improve automatically through experience,
5. **Natural Language Processing:** The ability to read and understand the languages that humans speak. A sufficiently powerful natural language processing system enables natural language user interfaces and the acquisition of knowledge directly from human,
6. **Social Intelligence:** Recognizing, interpretation, processing and stimulation of human affects. The machines interpret the emotional state of humans and adapt its behavior to them, giving an appropriate response for those emotions,
7. **Creativity:** Addressed theoretically (from a philosophical and psychological perspective) and practically (via specific implementations of systems that generate outputs that are considered creative),
8. **General Intelligence:** Combining all the skills presented above.

Artificial intelligence is associated with a great number of problems however those stated above can and even should be solved with the usage of crowdsourcing business model. Fits of all because AI requires human knowledge from the fields of computer science, mathematics, psychology, linguistics, philosophy, neuroscience and artificial psychology (Russell, Stuart, Norvig, 2003) and crowdsourcing is associated with board knowledge. In addition, creates environment where the knowledge is complex expanding and located in networks rather than individual activities (Kodama, 2005). Presented concept o is essential since it makes information more meaningful to crowd by making it more understandable to machines (Feigenbaum et al., 2007). Furthermore, possessing information from crowd intelligent machines read, understand, interrelate, and can manipulate data. Gathered information is essential for adapting and personalizing products, or services. The concept means a radical transformation with critical changes in the technology itself (Garrigos et al., 2011). Such collaboration with crowd represent a flexible source of information and knowledge. Strategically, the most important change in presented relation is the importance of meaning in the new environment. It stands essential tool for finding out what customers are demanding, discovering technological trends, innovations and expert opinions. Furthermore, crowd-

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sourcing in presented model promotes innovations "drives all of society and corporations to work faster, create and manage more interdependencies, and operate on global markets" (Kalpic, Bernus, 2006).

Practical Aspect of Crowdfunding Business Model and Its Impact into Artificial Intelligence Algorithms

To outline practical aspect of crowdfunding business model and its impact into Artificial Intelligence algorithms this part will present three platforms Amazon's Mechanical Turk that supports the large-scale distribution of micro-tasks to human workers, Ushahidi which provides software for collecting information from the public, mainly during crisis situations, and Zooniverse that hosts a range of large citizen science projects.

Amazon's Mechanical Turk

Amazon's Mechanical Turk is a platform dedicated to create annotated data for natural language processing application including human-mediated translations, editing rates (HTER) and creation multiple reference translations- humans perform manual evaluations of machine translation quality using the web service. Tasks dedicated to humans at the moment cannot be completed by computers and include from data extraction from images, filtering adult content, audio transcription, filtering adult content, moderating blog comments to providing feedback on relevance of results for a search query (Huang et.al, 2010). Mechanical Turk mechanism consists of two types of players: requester and workers- the independent contractors. The jobs offered on Mechanical Turk refer to Human Intelligence Tasks (HITs). Amazon's Mechanical Turk, online labors are paid small sums of money to complete tasks (Winter, Siddharth, 2012).

Presented platform stands an inexpensive way of gathering human judgments and annotations for a wide variety of tasks- which can be utilized to ensure translation quality. According to Chris Callison-Burch from Center for Language and Speech Processing, Johns Hopkins University Baltimore by combining the judgments of many non-experts the system can achieve the equivalent quality of experts. According to the researcher, the platform is very useful for a wide variety of machine translated tasks like: word creation, verifying the accuracy of documents especially sentence alignments, performing non-simulated active learning experiments for statistical machine translation, and even collecting training data for low resource languages (Callison-Burch, 2009). Rion Snow, Brendan O'Connor, Daniel Jurafsky, and Andrew Y. Ng. investigating certain tasks including word sense disambiguation, word similarity, textual entailment, and temporal ordering of events, observed that a correlation between non-expert and expert annotators can be achieved by combining the judgments of multiple non-experts, example by voting (Snow et.al., 2008). To provide high quality services Amazon's Mechanical Turk provides special mechanisms that include option of rejecting the work of individual employee and blocking from doing future work for a requester. Requesters can require a particular set of qualifications, such as sufficient accuracy on a small test set or a minimum percentage of previously accepted submissions. Furthermore, requesters can design custom qualification tests that must be completed before working on a particular project. To secure employees the platform established a Firefox plug in called Turkopticon that provides ratings of how good the requesters are in terms of communicating with workers, being generous, and paying (Amazon Mechanical Turk).

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Ushahidi

Ushahidi stands an open source crisis-mapping application, and is being used for humanitarian purposes around the world. Ushahidi supports and trains community based organizations to engage with local governments. The key component of Ushahidi is the ability to use mobile phones as a means of sending crisis incidents and receiving updates. The platform, Crowdmap, is amongst the first Web 3.0 technologies using both mechanical and human means to order information and present it in a layered mode. The platform specializes at turning small parts of data into information by using mapping. Ushahidi is an open source technology, which is linked to detailed reports, including the level of validity or authentication. In this process collected information can be view online by anyone. The platform exploits new forms of encoding, which in turn afford new outcomes and have material impacts. Human vision can compare small and large-scale structures at the same time, deal with layers and separations and intuitively find patterns. The platform has its qualification system- the information is verified before plotting on the map - decision makers don't receive unproven crowdsourced or web based information. Then checked information is visualized. Open modification of the system allows for multiple types of visualizations of this data (Ushahidi).

Zooniverse

Zooniverse is a research platform in a range of subjects from astronomy to zoology where human-based analysis still exceeds that of machine intelligence). Zooniverse stands a cluster of projects that source volunteer contributors to analyze and interpret huge datasets that are too complex to interpret using computer algorithms (Zooniverse). The platform engages workers without having a specialist knowledge or background in science to complete sufficiently simple tasks (Silvertown, 2009). Zooniverse projects invite the crowd to participate in genuine data analysis at a scale that researchers cannot accomplish. The whole process consists of two teams: the first the core team of developers and data scientists (has headquarters at Oxford University and the Adler Planetarium) the second crowd workers that implement the most rudimentary algorithms for functionality (Smith et.al, 2009). Crowd workers are shown how to perform required analysis via a tutorial to be able to identify, classify, mark, and label them as researchers would do. Research data is shown to the crowd in the form of images, audio and video via one of the Zooniverse websites (Simpson et.al, 2014).

CONCLUSION

This paper has attempted to analyze the influence of crowdsourcing business model into Artificial Intelligence, and the development of human-computer interaction. The study examined literature and describes the transformation of technologies, and the new business model emerging in the new context of Artificial Intelligence. The chapter also stressed the importance not only of the technology, but of the essential use of crowdsourcing and the management of cooperation. The principle for human computation is that given conditions, an unprecedented number of human workers can be mobilized to solve problems that are difficult for machines to solve. However, since human computers are still more costly than machines, hybrid solutions, involving both human and machine intelligence, may advance future human computation systems. The crowdsourcing of people in artificial intelligence processes has proven to be a technique

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capable of making a valuable contribution. The crowd combination of intuition with abilities in pattern recognition and analysis can outstrip the performance of sophisticated automatic systems. Furthermore, presented process evaluates and is becoming very popular presented above Zooniverse platform have collected more than 300 million data analyses from over 1 million volunteers providing rich datasets for not only the individuals working to produce research from their projects but also the machine learning and computer vision research communities the platform is evolving into a system capable of integrating human and machine intelligence in a live environment. Author is aware that this chapter is merely a first step in analyzing the impact of crowdsourcing on artificial intelligence and recognizes the limits of this exploratory analysis and the fact that all of these transformations require further analysis. For instance, future research should concentrate on the impact specific functions, or the most appropriate skills for developing. In addition, the work can open up new possibilities for the use of crowdsourcing business model by all types of organization, and considers this to be a crucial step toward the success of crowdsourcing business model by effectively utilizing the collaborative intelligence of internal and external stakeholders, as well as the general public.

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KEY TERMS AND DEFINITIONS

Artificial Intelligence: Intelligence exhibited by machines. In computer science, an ideal "intelligent" machine is a flexible rational agent that perceives its environment and takes actions that maximize its chance of success at some goal.

Collective Intelligence: Shared or group intelligence that emerges from the collaboration, collective efforts, and competition of many individuals and appears in consensus decision making.

Crowdsourcing: Process of obtaining needed services, ideas, or content by soliciting contributions from a large group of people, especially an online community.

Human Computation: A computer science technique in which a machine performs its function by outsourcing certain steps to humans, usually as microwork. This approach uses differences in abilities and alternative costs between humans and computer agents to achieve symbiotic human-computer interaction.

Innovation: As the application of better solutions that meet new requirements, unarticulated needs, or existing market needs. This is accomplished through more-effective products, processes, services, technologies, or business models that are readily available to markets, governments and society.

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Chapter 28
Experiences in Social Innovation:
A Platform for Ethics Through a School of Engineering Studies

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ABSTRACT

Convergence is an opportunity to determine the possibility to train students in social skills, assuming that our universities provide valuable training in specific technical and professional skills. This study presents the strategy followed in the Mines and Energy Engineering School of the Polytechnic University of Madrid (UPM from its name in Spanish) to enhance social learning through a program based on the assembly of training practices on Mentoring, Service Learning and social consciousness (Ethics and values in engineering). In this article we discuss about social motivation through social collaboration with qualified entities in the Spanish social landscape such as Tomillo Foundation, Congregation Mary Immaculate as well as looking to a future collaboration with the Ana Bella Foundation.

INTRODUCTION

In 2006, thanks to a truly innovative initiative within the Spanish university, the Directorate of the School of Mines and Energy (ETSIME) of the Polytechnic University of Madrid (UPM), decides to introduce a supplemental education in order to promote discussion and debate on the ethics and values that should integrate technical and professional education across the engineering curricula taught at ETSIME.

The Unit for Social Entrepreneurship, Ethics and Values in Engineering (UESEVI from its name in Spanish), introduced the methodology of learning service in an effort to fulfill the purposes for which the university was created for: to grow and transform the man by science and knowledge, in order to pre-

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pare a technical, scientific and human professional. The underlying assumption was that to get involved in technical content, the critical understanding of reality is required. Critical intelligence involves the perception of its reason for being.

In the Spanish context, the university in the field of engineering, projects a very technical applied learning, which should integrate ethics to get more complete and desirable results. In an engineering school in which results and practical solutions are looked for, ethics and values must follow the same path.

Service learning is a tool to combine the three aspects of teaching and practical humanistic theoretical concepts such as ethics, values and those derived from them.

Since then, this new process has been interesting, full of aspects and following various initiatives (subjects, external projects and mentoring). Not without difficulties, but with a positive evolutionary development that has shaped the thematic agenda of the training courses. In 2011 this process has been analyzed and summarized (Muñoz, Flor, García Laso & Martín, 2011, in a collective publication: *Participation and Scientific Culture in an international context* (Diaz & Muñoz, 2011).

In the following the social project of the Mines and Energy Engineering School of the Polytechnic University of Madrid is presented through the development of each one of the branches into which is divided. This project has been recognized with 6 European Credit Transfer and Accumulation System (ECTS) credits for educational activities.

Since specific skills are set out in the curricula designed and verified by "Agencia Nacional de Evaluación de la Calidad y Acreditación (ANECA)" – the Spanish National Agency involve in the quality evaluation of universitary curricula-, we considered that these 6 credits could overcome the difficulty of incorporating social skills in the teaching of engineering. We assume that those social skills go beyond the topics integrating the degree or the specific branch studies, and therefore we were trying to train students in a range of skills and values that could enable them to act as citizens committed to the others, and that they would project into the commons scenario of their professions (Environment and Society).

The design allows students to participate in a continuous or discontinuous manner in the process as we have designed it to facilitate their incorporation to one part or to the whole of the process. As the first step the students are integrated into the mentor project as mentees, arising the possibility that they can act as mentors from the second year on as mentors and obtain recognition of 2 credits ECTS (Mentor Project).

On the other hand, the students can take the training activity on Ethics in Science and Engineering for any year, activity that is recognized with 2 ECTS credits. It is advisable to have the Mentor Project completed. Finally, the students have the possibility to conduct formative activity included within the general catalog of the UPM: "Towards Social Entrepreneurship: Practice Learning Service" where they can develop the practice of this type of abilities. The advisable path would be to study the activity after have taken Ethics in Science. The latter activity also give the recognition of 2 ECTS credits.

CONTEXT

The main objective of this project is to provide engineering students with training in applied ethical criteria. This implies a complete training in the values that would transmit to them the need to adhere to ethical and good practice codes in all their activities, and that includes the creation of social values inherent to any of their actions.

The factors that emerge as determinants of this positive evolution are as follows:

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1. Introduction of an intergenerational component in the management team that has remained reduced in size but significantly motivated for the successful development of the project.
2. Students' collective mobilization, from direct personal action of the youngest members of the management team (employees or fellows). This mobilization has been translated into an increase in enrollment.
3. Two strategic decisions made by the School Management at a critical time for the survival of the project. These decisions were made in close collaboration with the teaching team responsible for the subjects.

The first relates to the integration of concepts and skills contained in the teaching of ethics, as the incorporation of Social Entrepreneurship and Social Innovation as topics in the program. This initiative is rooted in a self-assessment of the skills provided, including the reactions and opinions of students. In these opinions, those scholars studying the Ethics and Values in engineering issues demanded more practical guidance in this education.

The second decision concerns the inclusion within the social project of the School the Mentor project in order to present a complete offer for the students who have shown interest on these issues. This was performed taking advantage of the incorporation of the EEES.

4. The constant search for interdisciplinarity and cooperation as the main idea of the relationship with external agents mobilized in processes of social innovation.
5. The commitment to acquire our own framework with ethical dimensions and dynamics as a result of a process of research and self-reflection from studies on the relationship between science, technology and society. Throughout this process has shaped a program that offered a synthesis of theory and practice, integrating approaches from the humanities and social sciences with those emanating from the scientific and technological activity and its impact on socio-economic development.

As was covered in detail in the article already cited (Muñoz et al., 2011), the program analyzes the historical contexts in which ethics has been developed as part of moral philosophy to the implementation of combined professional ethics (deontologies), applied as codes of conduct, evolving to practical approaches and a vision exploring cases and problems.

By means of the synthesis and assembly processes we moved into the field of applied ethics. To support the selection and development of these cases, research programs on the philosophy of science policy and the theoretical and practical analysis of the management of scientific knowledge were used, relying on the fact that have been areas of interest along the last two decades, for the components of our institutional collaborator, the Research Unit in Scientific Culture of CIEMAT (1ICC) (Muñoz, 2004; Muñoz & Luján, 2009; Muñoz, A., 2011; Muñoz, Moreno & Luján, 2012; Muñoz A., 2013; Muñoz & Todt, 2013).

6. The specific options designed for the teaching of ethics were: to train the engineering students as responsible and values-rich human beings advocating for reaching this objective on a "consequentialist ethics" supported by the basic principle of responsibility and moved by concerns about the debate in the fields of energy, natural resources, environment, and their relationships with society and respect to economic impacts. Educational programs have been organized around two

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large spaces: REMAS space [resources, energy, environment and society] and REMARÉ space [resources, energy, environment, and economic impact].

Within the REMAS space the following topics have been addressed: the theoretical basis and framework for introductory reference, the relationship between ethics, energy and environment, environmental awareness, climate change and sustainability impact, risks: communication and the precautionary principle (Beck, 1992). In the transition to the REMARÉ space the concept of governance has been dealt with. In the REMARÉ space the themes of social development (social entrepreneurship, corporate social responsibility, social economy, base of the pyramid and inclusive business) have been addressed. The training activity on Learning Service (APS) is the practical experience that seeks to value the cohesion and cooperation of social factors such as strategic socio economic impact and empathy, solidarity and social commitment as representative values.

DESCRIPTION

The principal methodology of these activities involves lectures, seminars or workshops, practical lessons, tutorials, study and group work, group practice and projects.

Social Entrepreneurship (GEM, 2012; Harding, 2004; Jonas, 1985; Mair & Noboa, 2003; Manfredi, 2005; Social Innovation, 2007; Thompson & Doherty, 2006)

Three key factors have contributed to the 2012-2013 course program. First of all, experiences accumulated over five years of course teaching, its evaluation, and its evolution with subsequent lessons. Second, concern for the profound economic and social crisis - the Great Recession in nomenclature generally applied by economists- that led to UESEVI director to critically explore the economic policies and strategies that were behind those policies, while the critical exploration was inspired in the application of the scientific method and, with the aim of contrasting, reviewing these decisions against the foundations of evolutionary biology from the contents of the publications, articles and books, from a set of economists and political scientists (Stiglitz, 2011; Stiglitz 2012; Borrell & Missé, 2011; Ekaizer, 2012; Hessel, 2011; VV.AA., 2012; Judt, 2011) who have questioned those policies from economic perspectives and theories (see Muñoz, 2013, a).

It also has very positively valued the Service Learning as the most significant practical formula, comprehensive and less polluted that constitute the rapidly expanding field of social innovation. Last but not least the introduction into social content methodology for both Bologna and students of the old teaching programs in helping their peers through mentoring project.

As a result of this exercise, the education has been remodeled. The part corresponding to the theoretical framework, needed to combine consequentialist ethics choosing Principlist contributions and this has led to the development of a Decalogue of paradoxes and contradictions that has been called “the never Decalogue” (has published a summary of this framework in the web of the education league, Muñoz, 2013, b). Meanwhile, REMAS space has focused on presentations on environment and society.

The study of the environment as a social problem has been approached. A methodological approach has been adopted. In this sense, the exhibition is structured around the phases of a research design:

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definition of the research problem with the formulation of a working hypothesis, method, result analysis and conclusion. Finally there has been a brief review of the study of values from a social psychology perspective, specifically analyzing the environment as a value.

We have also studied global risks and its evaluation. Its content is structured in two parts: a theoretical introduction and a practical part. In the theoretical part the concept of risk as a function of the different domains in which is used (technical, media, academics) was explained. The key points in assessing and managing risk and the characteristics common to all global risks. In the practical part of the assessment report on global risks in the next decade presented by the World Economic Forum in 2013 was replicated. To do this, students answered questionnaires about global geopolitical risk-governance, economy and environment.

As can be seen the focus has been placed on the social dimensions of the issues and the approach that takes into account the perceptions and engagement strategies with practical and methodological emphasis. This approach was supplemented by an analytical discussion of the Precautionary Principle.

As previously noted the issue of governance has been discussed in depth to establish the connection between the spaces: REMAS and REMARÉ. In the latter the treatment of subjects has been more critical on the issues of Corporate Social Responsibility and the Bottom of the Pyramid (treated tangentially in several presentations and discussions) while emphasis has been put on conferences and talks about Social Entrepreneurship and Creativity and Innovation under a humanistic view (H2i Institute): These classes have been aimed to prepare students for the presentation of social innovation projects that are the culmination of the ESEVI teachings (Social Entrepreneurship, Ethics and Values in Engineering).

The planning proposal in three modules is depicted in Table 1.

The Learning by Service

The Service Learning course is established as an educational activity and appears in the general catalog of the University. The students coming from old study plans -which means 1.5 credits, and students coming from Bologna plan have 2 recognized credits, named ECTS in Spanish. It is classified as a partnership activity that is taught in the second semester of the course, and although be independent, is presented as a practical extension of the subject of Ethics and Values above mentioned.

Although it is written for the two coexisting plans studies plans, they have a continuous assessment requirement. Compliance and participation in class and a high level of student engagement is required.

Learner seeks from the student a clear willingness to participate in social activities. Entrepreneurship interest and social integration are requested. No academic profile from the student is requested, which allows us to accept students of any specialty of engineering.

The objectives of this course are to practically integrate values through the implementation of a technical project, developing attitudes as participation and support.

The proposed program is divided into three modules which distribution is shown in Table 2.

Although the action is generally performed after the training process, in our case, we performed a variant of the APS technique: developing fieldwork before the training process along with the Tomillo Foundation and another project after the training process focused on the design of an action with immigrants seeking work as domestic workers under the support of the Mary Immaculate Congregation.

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Table 1. Course planning for ethics and values in engineering

MODULES		PROFESSORSHIP	AFFILIATON	SCHOOL ATTENDANCE
MODULE 1: REFLECTION AND DEBATE				
Chapter 1: Ethics and values in engineering	1.1. Introduction to Ethics and Values	Emilio Muñoz	UESEVI/CIEMAT	February, 11
	1.2. Conference: Science, Technology and Competitiveness	Emilio Muñoz	UESEVI/CIEMAT	February, 12
Chapter 2: Environment and Society	2.1. Environment and Society	Ana Muñoz Emilia Lopera	CIEMAT	February, 18 February, 19
Chapter 3: Prevention, precaution and risk management.	3.1. Governance. Prevention, Precaution and Risk Management	Emilio Muñoz	UESEVI/CIEMAT	February, 25
Chapter 4: Economy and Social Responsibility. Team Values	4.1. Corporate Social Responsibility	Belén Flor/Ana García Laso	UESEVI	February, 26
MODULE 2: SOCIAL ENTREPRENEURSHIP (PART ONE)				
Chapter 5: Social Entrepreneurship and Social Entrepreneurs	5.1. Reservoir of ideas 5.2. Reservoir of ideas + social enterprises	Emilio Muñoz/Ana García Laso	UESEVI/CIEMAT	March, 4 March, 5
	5.3. Social Entrepreneurs	José Manuel Díaz (Pericles)	VALNALÓN S.A.	March, 11
MODULE 3: INNOVATION AND CREATIVITY				
Chapter 6: Innovation and Creativity	6.1. Convergence, Divergence and Judgment	Alicia Chavero	H2i institute	March, 12 March, 18
MODULE 2: SOCIAL ENTREPRENEURSHIP (PART TWO)				
Chapter 5: Social Entrepreneurship and Social Entrepreneurs	5.4. Social Entrepreneurship Project (I)	Emilio Muñoz/ Belén Flor / Ana García Laso María Cornejo	UESEVI/CIEMAT	March, 19
	5.5. Social Entrepreneurship Project (II)	Emilio Muñoz/ Belén Flor/ Ana García Laso	UESEVI/CIEMAT	March, 25
	5.6. Social Entrepreneurship Project (III)	Emilio Muñoz/ Belén Flor/ Ana García Laso	UESEVI/CIEMAT	March, 26
	Presentation of work	Emilio Muñoz/Domingo Martín/Ana García Laso	UESEVI	April, 1

Mentor Project

In the general plan of social skills training in our center, integration within the mentor project is the first step. This project has the objectives of improving the academic integration of new students, improving efficiency in the acquisition of learning outcomes by students and reduced absenteeism and abandonment. We could also define specific objectives of our center where we focus on the processes of reception and guidance, organization of training process of developing training mentors students through a process of Coaching. In this way, we get to promote the values of commitment, personal / social responsibility and respect for everyone involved in the learning process.

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Table 2. Service learning course planning

MODULES		PROFESSORSHIP	AFFILIATON	SCHOOL ATTENDANCE
MODULE 1: PREPARACIÓN				
Step 1: PREPARATION OF DRAFT	• Experience Thyme Foundation • Analyze how the group is • Determine socially necessary service • Establish learning linked to the service	Domingo A. Martín Emilio Muñoz Ana García Laso	UPM	April, 8
Step 2: ESTABLISHMENT OF SOCIAL RELATIONS FIRMS	• Raising the demand and reach agreement • Visit the project participants (C / Ríos Rosas 35-37)	Domingo A. Martín Emilio Muñoz Ana García Laso	UPM/RMI	April, 9
MODULE 2: REALIZACIÓN		**PROFESSORSHIP**	**AFFILIATON**	**SCHOOL ATTENDANCE**
Step 3: PLANNING	• Interview with the project participants • Diagnose the problem • Reflect on the lessons learned from the preparation	Domingo A. Martín Emilio Muñoz Ana García Laso	UPM/RMI	April, 22
Step 4: PREPARATION	• Organize the work to be carried out • Prepare the necessary materials for implementation	Domingo A. Martín Emilio Muñoz Ana García Laso	UPM	April, 23
Step 5: IMPLEMENTATION	• Students in this course will teach the training courses for the participants.	Domingo A. Martín Emilio Muñoz Ana García Laso Javier Maroto	UPM	April, 29 April, 30
MODULE 3: EVALUACIÓN		**PROFESSORSHIP**	**AFFILIATON**	**SCHOOL ATTENDANCE**
Step 6: CLOSE	• Evaluation of the work group (how we have felt) • Delivery of Diploma participants • Small holding in the cafeteria of the School of Mines	Domingo A. Martín Emilio Muñoz Ana García Laso Leticia Abad Javier Maroto	UPM/RMI	(undefined)

The dedication that mentors students have to take the project has been set to 70 hours, of which the main points are training for 38 hours and mentoring for 14 hours, leaving 20 hours to coaching and recruiting students.

RESULTS

In general, one can conclude that the satisfaction rate of the proposed activities that forms the center social offer is very well accepted by the educational community. This is reflected in DOCENTIA-UPM surveys conducted by students and satisfaction surveys conducted in some of the projects. In all cases and considering the maximum satisfaction level as 5, the surveys indicate that we are around 4.3.

If we analyze the impact and sustainability of each of the proposals, they all have a guaranteed continuity since participation is important in all cases. As an example serves the development of the mentor project, which has evolutionated from 70 to 150 mented students in the last edition, plus 40 mentor alumni from the 1200 available in the center (See Figure 1).

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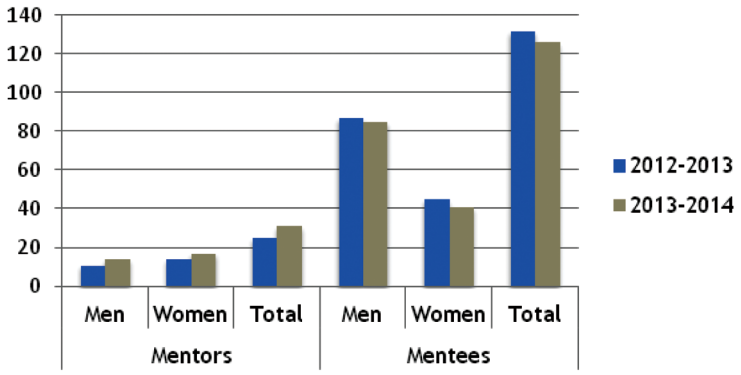
Figure 1. Number of mentors and mentees



Although this project is specially designed for the curriculum within the EEES, there is a direct relationship between students of both plans, existing cooperation between them (one third of students from earlier plans, compared to two thirds of undergraduate students). This cooperation may also be extended between professors teaching in one curriculum or both at once. In addition there is a direct cooperation between faculty teachers, assistant students and teaching staff from centers others than the UPMs, as it is the case of Tomillo Foundation. In the latter case, the cooperation tool is the social skills teaching.

Thus, the UESEVI is developing a contacts network that promote inter-center cooperation among those involved in any of these projects are included: CIEMAT, H2ii, itdUPM, Master in Technology for Human Development, Ana Bella Foundation, Gómez Pardo Foundation, La Caixa, Ashoka…

It's also important to mention the center staff integration in the project from 4 to12 members, 2 "Personal de Administración y Servicios (PAS)", - Administration and Service- and 10 "Personal Docente e Investigador (PDI)", - Teaching and Research- .

Analyzing other activities we see that both APS and the subject of Ethics and Values in Engineering also significantly increases the number of participants, from 12 to more than 20 students in both cases compared to previous years (See Figure 2 and Figure 3).

The main result is the observed decrease in the rate of abandonment. There is a continued interest in the project once the credit scheme program ends. A percentage of participating students continue being involved in the project-related distribution within its redesign for the next year, which may or may not benefit them, by generating a transmission platform. The student participates actively in the proposed

Figure 2. Number of participants: Course ethic and values

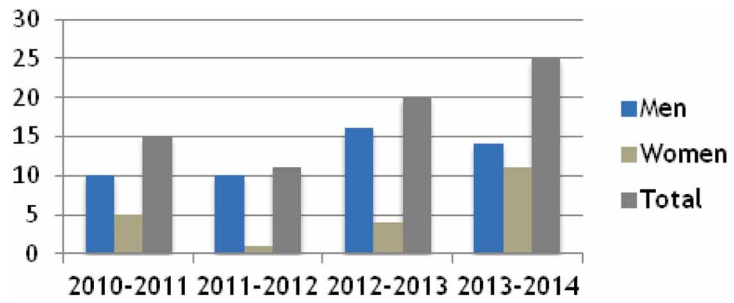


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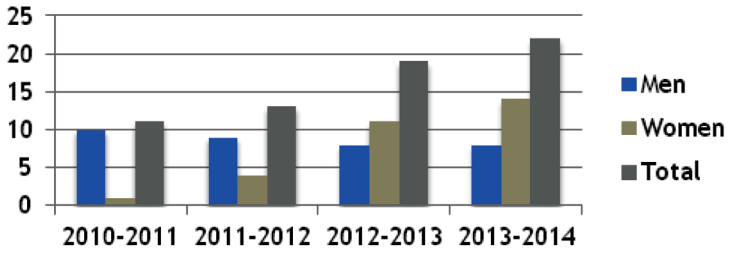
Figure 3. Number of participants: Service learning course



improvements, which require the team to work on the reality of both the student and the recipient of the service. Involved students focus their proposals to generate more common spaces and long term relationships.

Social Entrepreneurship

The academic year 2012-2013, the students have presented two projects related to social entrepreneurship activities in relation to improve the functioning of the School of Mines and Energy where they are carrying out their studies, approach that agreed with one of the requirements that we ask such as to endorse the project. Both projects achieved and reflected the content and skills that were proposed in the theoretical part of the course, proving once again that its participants are the real protagonists. Being on the "front lines" of the School, they have been able to offer quality proposals, demonstrating its ability to reply when they are allowed to give their opinion.

Projects were submitted to the Centre Management who evaluated the proposals directed to improve the Centre and thereby giving rise to a debate in both cases.

A summary of the two papers are hereby presented.

Recycling Project

Through a survey given to all staff asking about the Center's needs, sensitivities and needs that the center is lacking concerning recycling were detected. The project consists of an analysis of the values that are taught in the subject (Ecology, Social Responsibility and Cooperation), design and implementation of a survey and finding funding for the proposed project. Illustratively we present Figure 4.

Photocopiers Management

The project arises from the lack of awareness that first course students have about the photocopiers system in the center and the need to improve this service.

We start with an analysis of the population of students in first courses by designing individual interviews with the information technology staff (responsible for managing the service) and students. As a conclusion it was observed that it is necessary to adapt the service to new technologies that students are familiar with as it is wireless networks and automatic coin. Besides the values that they want to work remembering Responsibility, Commitment and Respect which are the most that can be adjusted to this project. Economic study shows that the cost of this improvement would include a 2900 € / year

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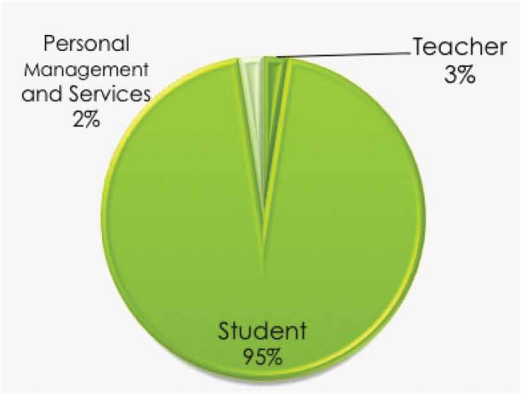
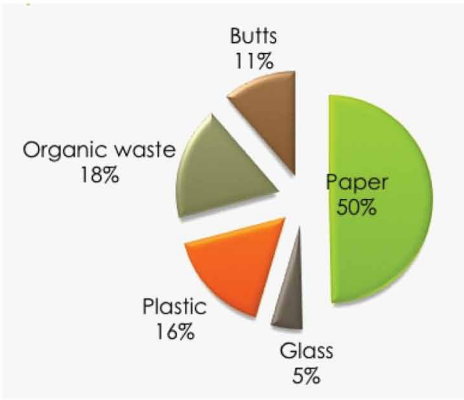
Figure 4. Recycling project

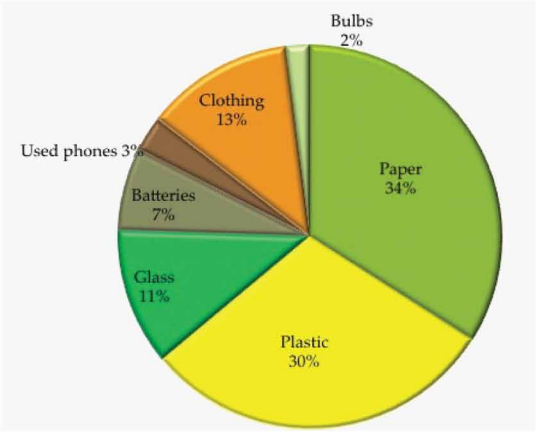
LINK TO SCHOOL



WASTE GENERATED IN GREATER PROPORTION



USE "GREEN DOTS"



APPROXIMATE BUDGET

	Triple Bins	Individual Bins	Bins with ashtray	Price
M1	4	4	0	1.040 €
Library	0	6	0	1.140 €
M2	2	4	0	900 €
M3	7	7	0	1.820 €
Playground	3	2	2	683 €
Cafe	0	2	0	380 €
TOTAL				5.583 €

Service Learning (Ryan, 1995; Westbrook, 1991)

Service learning is a method of attaching learning with social commitment. (Batlle, 2013)

Service-learning is an educational approach that combines learning and community service in a single well-articulated project where participants learn to work on real needs of the environment in order to improve it. (Centre d'Aprenentatge Promoter Servei, 2013)

The training activity towards social entrepreneurship: Practice Learning Service has completed its third edition this course. Like the rest of the activities of the UESEVI, his approach has evolved after the experience of previous years, the view of the participants and the current socio-economic situation.

What began as a pilot exercise, it is becoming a more complex and motivator "in crescendo" course. Its complexity should not cause panic, because it lies mainly in the fact of incorporating new players every year, on the other hand, is a sign of the success of the program.

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Specifically this year two alternatives ended together in a final closure act.

The Antonio Orozco center, that is part of the Tomillo Foundation, offered in November to perform the practical part with them. We had a problem with the dates, as the course of UESEVI was meant to begin in May, however, since it was the first organization with which we participate, we did not want to miss the opportunity. Our students begin "the cart before the horse", i.e., the practical part would be done first and then attend to the lectures, something that APS purists disagreed with. Yet we went forward. The practices consisted perform electrical inspections in some houses and facilities in the neighborhood of Carabanchel. Engineering students successfully escorted Antonio Orozco center students, PCPI in Electricity during their inspections, taking on work and social reality.

Moreover, in May, we had the opportunity to offer a computer course to a group of immigrant women from a center near the School of Mines and Energy (Mary Immaculate Congregation). This option, where students that performed their practical lessons with the Tomillo Foundation had to attend to, ended up as a second option for everyone. I.e., students who had already participated, explaining to their colleagues what they knew from experience, teaching that service learning means and why they had to take the subject. Of course, after preparing courses for new participants, all decided to continue to the end.

Thus, what began as a problem of methodology and schedule ended up being an advantage when approaching students and convey a sense of the course.

Mentor Project

This is the third edition of the Project. The first one started at the academic year 2010-2011. The organizative structure has four levels. First year students or mentees, superior courses or mentors that are taught about social competences and perform the service, tutors or lecturers who advise mentees. The technical coordinator or project manager (see Table 3).

The primary means of dissemination were social media to recruit mentors and personalized information for the mentees. In Table 3, we present the information from the leaflet used to attract mentees.

The mentors learning is performed through the seminars that deal with the following contents: Emotional Intelligence, Social Skills, Communication Skills, Team management and coaching process through an agreement signed with the European School of Coaching.

Table 3. Number of mentors and mentees, gender division

	Minas Mentor Project (2 ECTS)	
COURSE	**2012-2013**	**2013-2014**
Number of mentors students	• 11 boys • 14 girls	• 14 boys • 17 girls
Number of students mentees	• 87 boys • 45 girls	• 85 boys • 41 girls

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CONCLUSION

Technology, in connection with scientific progress, is the main force that produces changes in humanity. Engineers develop this technology in the field of industry, agriculture and fisheries, leading implicitly to the generation of economic, social and environmental impacts on the exercise of their profession, not always impacting positively on the sustainability resources and environmental quality, with effects on air, water and land and the socio economy of the affected population.

The need that arises to develop a program to enter the ethical dimensions in the training of engineers is based on the consequences of handling any technology if it is not done taking into account certain criteria. This need is made more evident every day from the time that the major innovators, companies are moving to adopt the concept of Corporate Social Responsibility.

The engineering student, the main protagonist of the immediate future development, has certain limitations when integrating in his/her professional activities these ethical criteria given the weakness of their formal /technical training on these topics.

There have been a series of experiences in the framework of an educational program on Ethics and Values in Engineering, which reveal interesting aspects to a broad vision of social innovation, trying to advance their understanding and applications. This practice is beginning to generate a change in culture that speaks of collaboration, which fails to consider only the particular interests to work on a common project that promotes the free and voluntary commitment, and work efficiency. Encouraging education in this sense, intended to form a partnership with open eyes, can begin to respond to reality, to value their own talents, and face their own challenges.

Service Learning Initiative seeks quality technical training that is acquired through formal teaching, through the return to society of the benefit of learned knowledge. Landing on this tool makes sense from two perspectives: the first is the search for realization of the ethical teaching through real actions, the second awakening a critical spirit that allows students to start walking towards that path of involvement with society expressing Social Entrepreneurship.

The UPM students who have chosen to participate in this experience have achieved through their efforts several goals by becoming human beings who should be: versatile, able to work in multidisciplinary teams as well as to develop the business in a place of work delocalized (University and partner organizations), and to assume different roles in a same project. Moreover, the students live their responsibilities directly by joining a team in order to finish the job on time, feel the satisfaction of having provided a service, but also feel the frustration of not getting a goal; in sum they are learning by doing social interactions. At the same time, they develop the ability to react to unforeseen events, internalize the culture of error and take the surprise factor of working with and for the others.

The activities proposed from UESEVI allow social and collaborative learning, enable the development of both technical and transversal competencies, and involve learning throughout life, because they introduce reality into the classroom and take the classroom to reality. The mobility of the educational process as students for developing their work where the need is, as well as the development of an entrepreneurial spirit in the increasingly important field of social innovation are other targets. In short, from the training we are giving the students the opportunity to live cases as those they will encounter in their working lives. The result is to form them for professional careers, with the advantage of gaining experience of mistakes done in the course of “successes” and “failures” experiences.

All the process addresses to join forces, to a job well done, because humans processing capacity should not be limited to what we do at some point in a given time, i.e., the demands of the new titles

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should force us to share experiences and to design curricula which converge to hybridize specific and transversal skills (including social skills). In the future, the University should be seen as a "living laboratory of sustainability."

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Chapter 29
Improving Accessibility Through VGI and Crowdsourcing

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ABSTRACT

Accessibility is an important element in the life of those who have certain limitations, such as the physically disabled and visually impaired people. However, one of the greatest challenges for this group is to find paths and areas adapted to their limitations while performing their daily activities, since not all environments they explore have these characteristics. Volunteered Geographic Information (VGI) and the crowdsourcing technique appear to be quite useful to develop solutions to overcome these challenges, since these techniques are naturally cheap as they rely on human sensors as the main agent of information delivery. In this chapter, we discuss how these techniques can help mitigate accessibility problems and present some existing research and applications in the field.

INTRODUCTION

According to the World Health Organization, "more than a billion people in the world today experience disability. These people generally have poorer health, lower education achievements, fewer economic opportunities and higher rates of poverty. This is largely due to the barriers they face in their everyday lives, rather than their disability. Disability is not only a public health issue, but also a human rights and development issue."

Urban mobility can be defined as the people's capacity to move around the city, to live and to interact with the space. This ability can be strongly affected by architectonic obstacles which represent a physical impediment to the exercise of citizenship by people with special needs, such as disabled elderly people. (Mirri, Prandi & Salomoni, 2016)

The term accessibility has various definitions and it can be understood as a medium to obtain barrier-free environments which affect the usability or the utilization of services associated to these areas, depending

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on the context in which it is employed. Inside this group, we can highlight the environmental accessibility which refers to how accessible a place is to a group of people. This kind of accessibility describes the relation person-environment, in which the abilities of a person are opposed to the environmental properties for a given place. The environmental accessibility extends to a large group of users, which includes children, elders, people walking with baby carriages or with heavy luggage, among others. It basically has the goal of equality. (Laakso, 2014)

It is clear that human navigation is a quite complex activity, essential to people in environments which require movement. It is a process which involves the association of many locomotion components, discovery of paths/routes, vision (responsible for the capture of static and dynamic information of the environment) and the locomotion medium (on foot, cars, motorcycles, wheelchairs, among others). Thus, for someone with visual impairment or movement disability, the navigation in unknown environments becomes a hard task. This happens due to the specific necessities of each individual. Consequently, many disabled people deprive themselves from exploring unknown environments because of these problems and of the risk they can offer to their security and health. (Vanclooster, Weghe & Maeyer, 2016; Brock, Truillet, Oriola, Picard & Jouffrais, 2012; Coughlan & Shen, 2013; Schmitz, Becker, Blessing & Großmann, 2011; Santos, Forest, Dutra & Almeida, 2012; Neis, 2014)

Thus, environmental accessibility has a fundamental role for those who have some kind of special need, as these individuals have many difficulties when trying to move around public environments, since such places sometimes are not adequately adapted to users with some disability, whether it is physical or visual. People with disabilities should be in constant interaction with their sociocultural medium. Although the construction of accessible places is a goal in current society, urban areas, specifically the ones for pedestrians, are often inadequate for locomotion of the elderly and disabled, since these users have greater and more remarkable needs when it comes to accessibility. Therefore, these environments still represent one of the most real examples of the difficulty of locomotion felt by people with disabilities. Thus, geospatial data play an important role in offering help in choosing the best routes according to the population needs.

However, another barrier which hinders people's independent locomotion is the lack of information about the urban environment and its accessibility. The maintenance of up-to-date databases is considerably costly, thus the availability of information about urban accessibility has been traditionally limited for many urban centers. Consequently, traditional approaches based on databases (e.g., maintained by government authorities) have appeared to be not sufficiently effective in the field, thus lowering the chances of becoming a social inclusion medium (Mirri, Prandi & Salomoni, 2016).

In order to assist the users with special needs, a geospatial database must contain the maximum amount of information on the characteristics which affect the accessibility, since the pedestrians locomotion mediums are extremely large and suffer constant changes in their structure. Thus, crowdsourcing, social media and Volunteered Geographical Information (VGI) offer a great potential to the collection of data at pedestrian level. The OpenStreetMap – OSM (www.openstreetmap.org) is one of the most representative examples of dynamic maps. It is a voluntary project offering the users an online map, which grows with the help of non-official sensors, i.e., amateurs which contribute daily with information updates. (Qin, Aburizaiza, R. Rice, Paez & M. Rice, 2015; Laakso, 2014; Antoniou & Skopeliti, 2015; Basiouka, Potsiou & Bakogiannis, 2015)

The mapping of dynamic geographical phenomena is a hard task, due to the frequency of changes they are subject to. In urban areas, for instance, pedestrian walkways and the transportation infrastructure

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are among the ones which suffer the most with frequent changes, since they are affected by obstacles in sidewalks, construction detours, among others. For individuals with vision and mobility disabilities, changes in pedestrian walkways (even temporary) may cause various problems, due to the necessity of route change, inconvenience and the risks posed to their safety and health. Thereby, the updated mapping of these areas becomes something essential. Nevertheless, remote sensing and automatic characteristics extraction, in this scenario, are not a realistic approach, due to the cost and the requirement of frequent updates. Hence, a different approach is needed. Thereby, VGI, which is based in a new form of participative mapping and in the use of crowdsourcing, has been successfully applied to the mapping of such phenomena. (Brock et al., 2012; Wen, 2013)

It is generally accepted that maps offer significant help in activities like orientation, mobility and support to streets and buildings locations, as well as the estimate of the directions and distances between points. A great number of people with visual impairment use technology to perform tasks in their daily life. The increasing use of computers, smartphones and tablets can offer efficient forms of interaction, transforming these devices into valuable tools to offer users an intuitive interface, dedicated to improve their visualization and mobility. As a result, mobile platforms are rapidly evolving, aiming the development of supporting technologies. Recently, various smartphone apps were developed with the goal of helping disabled people. Such tools, although promising, still have proven incapable of offering some detailed information about the location of the user, such as precise orientation with respect to a pedestrian crossing, current status of signaling lights, barriers and surface inclination. (Coughlan & Shen, 2013; Koukourikos & Papadopoulos, 2015; Laakso, 2014; Prandi et al., 2014)

In the recent years, it could be noticed a constant effort to the development of applications capable of detecting such problems, making VGI a potential solution. Maps based on OSM arose with a variety of purposes, such as skiing, walking or public transportation. In addition, applications and projects like OpenRouteService and Open TripPlanner demonstrate VGI can represent a reliable source to the development of pedestrian routing and navigation software solutions applied to disabled users. (Laakso, 2014)

Moreover, we are witnessing the emergence of a new era of online geographic tools like Google Maps, Google Earth NASA World Wind, OpenStreetMap, among others, which have attracted an immense number of users. For example, in the five largest European economies, 50% of users access online maps through their personal computers, and 35% through mobile phones daily. However, not all people can have access to this type of information due to its graphical nature. Some groups of users, such as the visual impaired, are examples of it. (Calle-Jimenez & Luján-Mora, 2015)

This chapter discusses the importance of Volunteered Geographic Information applied to accessibility, demonstrating the efficacy of this phenomenon in the reduction of mobility problems, providing essential information in the context of physically and visually disabled people. In addition, the chapter presents a literature review, comparing and highlighting the strengths and weaknesses of existing research using VGI and crowdsourcing to mitigate accessibility issues for those user groups.

The next section introduces some relevant background concepts and discusses the motivations for development of VGI and crowdsourcing systems to physically disabled and visually impaired people. Then the following section describes how VGI and crowdsourcing phenomenon can help reduce the locomotion difficulties of disabled people. Then the next section highlights current researches and innovative accessible applications based on VGI and crowdsourcing to assist disabled people in their navigation activities. Finally, the last section concludes de chapter and points to future directions.

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BACKGROUND AND MOTIVATION

This section presents some of the motivations for the development of solutions using crowdsourcing and VGI aiming to mitigate accessibility issues encountered by physical and visually impaired.

Physically Disabled People

According to World Report on Disability (2011), "Disability is part of the human condition. Almost everyone will be temporarily or permanently impaired at some point in life, and those who survive to old age will experience increasing difficulties in functioning. Most extended families have a disabled member, and many non-disabled people take responsibility for supporting and caring for their relatives and friends with disabilities" (p. 3).

According to World Health Organization (WHO), disability is a generic term, which encompasses activity limitation (difficulty in the execution of a task or action), participation restriction (problems caused to an individual when getting involved in daily life situations) and other disabilities in general. It can be represented as a problem in the body function or structure. (World Health Organization, n.d.b.).

Physical disability is characterized by complete or partial alterations which can affect one or more segments of human body, compromising its physical functions. People with such limitations have difficulties when performing their daily activities, like moving from one place to another; and therefore, many times, depend on other people for the execution of those. (Silva et al., 2015)

This limitation hinders the execution of simpler tasks. Frequently, the basic activity of moving becomes arduous, depending on other people's help to their execution. Wheelchair users, for instance, have a multitude of problems when trying to move through external environments. A simple deformation on the sidewalks surface can offer risks to the health of these individuals, resulting in accidents. However, construction companies do not frequently follow these rules and many environments are built in a way which does not offer the proper accessibility to the physically disabled people, preventing the utilization and locomotion through these places by this group of users.

Thus, the utilization of human sensors, in this context, can be extremely useful. Applications can, through the VGI techniques and crowdsourcing, offer information about the environments, presenting those who possess the proper alterations to accommodate the physically disabled people or relating the problems found in the attended places. So, as one identifies any type of problem in the environments used, one can insert information in the systems, about what type of inadequacy was found, like tight corridors, inexistence of accessible restrooms, inadequate surface elevations, among others. The utilization of the traditional mediums of acquisition of geographical information in this kind of situation is unfeasible due to the cost needed to update the data in a timely manner to the provision of correct information to the users.

Blind People

An individual characterized as blind has either the total loss of the visual capacity or only the loss of light perception. The one identified as having low or reduced vision, presents a reduction in the visual capacity, only being able to detect masses, colors, shapes, having limitations in long sight, and only having the possibility of identifying objects when they are close. One also presents difficulty to notice

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visual aspects such as: disproportional features in space, tridimensional representations, composed shapes, depth, movement, objects or materials over similar backgrounds, objects with low light and distinctive details in the forms and inside the figures. The individuals with this kind of disability, in spite of having great capacity of adaptation through other senses, still present some limitations like, for instance, the limitation of the communication capacity, considering that the process of communication consists of receiving, processing and transmitting written and or body information; and the capacity of locomotion, since, for example, individuals which are visually impaired use other senses to move in safety. (Brock et al., 2012; Coughlan & Shen, 2013; Favretto, Carvalho & Canini, 2008; Martinez-Sala, Losilla, Sánchez-Aarnoutse & García-Haro, 2015; Liao, Rakauskas & Rayankula, 2011)

Human beings gather information about the world through multiple sensorial channels (touch, audition and vision) and share them to enhance their comprehension of the world. Over many years, cartographers developed symbolic methods for encoding and communication in order to make spatial information available graphically. However, those strategies are being strongly studied with respect to their form and function, since, generally, the conclusion of these cartographic processes depends mainly on the vision as a medium of interaction. Nevertheless, some people, like the visually impaired, do not have the required visual acuity to the creation, use and comprehension of the traditional maps. Then, as an alternative for this group of users, several professionals of this area developed methods to adapt or substitute the presented information visually through other sensorial domains. (Rice et al., 2013)

The constant growth of the utilization of the technology and mobile applications increases the access to information available in the web, including geographical information. Nonetheless, for people with visual impairment, this interaction is hard when the maps are not accessible. Not all people have access to this kind of information through their devices due to the graphical nature of this geographical data. Visually impaired people, for instance, can have problems when trying to make use of this kind of application. (Calle-Jimenez & Luján-Mora, 2015)

Individuals with this type of disability, despite having great capacity of adaptation through other senses, still present some limitations, like the safe locomotion. Human navigation is a behavior which depends mainly on the vision, since it is through it the individuals capture a great amount of the information around them. Therefore, for a person with visual impairment, the locomotion becomes very hard. These individuals face great challenges when trying to move around external or internal environments due to the complexity of the environment around them and the presence of obstacles in their path (Koester, Lunt & Stiefelhagen, 2016).

Therefore, many of the visually impaired people desire to have the freedom and safety to explore the great variety of existent environments, just like the ones without this disability do. For this purpose, various types of studies are being developed to help the mobility of this group of people. Allied with the mobile technology, present in people's daily life, navigation apps based on maps and routing offer significant help in matters like orientation, mobility and location support, as well as the estimate of the directions and distances. Thus, a great number of people with visual impairment use these technologies to help their locomotion. However, this kind of people usually finds great obstacles to the access of spatial information, since the interaction with this type of application is performed mainly through the vision.

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Accessibility Issues (Problems Related to Accessible Environments or People With Disabilities)

According to the United Nations (2007), "Accessibility is about giving equal access to everyone. Without being able to access the facilities and services found in the community, persons with disabilities will never be fully included. In most societies, however, there are innumerable obstacles and barriers that hinder persons with disabilities. These include such things as stairs, lack of information in accessible formats such as Braille and sign language, and community services provided in a form which persons with disabilities are not able to understand. Although some of the more costly accessibility provisions in the Convention can be implemented progressively, there are a number of low-cost, low-tech accessibility solutions that would have immediate benefits".

According to ABNT NBR 9050 (ABNT, 2015), accessibility is defined as the "possibility and reach, perception and understanding condition for utilization, with security and autonomy, of housing spaces, urban equipments, edifications, transportation, information and communication, including their systems and technologies, as well as other services and installations open to the public, of public or private collective use, in both urban and rural areas, by a person with disability or reduced mobility".

Therefore, accessibility is fundamental in all environments of collective usage. In order to be considered accessible, an environment must offer conditions to come and go with independence, comfort and safety whether the displacement is horizontal or vertical, with or without stairs, corridors, ramps and elevators, or any other medium, being properly signaled, if necessary, by plates, signs and any essential information. Thus, the presence of any kind of obstacle which can hamper this capacity is considered an architectonic barrier. (Silva et al., 2015)

Human mobility is related to various factors such as age, health, and/or social and economic status, and is directly related to the development of the cities, since all human actions involve movement around the space. Thus, locomotion difficulties can impact in a variety of areas, such as: economic, social, and even environmental. The equalization of the possibility of locomotion for various publics means making the social functions of the cities accessible to all. Nevertheless, urban locomotion is directed to assume that perfect mobility is something guaranteed, since motorization becomes more and more universal around the world. Thus, all exceptions to this rule tend to be treated as deviations, relating with social groups which are currently in disadvantage. The accessibility is, therefore, the way to make the urban space and city mobility socially just. In this sense, accessibility can support the sustainable urban development. (Abitante & Lima, 2014; Taylor & Józefowicz, 2012)

Accessibility is connected to both mobility factors and the physical environment, and must enable the displacement of the individual with plain safety. Thus, the possibility of locomotion is a fundamental aspect of the human being, whether disabled or not, directly related to sensations, perceptions, social history, social, economic, cultural and environmental contexts, among others. Consequently, accessibility offers access to all services, according to the necessities presented by people, at all levels of attention. Hence, the more individuals stay in environments which restrict their mobility and accessibility, the greater will be the difficulty for them to reach a plain and autonomous life. (Amaral et al., 2012; Taylor & Józefowicz, 2012)

One of the main challenges faced by people with disabilities is represented by the various problems of accessibility which can be found in the streets or in the development of their daily lives involving locomotion. Flooding, holes in the streets, objects inconveniently discarded in the streets, among others, are some of the questions which bring discomfort to all citizens, in addition to creating locomotion

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barriers to the disabled. The problem is not just the structure of the locomotion mediums, which affects where and how people move, but mainly the lack of mechanisms to determine the accessible areas of an environment. (Cardonha, Gallo & Avegliano, 2013; Hara, Le & Froehlich, 2013)

The US Department of Transportation and the US Access Board, for instance, describe some of the problems which hamper the accessibility of pedestrians, including: the lack of well-connected paths to destinations like schools, problems in the streets surfaces - blocked temporarily (by a vehicle, for instance) or permanently (light poles); hard crossing of tight streets and sidewalks with less than 60 inches (hampering the locomotion of wheelchair users) (Hara et al., 2013). Therefore, it can be noticed that accessibility is a fundamental factor in the life of the disabled people, once those need specificities in the execution of their activities.

Besides, the utilization of geographical information is currently becoming more and more important in society. Maps can help various people in their daily needs, such as children coming back from school, women avoiding unsafe areas at night, parents pushing baby carriages, among others. Nonetheless, the major part of this kind of information is inaccessible to the users with visual disability, once the interaction with these applications is performed mainly by vision, and usually made available through interactive maps. In addition, this group of users needs the knowledge of several characteristics of the environment in order to move safely and adequately, as sidewalk accessibility, points of interest, among others. However, this is not offered with efficiency by the current geographical data providers, due to the high costs and slowness in the collection of this type of information using only the traditional mediums. (Mirri et al., 2016; Kaklanis, Votis & Tzovaras, 2013a; Kaklanis, Votis & Tzovaras, 2013b; Prandi, Soave, Devigili, Amicis & Astyakopoulos, 2014)

HOW CAN VGI AND CROWDSOURCING MITIGATE ACCESSIBILITY BARRIERS?

One of the great difficulties to the production of accessible applications is the lack of details about the locomotion environment of the disabled public, such as the infrastructure of the pedestrian walkways, fixed and transitory obstacles, among others. These characteristics are important, since their presence can prevent or hamper the locomotion of this public in the place or even cause accidents, posing risks to the individual health.

If the information about areas used by pedestrians were reliable and complete, it would be possible to increase the number of pedestrians and the amount of physical activity performed by people in general. Thus, environments could become more accessible, offering the users the required information for the provision of accessible routes and about barriers and objects which hamper locomotion. (Laakso, 2014)

Therefore, crowdsourcing has recently received great attention, due to its capacity of providing with efficiency data and geographical synthesis. This technique has proven to be a new resource to make information more accessible, excluding precision gaps and gathering intellectual power of human beings. Due to its efficiency, it has obtained great interest from researchers from a variety of fields, starting from more specific to broader fields, even reaching the context of social media, demonstrating its importance and potential.

Along with that, during the last decade, the emergence of VGI offered an alternative to the provision of spatial data. The mechanisms used for acquisition and the nature of VGI can provide competitive advantages over official data, such as: the knowledge of the place, the update frequency, cost reduction

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to data acquisition and maintenance, temporal relevance, social and community engagement, among others. These benefits are intrinsically related to the participation of the public in the GIScience community and demonstrate crowdsourcing can serve as an essential technique in computational projects with geotechnological objectives, due to its association with the community, the final users and its real world application. Thus, these characteristics have drawn attention of both researchers and private sector institutions. This kind of information can enrich, complement or update datasets, products, or become the only source of such data. (Antoniou & Skopeliti, 2015; Rice et al., 2013)

Besides that, the advance and participation of technologies such as Global Positioning System (GPS), Internet, geospatial communication, mobile and wireless communication, automatic sound recognition and image recognition can offer alternatives to the development of solutions which can assist the sensorial capacity of disabled people, helping their displacement, security and health. However, even with the whole potential presented, these technologies are not well used in the field of accessibility, ignoring important factors like the special needs of each individual, environmental characteristics, among others (Mostafavi, 2015; Takagi et al., 2013)

Then, the union of all those characteristics makes the VGI approach a suitable alternative to be used in environments in which the frequency of changes in space is very high, which is the case with the environments used by pedestrians, generating great opportunities in the research field.

VGI and Crowdsourcing to Improve Accessibility

According to World Report on Disability (2011, p. XI), "Across the world, people with disabilities have poorer health outcomes, lower education achievements, less economic participation and higher rates of poverty than people without disabilities. This is partly because people with disabilities experience barriers in accessing services that many of us have long taken for granted, including health, education, employment, and transport as well as information. These difficulties are exacerbated in less advantaged communities".

Currently, much research is being developed to analyze the feasibility of the usage of human sensors and/or crowdsourcing to provide accessibility to visually and physically disabled people. In this field, therefore, it is worth mentioning some studies which have the objective to provide accessible maps with relevant geographical information for the disabled people and others which aim at providing accessible routes based on the users' limitations.

Some applications whose objective is to help the user in its navigation can be highlighted in the context of the physically disabled people. This can be done through the presentation of maps capable of exhibiting information directed specifically to this group. These can be locals and areas (restaurants, stores, boulevards, among others) which present adaptations to the perfect utilization by the physically disabled person, whether through restrooms, routes or any adaptation which enables the accessibility. Such information is obtained through the participation of the users in the system, informing the places which present the satisfactory adaptations and also the problems in this context.

Yet in this group, the creation of applications and research which work with the categorization and presentation of adapted routes using crowdsourcing has currently grown, for instance: studies on the collection, processing and presentation of the more viable routes for this public, considering their limitations. Thus, a map capable of generating accessible routes based on the specificities of the user and environment characteristics is commonly used.

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With respect to the visually impaired people, a great amount of studies have emerged to facilitate the access and provision of information originating from maps through alternative mediums other than the visual channel (e.g., audio, vibration, among others). These individuals face daily a multitude of problems. The simple activity of crossing a busy street becomes something extremely hard due to their special needs. Therefore, the provision of geographical information capable of presenting which places have the required adaptations for the usage of this public (e.g., audible street signals or tactile paving) becomes essential.

Finally, as for the physically disabled people, some applications also emerged with the goal of generating the best routes (most accessible) to the user with some visual limitation. In this context, the main goal is to propose, considering the user's needs, the routes which have less obstacles, which can be: holes in the streets, steep slopes, trees, or any kind of change in the environment, whether it is fixed or transitory, capable of posing any risk to the health of the disabled person.

For the development of such applications, increasing efforts have been directed to use VGI and/or crowdsourcing as the origin of the information, whether for updating any internal information in a map of the application or to calculate accessible routes to the users with the described special needs, among other purposes.

ACCESSIBLE APPLICATIONS AND RESEARCHES

Any person, in order to develop some activities, necessarily has to get around from one place to another. But when this action is performed by the disabled people, the mobility is impaired due to their special needs. Locomotion for disabled individuals is a complex task, since they require tools adapted to their needs or some help of other people to facilitate their mobility. Moreover, if the environment has obstacles, this task becomes even more difficult, since these can block the passage of those with some disability or even offer them health risks. A wheelchair user, for example, requires unhindered passages that enable their navigation with the wheelchair. Therefore, steep slopes and narrow corridors can prevent the passage of these persons in certain environments. In the case of visually impaired people, the situation is also critical, because these individuals generally cannot get a detailed description of the environment around them, making it impossible for them to detect barriers, mainly transient, like potholes, slopes or any kind of obstacle in locomotion surfaces. Thus, these can easily suffer accidents.

Short-lived obstacles, such as obstructions on sidewalks, detours caused by construction and damaged surfaces are unpredictable and, therefore, considerably difficult to be detected in traditional mapping systems (Qin et al., 2015). The detection and rapid geographical location of transient obstacles can be of great help for the visually impaired (Rice et al., 2013). For that reason, alternative means should be developed to fill that gap. Some of the alternatives proposed by researchers aimed at solving this problem are described below.

Jayakody, Murray and Herrmann (2015) propose a model to help visually impaired people in indoor environments they are not yet familiar with, such as universities, hotels, houses and restaurants. Users usually use white canes, GPS navigation devices and guide dogs to assist them in these tasks. However, these instruments and animals do not provide sufficient information for the visually impaired to properly navigate in indoor spaces. The authors propose a mechanism for collecting useful information on locomotion areas and obstacles in internal environments (e.g., wash room, lift lobby, stair case, walls

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and doors), based on a mobile application that works with a set of sensors; and on information extracted from the web about Points of Interest (POI). Moreover, they propose a method of automatic labeling/tagging maps with semantic information on internal environments (e.g., room names, room description) to assist visually impaired navigation. This participatory methodology allows users to contribute with information on indoor environments in a collaborative way through their mobile devices. The use of cameras and internal sensors of the devices can increase the reliability of semantic information added to a crowdsourcing database.

Rice et al. (2013) propose a crowdsourcing system that consists of a base map and information on barriers and hazards environments. Such information may be represented in the form of events, such as those related to construction activities. The information is collected through crowdsourcing combined with Ambient Geographic Information (AGI) acquired from geosocial networks and by traditional means, that is, from government, state or municipal entities. Obtained data are geotagged using a method based on a gazetteer, filtered, labeled and evaluated in terms of quality. Finally, relevant information on obstacles hazardous sites is presented on a hybrid system.

Rice et al. (2013) argue that local construction activities, such as fencing across walkways, are usually mapped by authoritative entities. On the other hand, more transient obstacles, such as the temporary delivery of bulk construction materials onto a public right-of-way, are not mapped by these entities because of their temporary nature. Thus, through crowdsourcing, they gather information about those transient events and combine them with the authoritative reports. Although the authors propose a useful method of capturing obstacles which combine various techniques, no effort has been directed to acquire VGI information directly from the users. Furthermore, since the proposed system aims at supporting accessibility, it could be further improved by including a routing component to avoid obstacles and could provide an accessible interface to be used by their target audience.

In order to facilitate the identification of accessible environments for disabled people and wheelchair users, maps containing useful information for this public can be developed. One of the best and fastest ways to do this is to use the community knowledge. For instance, Wheelmap (http://wheelmap.org) is an online map based on VGI, available for web and mobile platforms that has the function of helping disabled people. This application can identify a variety of different environments such as gas stations, restaurants, banks, churches, medical centers, department stores, among others. Each environment is associated with a level of accessibility identified by anyone who wants to contribute. Available levels are “wheelchair-accessible”, “limited accessibility”, “not wheelchair-accessible” and “unknown”. In addition, the user can search for locations based on different categories (e.g., tourism, shopping and food) and contribute by adding new places, editing place information (e.g., name, address) and by uploading photos of entrances. Users can easily add information about accessibility through an online application or a mobile application. It is an essential application for wheelchair users, since it facilitates the identification of places with affordable accommodation and avoids unpleasant experiences.

In the field of accessible maps, the research by Calle-Jiménez and Luján-Mora (2015) can be highlighted. The authors present an alternative solution to improve the accessibility of geographic maps using VGI and Scalable Vector Graphics Tiny (SVG Tiny - www.w3.org/TR/SVGTiny12/). The proposed application allows the users to interact with the system by adding accessibility information and other descriptions of elements that make up the map, such as the presence of ramps, escalators and parking lots available. Using this tool, users can select a map element and a window appears so that they can add accessibility information about that element or location using SVG Tiny code. Since SVG is a textual representation of a map, it helps the development of accessible maps through the use of text readers.

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Kaklanis et al. (2013a, 2013c) present the "Open Touch / Sound Maps", a multimodal interactive map that replaces the visual information by alternative formats. The tool is a mobile application for Android operating system, which is aimed at improving accessibility of interactive maps for visually impaired users. Multimodal interaction is given by sound effects, Text-To-Speech (TTS) and vibration feedback, which allows access to OpenStreetMap data for the visually impaired and blind people. This application, unlike others previously described, does not implement the techniques of crowdsourcing or VGI directly. Rather, it relies on data from OSM, which is a comprehensive platform based on these techniques. Thus the intention of the authors is not the production of information from the collaboration of the community, but the availability of information to your target public (visually impaired people). This application enables the retrieval and the tactile exploration of any area of the map through a mobile device running Android, with the help of sound effects and messages generated by the TTS.

For the visually impaired, there is a need to identify routes that offer less risk to the user's health (routes that have fewer or less dangerous obstacles). As this user group has disabilities in an aspect of great importance to locomotion (the vision), they have to overcome this difficulty through the use of other senses. Thus, applications aimed at suggesting routes for the visually impaired must provide an essential feature: an accessible interface, which provides to individuals forms of usability which consider their needs. We now present some studies that aim at providing navigation features through accessible interfaces.

Zeng and Weber (2015) discuss the difficulty that the visually impaired have in navigating in an external environment and in finding access ports (entrances) to the unknown internal areas such as entrances of shopping malls, hotels and shops. One of the factors that cause this difficulty is the spatial complexity around the entrances of these locations (e.g., presence of trash cans, stairs and alternative corridors). From this, the authors propose the Coach system, a tool that unites crowdsourcing technology, location-based services and vibration effects and audio outputs in a mobile application. This research assumes that the currently available wayfinding systems by mobile devices cannot function properly near entrances because of GPS signal loss. Thus, the authors use information on environmental accessibility, like difference of textures in a way, and crowdsourcing information to help visually impaired people located in environments around the entrances and help them on the routes to these.

This research uses the crowdsourcing technique in two user groups. A group is formed by people who have normal vision and are volunteers who contribute information about environmental accessibility. This group is responsible for providing, through their mobile devices, structured information (presence of automatic doors, attached stairs or tactile paving) on a particular location. The other group is made up of visually impaired people who receive, on their mobile devices, the information provided by the first group to support navigation. This group is responsible for sharing their experiences providing unstructured information (text or audio recordings) about their experiences and the accessibility of a given environment. [Zeng& Weber, 2015]

Zeng and Weber (2015) offer a fairly complete system covering obstacle detection, accessible interface, generating routes and a component that the user guide to their destinations. In addition, the authors use the crowdsourcing technique both to get information from people who have no disability as for the experiences of the visually impaired. However, it is a very specific application intended only for providing a navigation system for detecting access to internal room doors. The way the crowdsourcing technique was used (accessibility information from user disabled and non-disabled) could be extended to navigations applications in outdoor and indoor environments.

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Prandi et al. (2014) present the mPASS application (mobile Pervasive Sensing Social Accessibility). It is a system which aims to assist in the navigation of people with disabilities, by collecting data on urban accessibility and providing accessible paths and maps to citizens. The application uses experts, sensors and techniques of crowdsourcing and crowdsensing to obtain data. These techniques are responsible for detecting the accessible features of the environment and to adapt the routes to the limitations and preferences of each user. The authors introduce the term Accessibility Points of Interest (aPOI), which represents the presence or absence of a barrier. Thus, the users can share, through the mobile tool, their experiences in finding different aPOI and categorizing them according to the level of accessibility. From this, the system is able to generate routes based on the users profile and the categorization of aPOI provided by the users. Moreover, aiming at providing useful visual information, the mPASS can also capture multimedia information, such as pictures and videos. The mPass provide for disabled people a way to avoid environments unsuitable for their limitations, as steep and uneven surfaces. Through the application, users can prioritize paths that have ramps and accessible features. The system can avoid paths that have obstacles and risky crossings.

Table 1 compares the researches discussed above by identifying a set of desired features for an application aimed at improving accessibility for physically and visually impaired people. We believe that an ideal application should include all the features shown on the Table 1. Physically and visually impaired people suffer from the presence of obstacles in the environments they navigate, both indoor and outdoor environments. A feature to automatically detect barriers would be extremely useful, such as those based on movement patterns or by image analysis. However, unfortunately, envisioned solutions still have many drawbacks, such as those related to computational costs, financial problems or privacy. For example, movement pattern analysis depends on the continuous collection of the user's location (through the device's GPS), leading to excessive consumption of device's battery and to privacy concerns. Solutions

Table 1. Comparing the researches by a set of desired features

Research	Navigation Environment	Crowdsourcing	VGI	Obstacle Identification From VGI or Crowd-Sourcing	Accessible Interface	Routing Based on Crowd-Sourcing or VGI	Guided Navigation
Jayakody et al. (2015)	Indoor	X	X	X			
Rice et al. (2013)	Indoor and Outdoor			X			
Wheelmap	Indoor and Outdoor			X			
Calle-Jiménez and Luján-Mora (2015).	Indoor and Outdoor	X		X	X		
Kaklanis et al. (2013a)	Outdoor	X	X		X		
Kaklanis et al. (2013c)	Outdoor	X	X		X		
Zeng and Weber (2015)	Outdoor				X		X
Prandi et al. (2016)	Outdoor	X		X	X	X	
Aplicação ideal	Indoor and Outdoor	X	X	X	X	X	X

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based on computer vision to detect barriers from web pictures, for example, are not yet sufficiently accurate and are still costly. In this context, VGI-based techniques appear as suitable alternatives to identify barriers, even though this is not an automatic detection approach.

As users have different levels of limitation, there is a need for the development of a mobile client application equipped with a multimodal interaction interface. Moreover, the generation of routes avoiding obstacles would be an essential feature in these applications. As the automatic routing may contain errors, the VGI technique could help in this context, that is, the system could record the route of users, evaluate them as the presence of barriers and make them available in the system for use of the community. Audio and video messages about the environment could also be shared among users, aiming to provide information on a location in question for new users in that area. Finally, especially for visually impaired users, navigation functionality based on sound messages would be extremely useful. Users with this limitation need alternative ways to get located in relation to physical environment components. This can be easily implemented through the accessibility features available on mobile devices (e.g., Talkback present on the Android platform).

AN ACCESSIBLE PLATAFORM BASED ON VGI AND CROWDSOURCING

A research aimed at providing accessible outdoor navigation for visually impaired people is being conducted in our labs. We have developed a platform based on VGI and crowdsourcing to provide obstacle detection, recognition of users' environments, routing avoiding barriers and guided navigation. The solution comprises a mobile app equipped with an accessible interface which produces vibratory effects and sound messages.

The platform consists of four components, as shown in Figure 1. The map server retrieves information from the OSM service. The Talkback (accessibility service available on Android devices) provides the

Figure 1. The VGI-based platform

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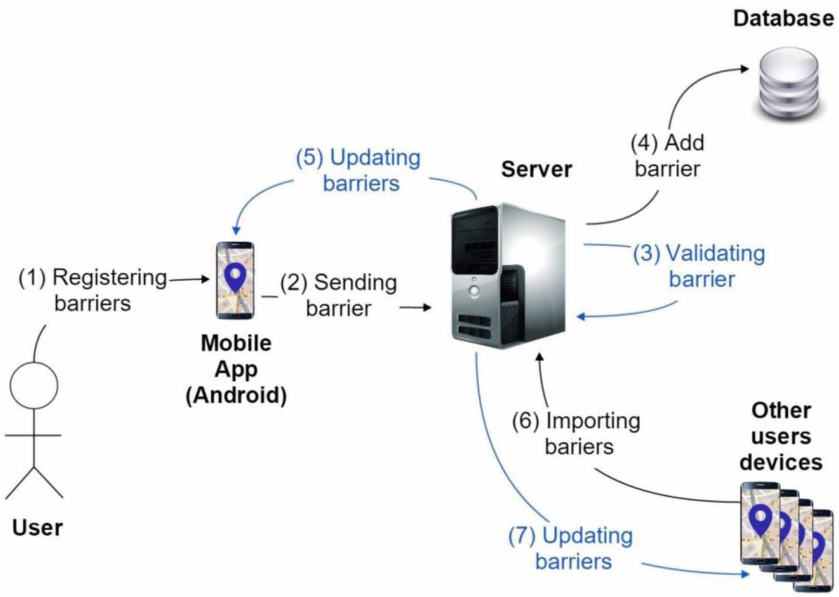
audio messages. The server is designed to receive, process and store information reported by the users. Finally, the client application (Mobile App) provides information to the end users and provide features to collect volunteered information.

Figure 2 describes the process to report and visualize barriers in the platform. The numbers shown on the picture represent the order of actions within the process. First a user reports the barrier on the server using the mobile application, specifying its type (among several types available, e.g., public phones, elevation, tree) and its dangerous level. The server registers the barrier report in the database and performs validations on the data. Then barrier information is made available on the platform so that other users can view it on their own devices.

The accessible interface of the mobile app explores a variety of tactile gestures capable of running on Android devices was developed. The tool recognizes different touch commands (double-click, single click, drag fingers) and associates each of them a kind of action. For example, the double click command focuses the map at the selected location, facilitating the exploration and recognition of areas outside the initial focus; the movement of dragging fingers returns auditory messages containing the names of selected locations (e.g., streets, avenues). The output information or instructions for users are available through sound effects and audio messages.

In order to provide greater comfort for the visually impaired, when the application starts, the map is centered on the current position of the user. This is intended to facilitate navigation and identification of the individual's position in relation to other map elements due to their needs. Such elements include Points of Interest (POI), obtained from a set of external services. As the barriers represent a great danger for the visually impaired, the proposed solution provides participatory means of identifying barriers, both fixed and temporary. Beyond providing information about elements on the user environment, the tool is able to warn the users about barriers during their navigation.

Figure 2. Collecting and using barriers information



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Among the main challenges in providing such a VGI service is the development of algorithms to perform validations and analysis on the reported data. In our research, significant efforts have been made in this direction. Several data quality issues must be considered in this task, since the location of a certain barrier differs considerably among different user reports. Moreover, the inaccuracy of information collected by users' GPS sensors adds significant challenges to the process, because the expected accuracy for this kind of information (i.e., barriers to be avoided by visually impaired) is much higher than in other location-based services.

CONCLUSION AND FUTURE DIRECTIONS

Physically and visually impaired people face serious locomotion difficulties in the various environments that are part of their daily activities. Often, small details such as trees, narrow hallways, small holes and slopes in surfaces can influence the locomotion, causing discomfort and offering danger to the health of these individuals. These people need effective solutions that can solve these problems, since mobility is essential to the development of the day-today tasks of any person. Therefore, it is clear that there is a great need for resources that can assist the navigation of this group of people; solutions that can indicate which environments are adapted to the needs of the individuals and the best paths to get to their destinations, considering the specificities of each disabled person.

However, one of the great difficulties in developing software to help disabled people in their navigation is to obtain detailed information about the environment, since many cities and countries do not have up-to-date databases that provide useful information on their physical space. Moreover, environments which have such information do not usually include certain details that are sometimes crucial for these people's navigation (e.g., trees, poles, holes and surface unevenness). These obstacles (fixed or transient) can strongly influence the movement of people with special needs, offering danger to their health and safety. Thus, the use of VGI and crowdsourcing techniques in applications for this purpose has been considerably efficient due to the volunteered methodology of data acquisition, low cost of the process and update speed.

Nevertheless, systems based on VGI or crowdsourcing have major challenges to be built, such as those related to the reliability of the data entered into the system, usually by thousands or millions of users who insert information several times a day. According to Coleman (2013), one of the main difficulties encountered in developing systems that have VGI as the basis is how to assess the credibility of the users and the quality of their contributions. However, methods of analyzing reputation, adapted for the kind of systems discussed in this chapter, have not yet been sufficiently developed.

Another problem still encountered in the development of VGI applications is the community participation (Chow, 2013; Qin et al., 2015). This is an essential feature in the application maintenance, since it depends on the users' motivation to keep inserting and updating data. Some application discussed in this chapter, such as those for help navigation avoiding barriers, face particular problems related to the users' motivation, since the number of reports for a barrier decreases considerably when the information is already available on the system. That is, the users will not report a barrier if the system is already aware of it. However, the system needs as much information (i.e., user reports) as possible to increase accuracy and to deal with temporary barriers. Thus, considerable efforts should be made to develop suitable methods of providing society awareness and user motivation in this kind of systems.

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KEY TERMS AND DEFINITIONS

Accessibility: Ability to provide the inclusion of disabled people in the participation of any activity.

Barrier: Object that offers danger or discomfort to an individual and that is located in their path.

Disability: It is an intellectual, cognitive, sensory, mental or developmental impairment of an individual.

Location-Based Service: Software-level service that handles location-based data.

Mobility Impairment: Physical impairment that impairs an individual's mobility ability. Persons affected by mobility impairment often use assertive devices such as wheelchairs and artificial limbs to obtain mobility.

Multimodal Map: Map that enables interaction through other senses beyond vision.

Short-Lived Obstacles: Obstacles that disappear with the passage of time (for example, trash and stones).

Visual Impairment: Visual impairment that, even with the best optical correction, partially (between 40 and 60%) or totally compromises the vision.

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Chapter 30
Designing Effective Crowdsourcing Systems for the Healthcare Industry

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ABSTRACT

This article describes how healthcare faces many challenges. Among them is the inability of patients to seek and receive treatment based on their preferences. Patients characteristically pursue solutions to their medical problems that suit their individual needs. However, care providers and other stakeholders including healthcare insurance providers seem to 'limit' patients' ability to access affordable and quality healthcare. Discourse in prior research has indicated that the use of crowdsourcing may provide patients access to treatments that can solve their medical problems. This article is an extension of extant research that describes the main challenges facing healthcare. It advances current research by presenting ideas through which these challenges can be mitigated. The core ideas proposed encompass the elements of crowdsourcing systems that will include participation of individuals in the crowd without any bias, enable knowledge sharing among all members of the crowd, and provide opportunities for testing the solutions proposed by the crowd.

INTRODUCTION

Worldwide, healthcare remains a challenge in numerous aspects – quality of care, high costs of care, patient access to care. Crowdsourcing has been suggested as a way to solve healthcare problems (Ghosh and Sen, 2015; Kamajian, 2015), especially when the disease is uncommon and remedies are not readily available (Ghosh and Sen, 2016; Sen and Ghosh, 2018).

Many have defined healthcare as a unique problem (McCartney et al., 2013)– customers or patients have the most 'stakes'; however, the least power and control to make decisions and choices regarding

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their care. For example, in the United States people often have to select a physician (care provider) based on their health insurance providers' recommendations, rather than having the choice to suit their own health needs and preferences. Similarly, during most times, treatment plans are dictated by the care provider's convenience rather than the patient's preferences. Crowdsourcing may help alleviate these issues (Blohm et al., 2013; Budescu and Chen, 2015; Ghosh & Sen, 2018; Prpic et al., 2015; Ranard et al., 2014; Xu et al., 2016). When a patient crowdsources their health problem, the inputs from the crowd may not 'bear' the bias of stakeholders (such as physicians, insurance providers, pharmaceutical companies), thus providing the 'latitude' to patients to make choices that suit their personal preferences and choices. In recent times, crowdsourcing has been typically used to generate ideas to solve medical problems (McCartney 2013), as illustrated with the advent of platforms such as CrowdMed, a crowdsourcing system that engages the crowd to find solutions to rare medical cases.

The healthcare industry faces different types of problems. These have been classified as (1) Known Known (2) Known Unknown (3) Unknown Unknown (4) Unknown Knowns (For more details on these classifications, please refer Ghosh and Sen, 2016). However, each of the four types of healthcare problems has its own challenges based on the different types of obstacles to solving the problem. This paper attempts to classify these problems and provides suggestions for an effective healthcare system that has helpful solutions.

THE FOUR HEALTHCARE CHALLENGES

The *"Known Known"* Problems: In spite of a solution to a medical problem existing in certain parts of the world, the answer does not appear to be "generalizable". Sometimes, the opposition to generalizability can come from ignorance based on superstition or beliefs that do not emanate from scientific evidence. On other occasions, the resistance may come from groups that have a vested interest in maintaining the status quo. This could occur when a particular company or sector of the industry will see their sales or profits decline if more globally efficient medical solutions emerge.

The effective antidote to these problems are:

1. Increasing the population of voters within the crowdsourcing system that alleviates the impact of block voting by vested interests (Surowiecki et al., 2007). This can be done by designing crowdsourcing systems that attract maximum number of interested individuals. The crowdsourcing system should promote participation to maximize the involvement of the crowd. Mechanisms within the system should enable individuals to participate without restrictions. There should not be any filter as to which individuals or entities may or may not participate. The crowdsourcing system should be equipped with internal procedures that can organize, filter, and integrate crowd contributions.
2. Having rigorous entry requirements into the crowdsourcing systems that rule out a disproportionate impact of voting blocks. Once the crowd containing individuals from varied backgrounds provides inputs on the type of disease by specifying the name, symptoms, diagnosis, and prognosis, a crowd voting mechanism can be applied where input from the crowd is aggregated.
3. Incorporating rules in the crowdsourcing system that include an equitable representation of the total population of the crowd. Hence, algorithms within the crowdsourcing system should be present to operationalize equitable representation by assigning equal weights to inputs coming from all sources, irrespective of their affiliation, background, and subject-matter expertise.

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The above solutions reflect attempts to prevent the "true" median of the wisdom of crowds being displaced because of poor selection, a disproportionate influence of different parties with vested interest. Thus, the solutions attempt to arrive at the "true" median of the crowd's wisdom.

The "Known Unknown" Problems: In these cases, a large group of interested entities are all working towards the same goal but are not necessarily collaborating in the most efficient way. One of the reasons might be that elements of the crowd may have loyalties to their original organizations (affiliations). This could prevent critical nuggets of information from being shared across the entire population of the crowd primarily due to the fact that individuals participating in the crowd would have their own agenda to 'push.'

In order to prevent this, the crowd must be designed to foster interaction across its different elements. Thus, before the main task is given to the crowd, a series of starter "mini" exercises could be given to different groups within it. These groups should be designed so that they incorporate individuals from different organizations. Over time, a sense of trust across the individuals forming the crowd is expected to develop as they work together on the mini tasks. This may enable knowledge to be effectively shared.

A challenge for these "known unknown" problems is that the nature of critical knowledge, that is essential for the cure, is not known in advance. A broad-based crowdsourcing system efficiently sharing information can over time recognize the nuanced detail of knowledge that is crucial to solving these problems. Effective interaction between the individuals forming the crowd is an important element of the crowd functioning efficiently.

According to Sen and Ghosh (2018), one way to solve known unknown problems is to request the participating crowd to propose solutions that meet certain conditions (a) whether the solution, once applied to an individual patient can be verified for its effectiveness (b) if any patient has had a encouraging experience after receiving the treatment, and (c) whether the solution is merely an opioid analgesic or does it actually treat the disease.

The "Unknown Unknown" Problems: These require the incorporation of rules that the crowd must adhere to when faced with a new challenge. Often, a new drug or diet or methodology creates a "buzz" that makes one overlook its deficiencies. These problems might be exacerbated with the impact of publicity and public relations expenditures (such as advertising). In such situations, an effective crowd should be given the task of formulating rules that judges the new treatment based on principles that adhere to proven medical practice. Effective functioning of the crowd again depends on all elements working together. Here, the best solution will include the results of medical tests that have been incorporated based on the advice of the crowd.

The "Unknown Knowns" Problems: These involves a total lack of global knowledge of a problem which is known only to a small segment of the population. Sometimes, as in the case of indigenous or 'homegrown' medicine, there is a dearth of understanding of both the principles on which the treatment is based as well as ignorance about the combination of natural ingredients used for the cure. In other instances, there is a "hit" or "miss" quality about the efficacy of a new drug. The problem in many cases is exacerbated as the incidence of the infrequent failures might be known to only a handful of unfortunate patients.

The "Unknown Known" Problems: These can be solved by establishing protocols that call for a methodical collection of all evidence surrounding a new cure or drug. These include the exact composition of ingredients used, an accurate medical description of the affected patient. Step by step, the collection of data should be aggregated to a level when a group of experts from different fields can decipher the global evidence to offer an explanation for a cure's success or failure. The whole process will necessarily be long drawn as in these instances crowdsourcing must not only deal with an extremely uneven

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distribution of knowledge, but also the likely incidence of idiosyncratic knowledge. The crowdsourcing service should therefore solicit experts not only from different fields, but also have a screening procedure that weeds out individuals who might have prejudices against medical traditions alien to their own.

Further, the efficacy of the medical solution relies on conducting standard laboratory tests and direct inputs from the patient (Sen and Ghosh, 2018). When analyzing the solution offered by a crowdsourcing system to the unknown known problems, the determination of where the solution falls in the continuum (of success and failure) must be based on results provided by technical evidence and the patient's response to the treatment.

DISCUSSION

All four problems described in this article present diverse challenges. There is no "one size" fits all answer to solve the complex nature of these problems. All require collaborations between experts from different medical traditions who work over time to establish procedures that depend on scientific tests as well as feedback from actual customers/patients. There is a strong reliance on how diverse the crowd is and knowledge sharing effectiveness of the crowd to find the appropriate solution. In many instances, either because of ignorance or vested interests, there could be hindrances towards an operative solution. However, the crowdsourcing system should establish procedures and mechanisms to enable unbiased participation and the creation of a knowledge base which in due course will provide strong evidence that pushes towards the best possible solution.

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Chapter 31
Strengths and Limitations of Social Media Analytics Tools

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ABSTRACT

The aim of this chapter is to research and present strengths and limitations of social media analytics tools used in the financial sector. Emphasis is on the business point of view that sees the social media analytics as a collection of tools that transform semi-structured and unstructured social data into noteworthy business insight. There are two main aspects of social media analytics: the technology aspect which covers identifying, extracting, and analyzing social media data using sophisticated tools and techniques; and the business aspect which interprets the data findings and aligns them with business goals. Namely, it is simply not enough to have a social media analytics tool; the tool should be strategically aligned to support existing business goals. The chapter offers a framework for easier adoption and implementation of these tools in the financial sector.

INTRODUCTION

Social media analytics is a relatively new, but fast-growing, field. The term appeared in 2009, and since then it has become a buzz word used to describe the practice of gathering data from social networks and blogs to analyze them and make business decisions. Businesses view the chance to use the vast amounts of data produced by social media users to increase brand loyalty, generate leads, drive traffic, and more. Very soon, social media analytics has become successful in finding:Which customers use social media to comment about brand or a new product launch; which posted contents on social media resonate better with customers; which social media conversations about company, product, or services are positive, negative, or neutral; who are the most influential social media followers, fans, or friends; which social media nodesare influential; which social media platforms are generating the most traffic; which keywords and terms are trending.

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The early implementations of social media analytics were related to marketing and brand management. Namely, consumer and brand discussions became the basis that enabled marketers and brand managers to create value from social media analytics.

The financial sector did not stay immune to the explosive growth of social media. Whether financial institutions like it or not, their customers have discussed their reputations and brands within social networks. However, as a highly regulated industry, the financial sector was slower in the implementation of social media analytics. The first adopters of social media analytics in finance were small private hedge funds. The growth of discussion around capital markets, equities, macroeconomic indicators, and breaking news was the basis that enabled the creation of value by social analytics for financial services. Since 2013, the implementation of social media analytics in the financial sector has evolved significantly regarding structure, depth, and breadth.

The massive use of social media analytics could not be possible without different software tools that support it. The early software tools enabled companies to monitor, listen, and measure their social media efforts. Nevertheless, the market for social media analytics tools has grown rapidly. Indeed, since 2012 it had started to consolidate when large IT providers entered the market with significant acquisitions of smaller, independent companies.

Social media analytics tools are becoming a huge business and can be divided into two broad categories: comprehensive platforms and specific solutions focused on one particular feature, like social monitoring, sentiment analysis, community responsiveness, content analysis, competitive benchmarking, and similar.

The financial sector started with social media monitoring, slowly changing focus on applying advanced social media analytics to create scores, signals, and other derived data from social media. Now, the implementation of social media analytics tools in the finance sector is oriented to the integration of social data, calculation of sentiment index, and use of text analysis as a part of risk assessment. Through intelligent use of social media analytics tools, the financial institutions can ensure enormous values for themselves. Applying these tools to the social data (tweets, blogs, posts, etc.) enable financial institutions to derive customer intelligence, understand the need for specific services or products, develop adequate marketing strategies, and transform customer relationship management into social customer relationship management.

However, besides huge potential benefits offered by social media analytics, some challenges remain. One of the big issues is a lack of standards and methods for mining social data, especially non-Cashtag data. Despite all social media potential, organizations that have implemented social media analytics tools still state complexity and lack of tangible return on investment (ROI) as a big challenge. The main question is how to make effective use of collected social media data. Also, as highly regulated organizations, financial institutions have to ensure that their implementation of social media analytics is in compliance with existing regulations and guidance.

The practical implementation shows that just using of social media analytics software is not enough, that organizations have to consider individuals in the process of analysis and interpretation of collected data. Since software tools are still in the process of maturing, organizations need to understand the limitations and risk that come with investing in these tools.

Financial organizations need to evaluate different software tools to find solutions that fit with their business goals. The concerns that can successfully implement social media analytics tools and integrate them with their business will stand to reap advantage, information, and returns. It is simply not enough to have a social media analytics tool; the tool should be strategically aligned to support existing business goals.

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Most of the financial institutions are discovering the challenges of social media analytics, and many are not sure how to proceed. The purpose of this chapter is to provide a clear analysis of the social media analytics tools used in the financial sector, to research their strengths and limitations, and to offer a framework for easier adoption and implementation of these tools in the financial sector.

BACKGROUND

Social media analytics is a relatively new and fast-developing discipline. The Merriam-Webster Collegiate Dictionary added the term *social media* in its dictionary in 2011and stated that this phrase was first used in 2004. The dictionary defines social media as "forms of electronic communication (as Web sites for social networking and microblogging) through which users create online communities to share information, ideas, personal messages, and other content (as videos)" (Merriam-Webster, 2016). Social media offer completely new and different possibilities for organizations that seek two-way communication with their customers. Social media promise real engagement where organizations also see a new way of binding their customers, new revenue opportunities, and lower costs. Nonetheless, if organizations want to achieve these benefits, in order to manage and understand customer interactions they need different methods when engaging in social media; in addition, entities have to change and adapt more quickly (Petrocelli, 2013). In order to ensure quick adaptability, today's organizations need adequate IT support, e.g. platforms that can help both of them to design, publish, and manage social media campaigns and to perform social media analytics for a deeper understanding of customers. According to Gartner (2016), the terms "social media analytics comprise monitoring, analyzing, measuring and interpreting digital interactions and relationships of people, subjects, concepts and content" (p. 1).

Based on an analysis of 27 research papers on social media analytics in the period 2008-2013, Holsapple, Hsiao, and Pakath (2014) proposed an integrated definition of business social media analytics:

Business social media analytics refers to all activities related to gathering relevant social media data, analyzing the gathered data, and disseminating findings as appropriate to support business activities such as intelligence gathering, insight generation, sense making, problem recognition/opportunity detection, problem solution/opportunity exploitation, and/or decision making undertaken in response to sensed business needs. (p. 3706)

This definition is a good starting point for further research related to social media analytics for the following reasons: first, it clearly motivates why a business should choose to apply social media analytics; second, it supports evidence-based decision making; third, it includes both external and internal environments.

Brand awareness and image are the main drivers that force organizations to start using social media. Namely, an organization's engagement in social media can improve a brand name in many ways: by providing customer education, positioning its own business as a source of expertise, giving information about the organization's philanthropic and activities in community, and providing location-specific updates that affect service availability to customers, including closings and changes in opening hours due to weather conditions (Hansche & Chen, 2014).It is not surprising that companies operating in retail and consumer goods sectors are those that are most active on social media. Facebook lists (Facebook,

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2016) the following brands with the most fans: Coca-Cola, YouTube, Red Bull, Nike Football, Oreo, PlayStation, Converse All Stars, Starbucks Cofee, and Pepsi.

Social media analytics has come into the limelight of the wide area of analytics as a result of the application of appropriate analytics capabilities to social media (and, as such, user-generated) content, in order to achieve specific goals (Holsapple, Hsiao, & Pakath, 2014). The development of effective and efficient social media analytics techniques appears important in collecting, monitoring, and analyzing social media data and in extracting useful patterns and intelligence from them (He, Wu, Yan, Akula & Shen, 2015). Recent social media analytics researchesare oriented towards sentiment analysis, insight mining, trend analysis, topic modeling, influence analysis and visual analytics. They are more oriented towards *listening* of available user-generated content, and acting upon it (Holsapple, Hsiao, & Pakath, 2014).

Although the Facebook fans' top ten list does not include any financial institution, it does not mean that financial institutions are not present on social media. Table 1 shows the first 10 of 100 banks listed according to Facebook fans (Financial Brand, 2015).

In the financial sector, social data analytics were initially adopted by a small band of hedge funds and high-frequency traders (HFTs)–mostly private (Greenfield, 2014). However, social media have become more attractive to financial institutions after their regulators published official guidelines on the subject, requiring that financial institutions include these guidelines in their risk management programs. The Federal Financial Institutions Examination Council (FFIEC) Guidance came into force in December 2013; it applies to all financial institutions that are regulated by the federal banking agencies. Since when this document was issued, the FFIEC has urged state banking regulators to adopt it for the financial institutions they oversee (Hansche & Chen, 2014).

The second crucial factor that makes it possible for financial discussions to take place on social media is the adoption of the *Cashtag*. Cashtagging is when a discussion is associated with tradable equities by attaching a "$TICKER(s)" tag to content. StockTwits started with this practice in 2008, but it was formally adopted by Twitter in July 2012. There has been an immense increase of Cashtagged discussions in the last years. In comparison with periods from 2011 to 2014, Cashtagged conversations on Twitter about Russell 1000 securities increased over 550%, reaching million of messages per quarter (Greenfield, 2014).

Table 1. The first ten banks according to Facebook fans (Financial Brand, 2015)

No.	Name	Country	Facebook Likes	New Likes in the Third Quarter of 2015
1	ICICI	India	4,016,863	376,091
2	State Bank of India	India	3,851,046	988,811
3	Capital One	USA	3,701,221	201,324
4	GT Bank	Nigeria	3,432,842	399,577
5	Axis	India	3,132,153	44,663
6	Chase	USA	2,917,989	206,060
7	BofA	USA	2,274,439	85,800
8	HDFC	India	2,269,837	12,646
9	Yes	India	2,248,226	97,595
10	CIMB	Malaysia	1,342,010	37,694

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The research shows that the financial sector was slower in the adoption of social media (Greenfield, 2014). Although many financial professionals resorted to their own Twitter accounts to follow breaking news or to share articles, real data analytics use cases were still rare.

Nevertheless, as consumer and brand discussions were the breaking point for adoption of social media analytics by marketers and brand managers, the growing discussion about capital markets, macroeconomic indicators, the foreign exchange market, and financial news are the breaking point for higher adoption of social media in the financial sector.

Recent research related to the *large bank content analysis* reviewed and analyzed every Facebook post and Tweet during the first quarter of 2016 (Golesworthy, 2016). The results of content posted on social platforms by financial institutions show that the highest ranked content list is held by sponsorship news –events, teams, and activities sponsored by bank, whilenews on bank philanthropic activitiesand advice (i.e., content related to customer education) are at the third and fourth place respectively (Golesworthy, 2016).

Although essential, content creation is only one element of social media adoption. There have been two schools of thought on the best social-media based financial market evaluation methodologies. The first focuses on evaluating the volumes of social media messages, search engine queries, and Wikipedia hits and edits. The second methodology focuses on endeavors to be ahead of trends in financial markets through the quantitative evaluation of the content of social media messages, known as sentiment analysis (Zheludev, Smith & Aste, 2014).

Social media analytics tools are evolving further, both general and those specialized for financial institutions. This chapter proposes a general framework for the adoption of social media and social media analytics tools in the financial sector.

THE SOCIAL MEDIA ANALYTICS PROCESS

Since the beginnings of the use of Web 2.0 technologies in general, especially of social media or Web 2.0 applications that allow live interaction, the number of users has increased significantly. Nowadays, crowds of people use social media, whether only to browse the posted contents or to actively participate, post contents, share, like, comment, etc. Besides, the amount of contentsbeing operated on a daily basis is almost unimaginable. If we sum how much each user Facebook daily use Facebook, it turns out that approximately one billion Facebook's active users spend circa 20,000 years online every single day. If it is calculated for Twitter, it turns out that circa 140 million active Twitter users send out more than 340 million tweets, has over 4 billion views per day. (Fan & Gordon, 2014).

Exactly for these reasons (i.e., a tremendous amount of users, contents, and activities), activities and contents, on social media need to be monitored and analyzed.

Like any other research process, the analysis of activities on social media involves a number of tasks linked to the process. As Fan and Gordon (2014) stated, the process of social media analysis involves three basic stages: *Capture*, *Understand,* and *Present* (Figure 1).

The first stage, stage *Capture* involves the analysis of available sources and collection of relevant data on various social media platforms, both on currently widely popular social networks, as Facebook, Twitter, LinkedIn, YouTube, and Google+, and on various blogs, forums, wikis, and similar tools. These activities can run a company or can hire someone else. Since the goal is to satisfy all company's needs related to data and information, the result of this stage is an enormously large amount of data. In order

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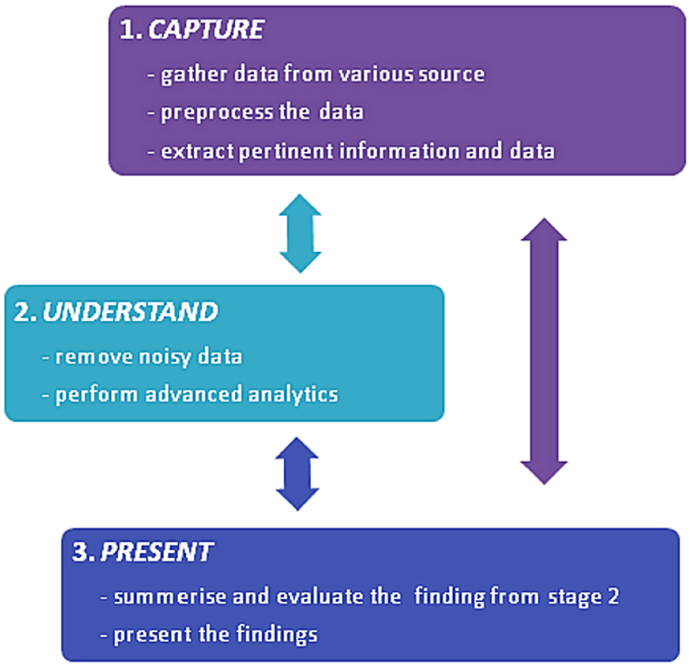
Figure 1. Stages of social media analytics process (Fan & Gordon, 2014)
Source: Fan & Gordon, 2014



to prepare a data set for the *Understand* stage, various preprocessing steps may be performed, including data modeling, data/record linking of data from different sources, stemming, part of speech tagging, feature extraction, and other syntactic and semantic operations that support analysis (Fan & Gordon, 2014).

Certainly, not all collected data are always usable, therefore what inevitably follows is the *Understand* stage, which is intended to identify only what is important, reject the "junk", and create a set of quantifiable and meaningful data and information. This process uses different techniques: rule-based text classifiers, sophisticated classifiers trained on labeled data, various statistical methods and other techniques derived from text and data mining, natural language processing, machine translation, and network analysis (Fan & Gordon, 2014).

The *Present* stage is a logical extension to the U*nderstand* stage. The results from different analytics in the *Understand* stage will be summarized, evaluated, and shown to users in an easily comprehensible format. Therefore, this stage uses different methods to visualize the results, especially dashboard tools that provide customized views for all types of users. They help make sense of large volumes of information, including patterns that are more apparent to people than machines (Fan & Gordon, 2014).

Upon examination of the basic characteristics of each stage, it is easy to conclude that the *Understand* stage is the keyphase because it creates an information base for making business decisions. Naturally, also the other two stages are crucial, but applying wrong methods in the *Understand* stage, or in the data cleaning and manipulation stage, may result in wrong conclusions and decisions.

What is important for the social media analytics process is the property of iterativeness. Namely, after one cycle the process is necessarily repeated because social media is a "live community" that grows every day. The results obtained from one cycle of social media analysis (passing through these three stages) are only a general clue for further activities, not a strong base for the adoption of long-term plans and

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strategies. The social media analytics process does not function as a classical life cycle that is "blamed" the most of not having a way back to thecompletion of one stage and shift to another stage.

Also, an important feature is the fact that the stages are connected and intertwined; they overlap, complement, and enrich each other. Therefore, it is impossible to isolate the stages fully or to distinguish where one ends and another begins. For example, the result of the *Understand* stage "helps" the *Capture* stage. By understanding and analyzing the collected data, it is visualized what is desired to be achieved during the analysis of data from social media, and that is the starting point for the data collection and retrieval stage. If it is found that the results obtained in stage *Present* are not adequate and interesting or do not have a satisfactory level of prediction, it is necessary to go back to the previous stage (*Understand* and *Capture)* and make some corrections (check incoming data, check the adequacy of selected methods, tune the parameters, and so on.)

By briefly describing the three stages of the social media analytics process, reference is made to some specific techniques and analytic methods used for data and information manipulation. In general, a variety techniques and methods for analysis and modeling, from different disciplines and fields, are used during the social media analytics process. According to Fan and Gordon (2014), the most used analytical methods and techniques for understanding, analyzing, and presenting large amounts of social media data are opinion mining or sentiment analysis, topic modeling, social network analysis, trend analysis, and visual analytics. These techniques can be used in the basic stages during the analysis process of data from different social media. For any method or technique is a characteristic that is primarily usable in a single stage, or some may be used in other stages. So, in the stage of understanding (Understand stage) can be used sentiment analysis and trend analysis. In the Understand stage can be used topic modeling and social network analysis. These two methods also can support the other two stages, stage Capture and Present stage. Visual analytics, however, can be used in the Understand and the Present stages.

The presented social media analytics process tries to cover the most of the activities/tools on social media, but it cannot cover all of them. Some tools have limitations in the information they can offer to their user or do not cover all the social media that are relevant for the user. Therefore, the scope of monitoring social media, or what will be analyzed and how it is determined according to every enterprise's business activities and needs, is crucial. The social media analytics compass is created (Figure 2) for the purpose of a more straightforward decision-making on what will be analyzed and how that.

As Figure 2 shows, the compass contains eight essential domains that should be analyzed on social media (Cleary, 2016):

- Audience profile.
- Audience size.
- Content analysis.
- Competitive benchmarking.
- Community responsiveness.
- Sentiment analysis.
- Traffic.
- Reach & engagement.

Audience profile and *audience size*, as suggested by their titles, apply to all interested parties of an organization with which it interacts through social media. Namely, every organization needs to continuously monitor the number of its followers/friends on social media and examine whether the tool that it

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Figure 2. Social media analytics compass (Cleary, 2016)
Source: Cleary, 2016

uses for social media analysis can cover the magnitude of the audience. Besides, not only is it important to cover all the audience, but it is also important to analyze their characteristics-whether they are enterprises or private persons, what their domains of interest are, etc.

Reach & engagement is the domainof social media analysis in which an organization tries to find out how far its activity on socially media reaches. In this matter, the aim is to answer two questions: 1) How much of the organization's audience are social media reaching? 2) How much audience are social media engaging with the organization's content? Answers to these questions allow an organization to find out how many people are paying attention to its posts, if they are aware of the organization, and how many of them "work" with the posted content. Literature usually refers to a company audience as consisting of three groups (Cleary, 2016):

- **Lurkers:** Users who follow the activities of the company on social networks, but do not interact with the company or its contents. These users most often account for the largest share of an organization's audience.
- **Influencers:** The so-called social media leaders, more precisely users, that have access to a larger audience and on some way they could influence the audience.
- **Engagers:** Users that are more active in an organization's community; as such, the organization will start recognizing some of their names.

If *Reach &engagement* are very low, it should be examined if the organization audience group consists of right people and what kind of content the organization posts, or why the postedcontents do not cause a response in the audience.

The domain called *Traffic* is closely connected with *Reach & engagement*. Namely, every action on social media is aimed to produce an action in the audience, so it is necessary to monitor the traffic of their reactions.

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Creating an account and posting content on a large number of social media is free of charge, but in the case of large and professional organizations, preparing content can be relatively expensive. A large organization with a good reputation cannot afford to post any sorts of content because it can significantly affect its image and interaction with stakeholders. Therefore, it is very important to conduct *content analysis*, too, bearing in mind that preparing content for posting is often quite expensive. The *content analysis* involves getting answers to questions like (Cleary, 2016):

- Are videos, pictures, or text updates working best?
- Does the organization have the right mix of content?
- Is the organization getting engagement on its questions?
- What modificationson the platforms request the organization to change (e.g., changes to profile images)?

Content analysis is related to s*entiment analysis* which is intended to determine what the organization's audience "thinks" about it. *Sentiment analysis* entails a very large dose of risk because the expressed opinions often do not reflect people's true opinions and are not entirely credible. Nevertheless, the analysis can help the organization to realize that there is a problem (e.g., it is unlikely that all activists in the audience have the same, whether positive or negative, reaction to some content).

When analyzing all the defined important domains, the organization should always pay attention to its competition. For this reason, the domain of analysis called *competitive benchmarking* is indispensable in obtaining a true picture of the activities and success on social media. Every organization should always and repeatedly compare itself with its competitors to find out what it can learn from the competition on its way to success, and to establish what makes competitors much better and how the organization can improve.

The last domain of measurement in the social media analytics process according to Cleary (2016) is *Community Responsiveness*. Namely, the organization has to be very responsible to its community to ensure that the audience, or the community in which the organization exists, interacts with the company. In this way, the entity shows an interest in the community, ensuring a greater interaction with it, and this eventually leads to better results of the social media analysis.

SELECTION OF SOCIAL MEDIA ANALYTICS TOOLS

Tools for social media analytics can be perceived in very varied ways; further, literature offers different classification tools used in the social media analytics process. Namely, it is possible to speak of groups of tools that combine a number of techniques and methods applicable to individual stages of the social media analytics process. Thus, Batrinca and Treleaven (2015) specify three groups of tools:

- **Tools for Accessing to Data on Social Media**: Data services and tools for text data sourcing and scraping from social networking media, wikis, RSS feeds, news, etc.
- **Tools for Cleaning and Storage of Data from Social Media:** text data cleaning and storing tools.
- **Tools for Text Analysis:** Separate tools or collection of transformation and analysis tools for the analysis of scraped and cleaned data from the social media. These are simple tools capable of

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converting text data into other forms such as tables, charts, maps, more advanced analytics tools for social data analysis, connection identification, and network building.

Cleary (2016), however, identifies three types of tools:

- **Platform Analytics:** Free analytics tools offered by individual platforms (e.g. Facebook Insights or Twitter analytics).
- **Management Tool Analytics:** Analytics tools provided by social media management providers as part of their solution (for example, Agorapulse or SproutSocial).
- **Standalone Analytics:** Social media measurement tools that only provide functionality of social media analytics.

On the other hand, a large number of articles that can be found on the Web present, as social media analytics tools, a number of commercial and free applications that incorporate methods and techniques for all three stages of the social media analytics process. Different authors (Guido, 2016; Lee, 2014; Marvin & Behr 2016; Opitz, 2016), on their blogs or on specialized Websites, present tools, highlight their both strengths and weaknesses, and compare them against a number of technical and functional criteria, such as: company size, range of coverage referring to social networks, type of analysis that they support, frequency of alerts, CRM integration, support and training, real-time stream monitoring, geographic/language coverage, metrics and reporting, internal post and engagement metrics, free trial, integration with other applications, price, mobile apps, community analysis and demographics, and access to historical data.

Different recommendations for the selection of appropriate tools can be found by analyzing available texts (papers). This particularly applies to commercial tools, which are available in large numbers. In this regard, Ideya Ltd. made comparison of social media monitoring tools in November 2015 and found that at least 242 tools were available, as free, as payable (Chaffey, 2016).

However, in order to make the selection relatively easy, it is necessary to follow some guidance. One of the options is the social media analytics compass that was described in the previous section. This compass identifies what needs to be analyzed and measured and can be a reference for the selection of tools to conduct the analysis. Namely, knowing the importance of particular domains for its business, a company can pinpoint the appropriate tool for the analysis.

Also, as a good reference for the selection of social media platforms as well as social media analytics tools, the following criteria can be used (Tracx, 2015):

- An end-to-end integrated enterprise-wide platform that offers, at a minimum, the functionalities of listening, intelligence, advanced analytics, engagement, and monetization.
- Deep, data-driven, and actionable insights, and predictive and proactive guidance providing information for engagement and content strategies and strategic business decisions.
- Contextual insights (e.g., geo-spatial, behavioral, time of day), and how communities that discuss about brands are formed.
- Support for global brands, including multiple languages and a scalable architecture.
- Ability to interpret videos, images, and other non-text posts.
- Integration with other data sources and marketing platforms.

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Undeniably, these criteria are quite general. Indeed, not only are they applicable for making decisions on tools for social media analysis, but they also allow to decide on the social media platform that the company will use for social media.

Once again, various lists of the best tools, sorted according to different criteria, are available on the Internet. However, more importantly, the basiccriterion that the company should follow is their business objective. Depending on this objective, key indicators will also be defined and used as a good filter for the selection of social media tools.

Issues, Controversies, Problems

As organizations have used social media more, their expectations, especially related to the fulfillment of social media promises, have become higher. Namely, social media promised companies that they would have become customer-centric and met all of their customers' needs if entities had used social media communication channels. Also, high growth of different social media analytics tools created the illusion that organizations would have been able to measure everything (Samuel & Reid, 2014). Unfortunately, so far social media analytics has failed to fulfill some of its promises, especially those related to full customer-centricity.

The following list summarizes the main social media analytics pitfalls of which their users should be aware:

- **Analytics Tools Cannot Reflect What Happens in Social Media:** Some of the recent research literature (Samuel & Reid, 2014) shows that a majority of social media users are relatively quiet, i.e., 85% of what social media analytics tools "hear" comes from less than 30% of social media audience, while the others are quiet, meaning they just listen (Samuel & Reid, 2014). Since social media analytics tools work with data gathered from about 30% of social media users, it is obvious that they cannot tell organizations what they need to know about their customers.
- **Social Media Users do not Reflect Organizations' Customers:** Social media users are not a representative pattern of the customer base. For example, the estimation is that 80% of the USA population is now on Facebook, but only 25% is on Twitter (Samuel & Reid, 2014).
- **Age and Geographic Bias:** Social media data contain a recognized bias that can significantly influence the output of social media analytics. People of younger age and in certain geographic locations use social media more frequently. As a result, some providers of social media analytics reduce these biases by normalizing their data. Nevertheless, it is important for marketing professionals to make allowances for this bias when making decisions. Indeed, if products are intended for younger urban population, this bias is positive, but if they are designed for more general groups, social media data can be observed only in regard of data from other sources that are free of these biases. It is important to stress this with social media having become a standard part of standard commercial interactions, like websites, some of these biases are likely to dilute or dissolve (Petrocelli, 2013).
- **Amplification Issue:** Amplification, meaning content and message spreading by using social media network effects, makes the social media a desirable cost-effective marketing tool. However, amplification can bring serious drawbacks through message drift. Namely, people sometimes, instead of simply sharing a post and content, rephrase or shorten a message. In this way, they can

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change the basic meaning, sometimes into entirely new messages. It is hard to keep control of this process without continuous attention (Petrocelli, 2013).

- **Non-Textual Information:** Social media analytics tools highly rely on text data, especially when sentiment analysis tools are in question. However, it is impossible for these tools to directly analyze increasingly large amount of image, video, and audio content. The result is that the growing body of content contained in video blogs, video sharing (YouTube), photo sharing (Instagram and Pinterest), or podcasts, as well as the most part of the content on Facebook, do not yet have a prominent position in social media analysis (Petrocelli, 2013).
- **Inconsistent Dataset:** Substantial differences exist between social media analytics tools regarding filtering capabilities and access to Facebook and Twitter data. Also, crawlers and spam filters can affect dataset results (Etlinger & Li, 2011).
- **Language Limitations:** Social media analytics tools have many problems to cope with particular industry terms (e.g., wine-tasting notes "barnyardy", "wood smoke"), slangs and abbreviations, irony and sarcasm, emoticons (e.g., ☺), and especially with support for all global languages (Etlinger & Li, 2011).
- **Different Analytical Approaches by Social Media Analytics Tools Vendors:** Differences in the ways of data collection can affect final results. An approach based on a keyword is the simplest and cheap, but it is not accurate, as opposed to more advanced, but more costly, natural language processing and algorithmic approaches (Etlinger & Li, 2011).
- **Privacy and Security:** There are no absolute guarantees that customer and business information will not be compromised by online sharing or attacked by computer hackers.
- **Measuring Success and Monetization:** Although industry observers have noted that the lack of convincing evidence of the financial benefit of a social media strategy is an impediment to substantial investment in this area (Divol,Edelman & Sarrazin, 2012), there is also an emerging literature that researches the relation between social media and overall firm value or performance (Hitt,Jin &Wu, 2015).
- **Complaints and Bad Reviews Management:** If organizations are not prepared for complaints and bad reviews, negative publicity can seriously damage their reputations because customers in social media have very powerful tools for fast spreading both positive and negative comments.
- **Time Commitment:** Using social media as communication channels with customers requires the continuous engagement of organizational resources (human, technological, and financial) and full commitment of the whole organization. A social media marketing process is very iterative in comparison with traditional marketing campaigns has the ability to change and adapt at a faster rate. This adaptability requires platforms that marketing professionals can use to design, launch, and manage social media marketing campaigns in a proper way and conduct the social media analytics that provides deep customer understanding and monitoring for the effectiveness of these campaigns (Petrocelli, 2013).

Regardless of the open issues related to social media and social media analytics tools, the number of social media users has constantly grown, as the market for social media analytics tools has enlarged. The potential value of social media data analysis draws both research-oriented and practice-oriented professionals to invest more and more time, money, and effort to resolving the above mentioned pitfalls.

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SOLUTIONS AND RECOMMENDATIONS

A Framework for the Adoption of Social Media Analytics in Finance

As the financial sector is one of the most regulated areas, financial institutions should take a disciplined approach to the adoption and implementation of social media analytics. Also, financial entities should aim at a multidisciplinary approach, with specialists in compliance, technology, information security, law, human resources, and marketing included in the process of reviewing and implementing social media analytics (Hansche & Chen, 2014). In order to achieve adequate coordination and integration of these different specialists, financial institutions need a defined framework for the adoption of social media analytics. The existence of this framework can ensure that a financial institution meets its goals for social media engagement, minimizes risk, and ensures compliance with existing and new laws and guidance that apply to its social media activities (Hansche & Chen, 2014).

Different sources (Abughosh, 2016; Deloitte, 2013; Gilfoil, Aukers & Jobs, 2015; Hansche & Chen, 2014) were consulted during the development of a framework for the adoption of social media analytics in finance. The proposed framework is based on the following layers (Figure 3):

- Strategic context.
- Legal and compliance context.
- Social media platform context.
- Integration of social media into a business model.
- Content distribution and users' engagement.
- Data collection context.
- Evaluation, risk, and control context.

The strategic context layer stresses that financial institutions need a social media strategy and vision that is harmonized with institutional strategy and defined business goals. The social media strategy should define:

- A social vision tailored to support the financial institution's business drivers, brand image, and corporate strategy (Deloitte, 2013).
- The scope and objectives of the social media strategy.
- The measurement of the effectiveness of the strategy through KPIs (Key Performance Indicators), such as total reach, volume by social media channels, positive, negative and neutral mentions, average response time, unique visitors, frequency of interactions, frequency of followers, frequency of active followers, number of frequency of leads, frequency of issues logged and issues resolved (Cognizant, 2014).
- Develop a strong plan for reducing risks before engaging in social platforms (Abughosh, 2016).

The legal and compliance context layer is closely relatedto all the other layers of the framework (Figure 3). As the FFIEC Guidance points out, even financial institutions not actively participating in social media will be at risk that must be evaluated, monitored, and dealt with in their social media policies (Federal Financial Institutions Examination Council, 2013). The adoption and implementation of a

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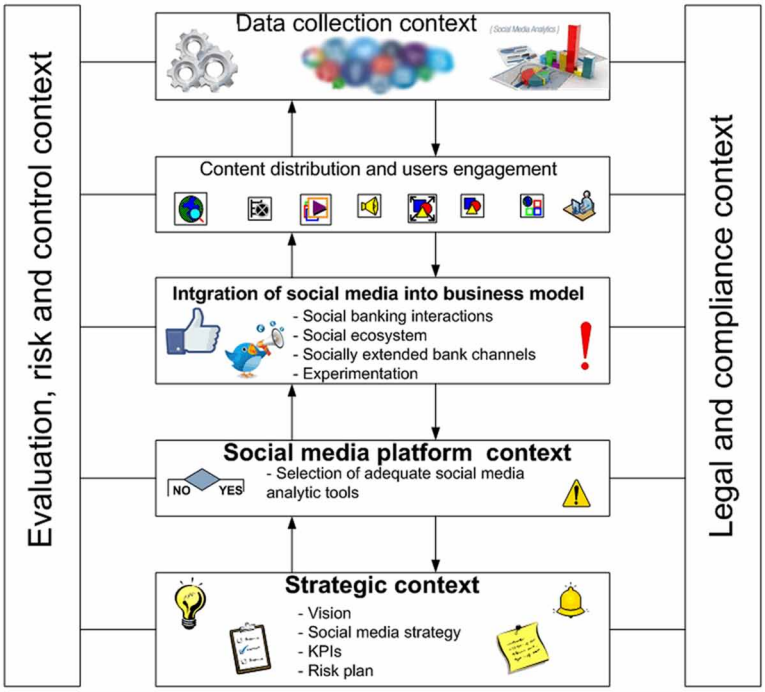
Figure 3. Framework for the adoption of social media analytics in finance
Source: Authors'own figure



social media policy for employees are one of the possible ways for a financial institution to reduce some business and legal risks of using social media use.

The FFIEC Guidance recommends a financial institutions to adopt such a policy for their employees' social media use that is related to work, specifying what activities are prohibited, as well as a policy for employees' use that is unrelated to work, within the financial institution's social media governance policies and procedures (Federal Financial Institutions Examination Council, 2013).

The objectives of the policy should cover mitigating the risks of defamation and brand damage and of exposure of confidential customer and financial institution information.

The following issues should be addressed in a policy for the employees authorized by the financial institution to engage in social media activities on its behalf: establishing of adequate governance structure for posts approval; education of employees; tracking the use of personal and business electronic devices; protection of internal and external business information; derogatory comments about co-workers, bosses and/or clients, transparency - identifying oneself as an employee when posting about the financial institution (Hansche & Chen, 2014).

Also, the financial institution should develope general policies covering social media use by employees who do not participate in social media activities on behalf of the financial institution.

The social media platform context layer is related to the selection of adequate social media analytics tools (Figure 3). This process has been detailed in the previous section.

The integration of social media into a business model is the critical context in the proposed framework (Figure 3). Namely, the main reasons why financial institutions, or other organizations, decide to use social media are to ensure transparency and almost instant two-way interaction with their customers,

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to better respond to customers' requests, and to offer new services by channels their customers already used for other private or business activities. Nonetheless, if financial institutions want to be successful in using social media, they should integrate the use of social media into their overall business model and exploit these means to meet the goals defined in their business strategy.

In order to effectively integrate social media into their business model, financial institutions have to consider and define the following (Deloitte, 2013):

- **Social Banking Interactions:** Financial institutions have to discover how customers want to interact with them and how to engage customersin creating shared social value.
- **Social Ecosystem:** Each financial institution has to find and build the right mix of social channels to support their business goals.
- **Socially Extended Bank Channels:** Traditional financial channels should be transformed and expanded with social media channels enabling real two-way dialogue.
- **Experimentation:** Financial institutions first have to pilot their social concepts to refine understanding of customer's expectations and develop their internal capabilities.

The integration of social media into a business model is a very complex process. It means building the cross-functional capabilities needed to process insights from social channels, engage with customers, respond to their requests, and recognize and act on social opportunities (Deloitte, 2013). Obviously, this process of integration can affect an entire financial institution, asking for adoption of many changes in the institutional organization and behavior. A successful adoption of changesasks that financial institutions have answers to the following questions (Deloitte, 2013):

- Which groups will need to respond to customer service requests and inquiries?
- What types of requests and interactions will be received and supported?
- Which groups might be able to use the social insights being harvested?
- Where are the new connections between the functional areas needed to deliver on institutional vision?

The use of social media data should not be limited only to employees who work directly with the technology, but it should be used by the workers from different divisions of financial institutions. The reason for this lies in the fact that social media can provide signals about every part of the institutions' operation, so it is important to incorporate the signals learned from social media into the overall corporate business process. As users can directly interact with new financial institutions' product or service offerings through comments and reviews, financial institutions that can effectively manage these data is in a better position to predict future demands and improve their existing product or service lines. Signals learned from social media sentiment could feed directly into the product design, which, in turn, affects operations, marketing, and sales. Thus, tightly integrating social media data into financial institutions' operation and marketing efforts is critical (Ghose, Ipeirotis & Li, 2012). Especially when employees from various divisions of the financial institution can make sense of the social media data and effectively incorporate them into the institution's strategies, social media could have a much more profound effect on the financial institution than simply the marketing department. Using signals learned from social media can help guide the financial institution to flexibly adjust to changes in the business environment (Hitt, Jin & Wu, 2015).

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Through the content distribution and users' engagement context (Figure 3), the financial institution should demonstrate that it can create or forward information that meets its target customers' needs, wants, or desires. Content can be defined as any information related to the particular financial institution, its products, and its service. The formats of content can be different: photos, video, display ads, blogs, tweets, emails, pop-up ads, white papers, and similar. In its social media strategy, a financial institution should define time schedules (daily, weekly, or monthly) and activities (e.g., content creation, content sharing, responding to comments and inquiries, spam deletion, enable effective tracking, review daily/weekly/monthly activities) related to content distribution and users' engagement.

The data collection context (Figure 3) should describe how a financial institution captures data from customers who responded in some way to the distributed content. Data should be generated by different social media channels (e.g., Facebook, Tweeter, blogs). Selected social media analytics tools are used for processing these data with the main goal of finding valuable information that the financial institution can use in its business.

The evaluation, risk, and control context stresses that a financial organization should continuously evaluate the activities described in the previous contexts and apply consistent controls across channels and departments engaged with or leveraging social media (Gilfoil, Aukers & Jobs, 2015). Continuous evaluations also means that the financial institution needs to make adjustments (e.g., replace platform, adopt new social media platform) on-the-fly, based on the analysis of social media metrics, such as number of members registered in the institution's social platform, number of interactions (user comments), number of times when institution social presence or post is visited, and similar elements. This context is closely related to all the other layers of the framework (Figure 3).

FUTURE RESEARCH DIRECTIONS

Social media analytics is still developing the field with many opportunities for further research exploration. Future research directions are divided into two categories:

- General social media analytics.
- Specific social media analytics for the financial sector.

Some of the main future research directions for general social media analytics can be summarized as follows:

- Achieving the full real real-time engagement, e.g. faster response times through improvements in social listening and automation software. Namely, as indicated by Search Engine Watch, 70% of Twitter users anticipate a brand to respond to their tweets, and 53% expect it to do so within an hour, but this percentage is as high as 72% when a complaint is involved (Beese, 2016).
- Live streaming video, thanks to applications like Snapchat, Periscope, Facebook Live and similar, can enable social engagement with customers in an entirely new way.
- Mobile friendly – the majority of users of social media use them primarily over screens of smart mobile devices. In 2015, desktop traffic was surpassed by mobile traffic in 10 countries, including U.S. and Japan (Beese, 2016), so organizations' the primary interest is to ensure that their social media platform is at least mobile-friendly.

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- Data-driven decisions. In the course of time, an increasingly important competitive edge will be in the ability of capturing, interpreting, and acting on signals from social media in the context of general enterprise data (Etlinger & Li, 2011). In the very near future, the ability to "speak data" will be a decisive skill for all those who work within the socially adaptive business. Namely, although machines will perform most of the processing-intensive analysis, the data interpretation ability will be fundamental to ensuring organizational agility.

The overall implications of data-driven business will prove to be disruptive to an even higher extent than the data itself. The businesses that can learn from disruption and use it to develop stronger and more reciprocal relationships with their customers will be successful in the age of data (Etlinger & Li, 2011).

- Dark social measurement - With 84% of what is globally shared in social media being dark to social media analytics (private sharing with close friends and family via peer-to-peer channels), there is a challenge to measure its efficiency in ways that sync with other social media measurement. The more concrete direction on this and collaboration between applications, networks, and platforms is necessary to make it meaningful (Odden, 2016).
- The content-based analysis should be more focused on including information on content that can provide important insights about the underlying social network. For example, the content at a given node may yield valuable clues on the expertise and interests of the corresponding party (Aggarwal, 2011).
- Social Chat Bots are recently offered by Facebook as a new kind of engagement. Since customers expect engagement in real time, it may be possible to satisfy basic customer service and information needs of brands by using bots. The result is that brands will need to invest in more interactive social experiences for their community (Odden, 2016).
- Social media automation features will grow to help brands with prospecting delivering content to the right customers at the right time and engagement–all integrated with a marketing dashboard for an end-to-end reporting of the impact social media has across the customer journey. However, similar to CRM, this is not a "plug and play" solution because organizations will need human expertise and a strategy to make the most out of their automation software investment (Odden, 2016).
- Temporal analysis, that is the inclusion of time-related development into network analysis, can significantly improve the quality of the results. Nonetheless, a significant amount of work has yet to be done on dynamic analysis of social networks which evolve rapidly in time (Aggarwal, 2011).
- Social media mining-the process of representing, analyzing, and extracting actionable patterns from social media data (Zafarani, Abbasi & Liu, 2014) - is becoming a more propulsive research field. It discusses and integrates theories and methodologies from different fields, such as computer science, data mining, machine learning, social network analysis, network science, sociology, ethnography, statistics, optimization, and mathematics. It covers the tools for formal representation, measuring, modeling, and mining of meaningful patterns from large-scale social media data (Zafarani, Abbasi & Liu, 2014). Also, social media mining is cultivating a new type of data scientist who is proficient in social and computational theories, specialized for analysis of recalcitrant social media data, and skilled to help bridge the gap between what is known (social and computational theories) and what organizations want to know about the vast social media world using computational tools (Zafarani, Abbasi & Liu, 2014).

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Some of the main future research directions for specific social media analytics for the financial sector can be summarized as follows (Greenfield, 2014):

- It is necessary to develop standards for international growth and methods optimized for mining non–Cashtag data.
- The increased amount of financial content has opened up possibilities for even more types of monitoring and analytics.
- With the advent of new data and tools for monitoring what is globally discussed and thought, it is on financial professionals to examine which ones of them would be best suited for their investment theses. Benefits will be drawn and information and profits made by those who prove capable of implementing them successfully.

CONCLUSION

The phrase *many-to-many* can be used to describe the situation related to social media. Many participants create an enormous quantity of content, making the *jungle of information* in which it is sometimes hard to find a right way without a good compass. Although social media analytics tools are pretending to be that compass, the huge number of different tools can additionally contribute to confusion and even make the whole situation more complex.

This chapter focused on social media analytics tools and the criteria for their selection. The chapter discusses main open issues and controversies, and finally proposes a general framework for the adoption of social media analytics as a possible solution for better coping with the complexity related to social media. The proposed framework is maybe general, but it recognizes necessary contexts and relations between them, and can be used as a compass for a better integration of social media into business processes.

Although social media analytics tools are necessary to ease organizations to cope with ever growing data from social media, it is important to stress that just tools (i.e., technology) are not enough. If social media analytics tools are not strategically aligned with existing business goals, if there is not a well-defined and aligned social media strategy, or, simply, if there is not an adequate framework for the adoption of social media analytics tools, organizations, including financial institutions, will continue to struggle to get their desired results.

Also, the proposed framework points out that the use of social media should not be limited just to employees who work directly with technology, but it should be spread to different departments in organizations because social media can provide signals about almost every part of organizations' operations. Namely, just knowing data about customers is not enough, without adequate business action, this knowledge has no sense. Social media analytics tools can assist users in exploiting customer information, but they cannot replace human creativity in building along-lasting relationship.

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KEY TERMS AND DEFINITIONS

Amplification: The use of social media for spreading digital content and messages.

Cashtag: The special ($) tag associated to discussions about stock market (today financial issues generally) that enables easier tracking of that type of discussions on social media.

Community Responsiveness: The capability of an organization that readily reacts to suggestions, influences, appeals, or efforts of its customers and community.

Dark Social: The social sharing of content that can be measured by Web analytics programs (private sharing).

Sentiment Analysis: The computer identification, analysis, and categorization of opinions expressed in social media (usually in a piece of text) in order to determine whether the writer's attitude towards a particular topic or product is positive, negative, or neutral.

Social Chat Bots: The integration of artificial intelligence software (a chatbot) into social media (Facebook) to allow very sophisticated automated response (instead of real-life representative) to user queries.

Social Media: A collection of digital communication channels (e.g., blogs, forums, social networks) that enables interaction, collaboration, and sharing of content.

Social Media Analytics: The practice of gathering data from social media in order to analyze them and make business decisions.

Social Media Mining: The process of representing, analyzing, and extracting actionable patterns from social media data.

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Chapter 32
Social Media as Persuasive Technology for Business in Malaysia

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ABSTRACT

The use of social media for business purposes has been growing exponentially due to its great potential as an effective marketing tool. Nonetheless, studies which assess how effective social media can be as a persuasive technology are limited, especially in the context of developing countries. Therefore, this study attempts to evaluate the perceived impact of social media as a persuasive technology for businesses in Malaysia. To accomplish this, a questionnaire survey was conducted with 1,196 social media users. Geographical clustering sampling was used, together with simple random sampling to select participants for the survey, which was based in five regions in Malaysia. The outcome of the survey shows that social media can have a significant impact on business and that the majority of social media users perceive that social media content can indeed persuade people to purchase products or services offered. Furthermore, it was found that social media content can also significantly influence purchasing decisions.

INTRODUCTION AND BACKGROUND OF STUDY

The impact of social media (SM) on business should not be underestimated as trends and a number of studies (e.g. Jacobs & Nakata, 2010; Universal McCann, 2008; Barnes, & Matson, 2008; SME Annual Report, 2007; Nielsen Company, 2010) have shown that SM, especially Facebook and Twitter, have been utilised extensively as business and marketing tools all over the world. Many studies in the United States

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and Europe have provided evidence that SM has a positive impact on business, especially for small and medium enterprises or SMEs (Swallow, 2010: Lesley, 2012; Darban & Wei Li, 2012). Socialbakers (2014) and Google Analytics (2014) show in their reports that most large companies have already been fully utilising SM to expand their market reach and to improve customer relations. Nonetheless, the extent to which SM can be considered to be a persuasive technology in business remains to be determined. Furthermore, the impact of SM has not been very widely reported in the context of South East Asian Region.

Studies such as those conducted by Jacobs and Nakata (2010) and many others show that SM tools have been integrated widely in e-commerce and e-business for the purposes of marketing and customer relations. As a result, terms such as social commerce and social enterprise have emerged (Turban, Bolloju, & Peng Liang, 2011). Firms are now aware of the fact that social networking has become an integral part of consumers' behaviour and lifestyle. Some studies in Western countries have even indicated that SM such as Facebook can have a significant impact on purchasing decisions (Lesley, 2012; Darban & Wei Li, 2012). Therefore, SM can indeed be considered to be persuasive technology that can change the attitudes or behaviour of the users through persuasion and social influence (Fogg, 2003; Oinas-Kukkonen, & Harjumaa, 2008). The main purpose of this paper is to present a study which examines the impact and role of SM as a persuasive technology in the business environment.

Most studies of SM and its impact on business such as those mentioned earlier (e.g. Lee, 2013, Lesley, 2012; Darban & Wei Li, 2012) and several others such as Universal McCann (2008), Barnes and Matson (2008), and Deloitte (2007) were conducted in developed countries. Only a few reports (e.g. PCW, 2014; Chai Li, 2014; Hadadi & Almsafir, 2014) on the role of SM as a persuasive technology with regard to business in South East Asian countries like Malaysia, however, have been conducted. The extent to which SM can have an impact on purchasing decisions also needs to be researched further (Martinka, 2012). Thus, the following issues need to be addressed:

1. What is the impact of SM utilisation as a persuasive technology for business?
2. Can SM content persuade users to engage in business related activities?
3. Can SM content influence consumers in making purchasing decisions?

The aim of this study is to ascertain the impact of the usage of SM as a persuasive technology in the business environment. The main objective is to determine the perceived impact of SM as a persuasive technology for business purposes in Malaysia. Specifically, this study attempts to achieve three sub objectives as follows:

1. To determine the impact of SM in business;
2. To identify whether SM content can persuade users to engage in business related activities; and
3. To identify whether SM content can have an influence on purchasing decisions.

PREVIOUS STUDIES OF THE IMPACT AND INFLUENCE OF SOCIAL MEDIA

Many studies have been conducted to ascertain the impact of SM on business, most of which were performed in the US and European countries. Universal McCann (2008), for example, carried out an impact study of SM with 17,000 Internet users in 29 countries. It was found that SM can have a dramatic impact on a company's brands and reputation. The most significant SM tool identified in this study is a blog. It

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was found that 34 per cent of the respondents posted opinions about products and brands on their blogs. In addition, 36 per cent had tendency to think more positively about brands and companies that have blogs. Another study by Barnes and Matson (2008) on the use of SM among the Inc. 500 in the United States reported that over one quarter of the Inc. 500 companies used SM extensively and perceived that the role of SM was essential in formulating a business/marketing strategy.

The impact of SM on business in Europe and United Kingdom (UK) has been widely researched. Deloitte (2012), for example, reported on the economic impact of Facebook in Europe and the UK. In this study, Facebook is said to have contributed to creating a total of 232,000 jobs as well as generating economic activity estimated at 15.3 billion Euros in 2011 in the European countries and Switzerland. In the context of the UK, Facebook was reported to have contributed to an overall economic impact of 2.6 billion pounds and had supported 35,200 jobs. This study also suggested that SM such as Facebook are particularly valuable for SMEs which represent the backbone of the European economy.

Several studies have attempted to look into whether SM can influence consumer behaviour and purchasing decisions. Martinka (2012), for instance, conducted a study of the impact of Facebook and Twitter communities on purchasing behaviour in the US. It concluded that, while the Facebook community can be said to have a significant influence on purchasing behaviour, in contrast the Twitter community had almost no influence. Li and Darban (2012) investigated the impact of SM on consumers' purchasing behaviour in food retail or in shops in Sweden. Unsurprisingly, it was found that SM has an impact on every step of consumers' purchasing decision process. This is mainly due to the user friendliness and convenient features of SM such as Facebook which allow consumers to interact easily with fellow customers and supermarket owners.

A number of studies related to social media impact were conducted in Malaysia. PWC (2013) for example, conducted a survey on 101 large and prominent companies and organisations throughout Malaysia. The findings show that majority of the respondents recognise the importance and potentials of social media as a business and marketing tool. Nonetheless, not many have a clear strategy and impact measurement initiatives for their social media activities. Shahizan, Norshuhada, Nor Laily, Sobihan Nur, and Mohd Samsu (2012) investigated the trends and perceived impact of social media on small and medium business in Malaysia. Using focus group method involving 21 participants who are mostly social media practitioners, they found that social media particularly Facebook, if used correctly with the right strategy, has great potential to become effective persuasive tool in business. In another study, Chai Li (2014) presents a review on the impact of social media on the banking sector in Malaysia. In this study, it was found that banks in Malaysia are already utilising social media particularly for customer relation purposes. There is also a study which looks into the impact of online advertising on sales which includes social media marketing. In this study, Hadadi and Almsafir (2014) surveyed the impact of online advertising on the sales of Proton cars among 40 expatriates in Malaysia. The result shows that the respondents are influenced by Proton's Web site followed by Proton's social media.

Despite a number of studies which had been conducted in Malaysia such as presented earlier, there is a need for more studies on the impact of SM as a persuasive technology. The studies reviewed earlier have some limitations which require further research. PWC's study (PWC, 2014), for example, only focuses on large and prominent companies and organisations which might not tell the true story about the impact of social media in general. Shahizan et al. (2014) on the other hand focus only on a small number of social media practitioners who are mostly owners of small businesses in their data gathering process. Hence both of these studies only look from the perspective of the business firms and business owners. In order to get a better picture of the trends and impact of social media on business, data should

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also be gathered from the users or consumers' perspective. Similarly, the study by Chai Li (2014) also has a limitation mainly because the study is merely based on the secondary data and literature review. As for the study by Hadadi and Almsafir (2014), its main objective is to study the impact of all online advertising tools on Proton's sales and hence the scope is too wide and not specific to social media impact. Furthermore, the number of participants in the study is too small and concentrated on only a limited geographical area.

SOCIAL MEDIA AS PERSUASIVE TECHNOLOGY

The study of computers as persuasive technology is closely linked to the term 'captology'. This term describes the changes in attitudes or behaviour that result from human interaction with computers (Fogg, 2003). Specifically, captology investigates how people are motivated and persuaded when interacting with computing products (applications). Thus, a persuasive technology tool is defined as an interactive product designed to change attitudes or behaviour or both by making the desired outcomes easier to achieve.

The phenomenon of SM is increasingly spreading worldwide. SM is commonly defined or referred to as a social networking and marketing tool (Adrienne, 2007; Ai, 2009). In fact, it is a type of computer application that can serve as a tool which makes daily activities easier or more efficient to perform. SM can provide an interactive experience that influences, motivates and persuades people in specific ways. Henceforth, this study attempts to assess the extent of which SM can be used as persuasive technology tool in the context of business.

Persuasive Principles

The persuasive principles behind persuasive technology tools apply various strategies in order to change attitudes or behaviour. Fogg (2003) proposed seven principles which can be applied in designing persuasive technology which are reduction, tunnelling, tailoring, suggestion, self-monitoring, surveillance, conditioning, simulation, and social signals. These principles have been applied widely in designing various types of computer applications which include e-learning (Behringer, 2013), Web information retrieval (Lykke, 2009), Computer simulations (Joubert & Roodt, 2009), and database information system (Smink, 2012). Nonetheless, its applicability in the context of SM content design is still unknown. Hence, in this study, four of the proposed persuasive principles were adopted which are reduction, tunnelling, content tailoring, and suggestion. These four principles are considered closely relevant and suitable in the context of SM content design:

1. **Principle of Reduction:** Many psychological and economic theories suggest that humans generally seek to minimize costs and maximize gains (Vroom, 1982; Taylor, 2001). In the context of persuasive technology, this principle is defined as using computing technology to reduce complex activity to a few simple steps/tasks, increase the benefit/cost ratio of the behaviour and influence users to perform the behaviour. Raising the perceived benefit/cost ratio increases a person's motivation to engage in the behaviour more frequently. In this study, three dimensions of principle of reduction proposed by Fogg (2003) and Stacy (2000) are used as follows:
    a. SM content is simple;
    b. SM content is easy to understand;

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c. SM content is straightforward;

2. **Principle of Tunnelling:** In the context of persuasive technology, this principle is defined as using computing technology to guide users through a process or experience which also provides opportunities for persuasion. Applying this principle can lead users through a predetermined sequence of actions or step-by-step events. In this study, two dimensions of principle of tunnelling proposed by Fogg (2003) and Plous (1993) are used as follows:
   a. SM content provides step by step instruction for acquiring products or services;
   b. SM content provides referrals to the originating company's website;
3. **Principle of Content Tailoring:** In the context of persuasive technology, this principle is defined as information provided by computing technology that is tailored to an individual's needs, interests, personality, usage context, or other factors relevant to that individual. For the SM to be successful in the business context, the product content or information designed should be tailored to the customer's needs, interests and cultural context. In this study, two dimensions of principle of content tailoring proposed by Fogg (2003) and Strecher et al. (1994) are used as follows:
   a. SM provides customized user interface to access its content;
   b. SM content provides customized content for consumers;
4. **Principle of Suggestion:** Computer technology will have greater persuasive power if it offers suggestions at opportune moments. Suggestion often builds up people's existing motivations to buy products and services in order to be well organized, healthy, and attractive to others. For the SM to be successful, the suggested action must be compelling and timely enough in order to be implemented. In this study, three dimensions of principle of reduction proposed by Fogg (2003), and James and Catherine (1994) are used as follows:
   a. SM content suggests information about similar products or services;
   b. SM content suggests information about complement products or services;
   c. SM content suggests information of special offers of products or services.

In short, the four persuasion principles of reduction, tunnelling, content tailoring, and suggestion are used in the context of this study as a basis for designing the instruments required to measure the perceived impact of SM as a persuasive technology in business.

HYPOTHESES DEVELOPMENT

Based on the outcome of the literature review and the preliminary analysis, several hypotheses were formulated for this research. A probability level of 0.05 was used to test for statistical significance.

There is an indication in several studies (see Shahizan et al., 2014; Chai Li, 2014) that SM content can have an impact on users' willingness to engage in business related activities. Furthermore, some studies found that SM content has powerful amplifying effect on business and hence, with the right social strategy, SM marketing can be successful (Barbara, 2012). Despite these findings, to what extent SM content can influence consumer behavior is rather inconclusive. Therefore, the following hypothesis is proposed:

H_0-1: SM content does not significantly persuade users to engage in business related activities.
H_a-1: SM content significantly persuades users to engage in business related activities.

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It has been argued earlier that several studies in Western countries found that SM can have a significant impact on purchasing decisions (Lesley, 2012; Darban & Wei Li, 2012). However, similar impact in the context of Asian countries such as Malaysia has yet to be widely recorded. Hence, the following hypothesis is proposed:

H_0-2: Purchasing decisions are not significantly influenced by SM content.
H_a-2: Purchasing decisions are significantly influenced by SM content.

SM has many features depending on their categories. SM networking site such as Facebook has multiple features which integrate all multimedia elements which include text, audio, images (photos), animated pictures, and video. Certain SM under content community category as proposed by Kaplan and Haenlein (2010) only focus on single or dual multimedia element. YouTube and Instagram, for example, fully utilise video and images (photos) respectively. Henceforth, there is a need to know whether SM content should integrate the usage of all these multimedia presentation elements or not. As such, the following hypothesis is proposed:

H_0-3: In purchasing decision making, combination of multimedia elements is less persuasive than a single element.
H_a-3: In purchasing decision making, combination of multimedia elements is more persuasive than a single element.

METHODOLOGY

This study employed a questionnaire survey method to ascertain the impact of SM as a persuasive technology in business from the perspective of SM users. The questionnaire was pre-tested for face and content validity by seven academics and was also pilot-tested by 22 social media users. The findings from the pilot test showed that the language used for all questionnaire items can be easily understood by laymen and the duration of time taken to complete each questionnaire is only about 15-20 minutes. However, there is a need to modify or update the questionnaire in terms of the items' arrangement or sentences and the choice of words. The final version of the questionnaire was sent to 2,000 SM users from all across Malaysia (divided by regions) out of which 1,200 responded, giving a response rate of 60%. Data from the survey were analysed quantitatively using descriptive statistics and several types of hypotheses testing.

Sampling and Population

The target population in this study was SM users in Malaysia. Since the target population is dispersed geographically across peninsular Malaysia and Borneo (Sabah and Sarawak), geographical clustering sampling was used to select the clusters. These clusters are based on five regions in Malaysia which are the northern, central, southern, eastern regions (Kelantan and Terengganu) and Sabah and Sarawak. Once identified, the simple random sampling was used to select the participants for each cluster or region.

The names and addresses of respondents were retrieved from a database of university students who were undertaking their internships in various companies all over Malaysia. A list of 5200 students'

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names was generated from the database which was arranged by regions and states. Each name was then assigned a number. Random selection was then made by using an automated random generator to select 2000 potential respondents (i.e. 400 for each region).

Instrumentation

The questionnaire is divided into four parts, and will be discussed as follows.

Part A of the questionnaire identifies the trends of SM usage for business purposes among users. There are four items in this section which are adapted from several previous related studies (Brogan, 2010; Kang, 2009) and online SM marketing strategy surveys (Sterlzner, 2011; APTA, 2010; 6smarketing.com, 2011; Nonprofitsocialnetworksurvey, 2011). These items were reframed to suit the domain of study. The four items are type of SM used, medium to access SM, users' role while using SM, and purposes of using SM.

The objective of Part B of the questionnaire is to ascertain the impact of SM content as a persuasive technology for business customers. Ten items have been adapted from the constructs of Persuasive Technology theory by Fogg (2008) and reframed to suit the objectives of the study (see Table 1). There is also some focus on previous related studies such as Khalid, Barr, Noble, Biddle (2007). Fogg's four principles of Reduction, Tunnelling, Content Tailoring and Suggestion are used as mentioned earlier (Fogg, 2008). Table 1 shows the relationship between the questions (dimensions) in Part B and principles adapted. These items use a 1-7 Likert Scale to measure the respondents' level of agreement or disagreement (1 – Strongly disagree, 2 – Disagree, 3 – Somewhat disagree, 4 – Neither agree nor disagree, 5 – Somewhat agree, 6 – Agree, 7 – Strongly agree) adopted from Vagias (2006). In testing Hypothesis 1 (H_0:1), SM content mean value was derived from a construct of SM content which consisted of the ten dimensions (refer to Table 1).

Part C of this survey identifies the perceived impact of SM on business. In this study, the perceived impacts are from the perspectives of SM credibility, brand awareness, purchasing decisions and customer services, as proposed by several researchers in this area (Brogan, 2010; Kang, 2009; Smith, Wollen, & Zhou, 2007). All seven items in this part use multiple choice questions (YES/NO) where only one answer is allowed with the exception of item 1 (i.e. elements that can increase SM credibility) where respondents

Table 1. Part B survey items: SM persuasiveness principles and their dimensions

Items/Dimensions	Principles
1. Content about products/service in SM is brief.	Reduction
2. Content about products/service in SM is easy to understand.	Reduction
3. Content about products/service in SM is clear.	Reduction
4. Content of SM provides clear instructions on how to acquire product/service	Tunnelling
5. Content of SM provides a link to company's web site	Tunnelling
6. SM provides suitable interface to access content to the customers	Content tailoring
7. Content of SM provides suitable information to the customers	Content tailoring
8. Content of SM provides information about similar products/service	Suggestion
9. Content of SM provides information about relevant products/service	Suggestion
10. Content of SM provides information about great offers on products/service	Suggestion

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can answer more than once. Table 2 shows the relationship between the items and the perspectives that they cover. In testing Hypothesis 2 (H_0:2), Chi Square test was used to identify the influence of SM Content (VAR1 in Part D of the survey) towards the other three dimensions (VAR2, VAR3 and VAR4) as depicted in Table 2.

Part D of this survey identifies the existence of SM as a persuasive technology. There are 3 items in this section. The first item (VAR1) involves identifying whether SM has been able to persuade or influence the user to buy any product or service before. This item uses multiple choice questions (YES/NO) where only one answer is allowed. This item (VAR1) is used to test H0:2 as mentioned earlier. Item two, which is used to test Hypothesis 3 (H_0:3), is related to the types of content in the SM (i.e. video only, text only, audio only, photos only, or combination of multiple media [video, audio, text, and photos]) that assists the SM users in persuading them to make their purchasing decisions. This item uses multiple choice questions where more than one answers are allowed. In testing H_0:3, cross tabs procedure was used to identify which type of SM Content is less persuasive in purchasing decision making (VAR2 in Table 2).

Item three identifies the types of SM that are most likely assisting them to make their purchasing decision. This item requires the users to rank the types of SM that contribute the most to purchasing decisions. These items are adapted from the American Physical Therapy Association (2010).

DATA ANALYSIS AND FINDINGS

Survey: Data Analysis Result

This section presents the results of the data analyses of the survey. The analyses were carried out using various statistical techniques such as descriptive statistics analysis, the One Sample Test (Compare Means), and the Chi-Square. The normality test was conducted using Exploratory Data Analysis (EDA).

Table 2. Part C survey items: Perceived impact of social media on business

Item	Perspectives	Items Tested in Hypothesis H2
1. What are the elements that can increase SM credibility?	Credibility	-
2. Have you ever been informed about a particular product/service through SM?	Brand awareness	-
3. Have you ever purchased a product/service after getting the information from or talking about it through SM?	Purchasing decision	VAR2
4. Have you ever changed a decision to purchase a product/ service after getting information from or talking about it through SM?	Purchasing decision	VAR3
5. Have you ever stopped purchasing a product/service after getting information from or talking about it thorugh SM?	Purchasing decision	VAR4
6. Have you ever filed a complaint about a product/service through SM?	Customer services	-
7. Have you got a feedback about your complaint through SM?	Customer services	-

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Respondents' Demographic Information

Out of 1,200 questionnaires received, four were rejected due to incomplete data. The data from the remaining 1,196 questionnaire was then analysed accordingly. Table 3 provides the demographic information of the respondents in this study. Unsurprisingly, the majority of respondents (53%) were young adults aged from 20 to 30. This was followed by those whose ages were below 20 (29%), 31 to 40 (10%), and above 40 (8%). In terms of educational levels, 29% of the respondents had a Bachelor's degree, 25% had a diploma, and 20% had SPM certificates. The remainder were STPM leavers (15%), holders of Master/ PhD degrees (3%), and those with other qualifications (8%). The information on respondents' race was also obtained and it was found that the respondents were fairly represented by all major races in Malaysia. The majority of respondents (57%) were Malays, followed by Chinese (23%), Indian (10%) and others (10%). As for gender differences, both male and female respondents were almost equally represented in the study.

Social Media Usage

The findings (refer to Figure 1) show that Facebook is the most popular SM tool among the respondents (87.4%). The other widely used SM tools were YouTube (36.3%), Blog (25.9%) and Twitter (22.1%). Other SM tools are not commonly used by the respondents.

It is also imperative to ascertain information about the role of respondents when using SM. In this study, the majority of respondents use SM as either observers (58.2%) or followers (52.8%). 13.2% of the respondents, however, were involved in e-business as customers, which indicates that SM has the potential to become a successful e-business tool.

Table 3. Respondents' demographic information

	Item	Frequency	Percent
Gender	Male	633	53
	Female	563	47
Age	Total	1196	100
	Below 20	342	29
	20 – 30 years	631	53
	31 – 40 years	125	10
	Above 40 years	98	8
Education	Total	1196	100
	Postgraduate	35	3
	Bachelor	343	29
	Diploma	303	25
	STPM	178	15
	SPM	240	20
	Others	97	8
Race	Total	1196	100
	Malay	683	57
	Chinese	271	23
	Indian	123	10
	Others	119	10
	Total	1196	100

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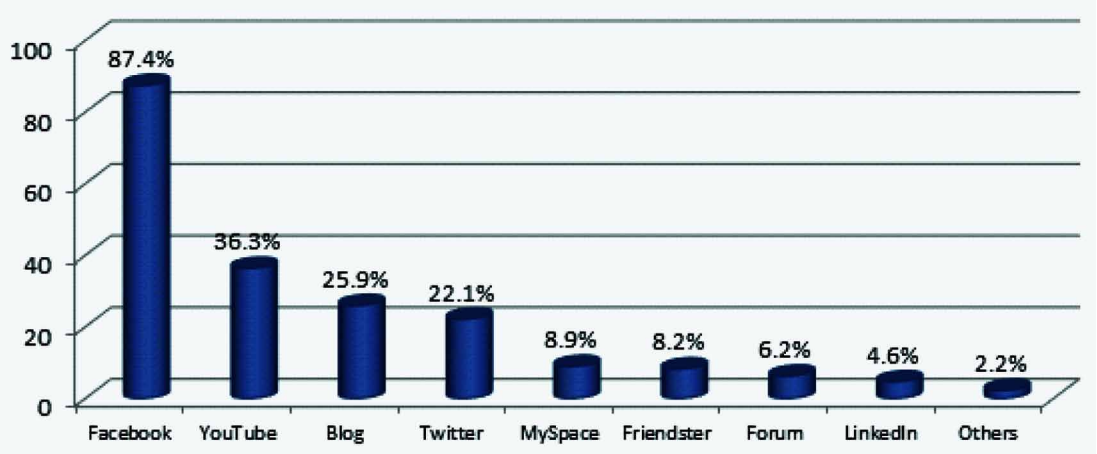
Figure 1. Type of social media tools used by respondents

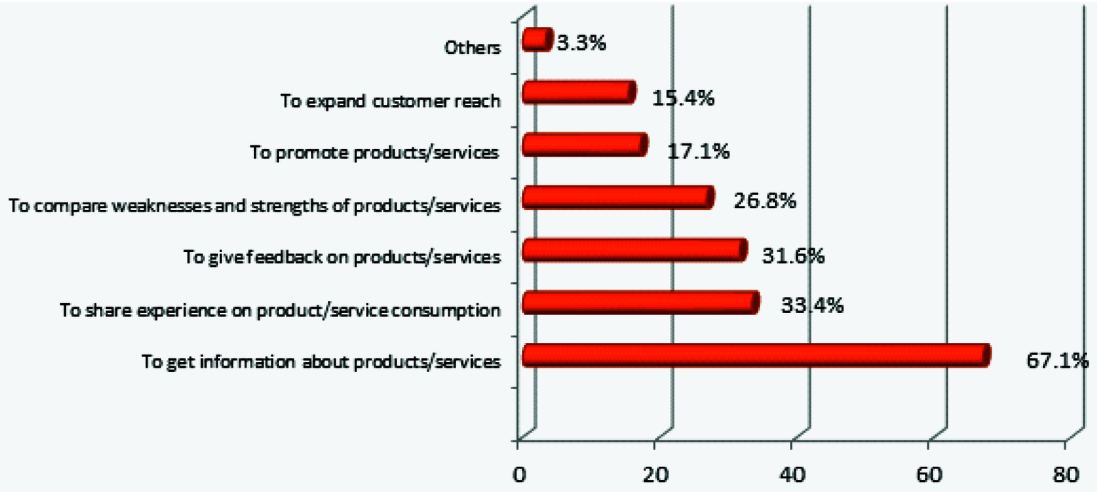


Respondents were also asked about the purposes of using SM. With reference to Figure 2, it can be seen clearly that most of the respondents used SM to obtain information about products or services (67.1%). In addition, respondents also use SM to share their experiences of products or service consumption (33.4%), to give feedback on products or services they had paid for (31.6%), and to compare the weaknesses and strengths of particular products or services (26.8%).

Social Media Impact in Business

The study shows that SM does indeed have an impact on business. Table 4 shows that the majority of respondents (75.9%) were aware of the existence of particular products or services obtainable through SM. Some of the respondents (43.6%) even bought products or services after getting information from SM. Surprisingly, a significant number of respondents (47.4%) had changed their minds about buying

Figure 2. Respondents' purposes of using social media



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products or services after following up the latest information or conversations through SM. Even worse, 47.7% of the respondents had stopped using a particular product or service after getting negative feedback about it in SM. This finding supports the claim that SM can, to a certain extent have an impact on business. Table 4 summarises the findings. The findings also indicate that most business organisations in Malaysia had begun to be aware of the important role of SM in business. This is supported by the fact that many of the complaints about products or services filed by SM users are being attended to by respective company representatives (68.4%).

Social Media as a Persuasive Tool

Although SM has only emerged recently, its popularity and various uses have increased tremendously. In the context of business, a significant number of respondents (73.2%) believed that SM could influence their purchasing decisions. Out of these, 29.7% even believed that SM could indeed persuade them to buy products or services. In terms of SM ranking, respondents rated Facebook as the SM tool which had the greatest impact on their purchasing decision making, followed by YouTube, Twitter, LinkedIn, blogs, Forum, Friendster, and MySpace as listed in Table 5.

Table 4. Social media impact on business

	Yes	No
1. Have you ever been made aware of a product or service through Social Media usage?	75.9%	24.1%
2. Have you ever bought a product or service after following the information or conversation from Social Media?	43.6%	56.4%
3. Have you ever changed a decision for buying a particular product or service after getting the information about it from Social Media?	47.4%	52.6%
4. Have you ever stopped using a particular product or service after getting negative information about it from Social Media?	47.7%	52.3%
5. Have you ever made complain about a particular product or service through Social Media?	28.9%	71.1%
6. Did you get feedback about your product or service complaints from fellow Social Media users or company's representative?	68.4%	31.6%

Table 5. Ranking of social media in terms of their importance and impact on purchasing decision making

SM	Rank	Impact on Purchasing Decision (8 = Greatest Impact, 1 = Lowest Impact)									Total(N)
		8	7	6	5	4	3	2	1	0	
Facebook	1	652	133	64	31	18	21	15	51	211	1196
YouTube	2	101	354	135	112	128	63	52	40	211	1196
Twitter	3	64	140	250	149	128	112	67	71	211	1196
LinkedIn	4	34	44	156	150	130	130	131	210	211	1196
Blog	5	110	244	171	137	161	55	43	84	211	1196
Forum	6	55	64	95	96	133	220	177	145	211	1196
Friendster	7	23	51	87	100	145	185	259	131	211	1196
MySpace	8	40	40	91	94	103	146	123	342	211	1196

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Normality Test

The normality test for the hypothesised data was completed using EDA. The basic EDA assumption for normality holds as the histogram was bell shaped, and the normal probability plot was linear while the skewness and kurtosis were zero.

Furthermore, the Box Plot (Box and whisker plot) was also performed for the data normality test. A box plot is a way of summarizing a set of data measured on an interval scale. It is a type of graph which is used to show the shape of the distribution, its central value, and variability. The picture produced consists of the most extreme values in the data set (maximum and minimum values), the lower and upper quartiles and the median.

In the data set of Hypothesis H_0:1, the box plot shows that the data set is normal as the box and whisker plot are balanced where the minimum value is 4, the median value is 5 and the maximum value is 6 (Refer Figure 3).

In the Histogram/Quartiles (percentiles) the data set shows that the data is normal, as illustrated in Figure 4. The histogram of one SM content dimension shows that the histogram was bell shaped, and the normal probability plot was linear as well as the skewness and kurtosis was zero.

Testing of Hypothesis

This section describes the findings of the analysis by referring to each of the three hypotheses stated earlier.

Testing of H_0-1

H_0-1: SM content does not significantly persuade users to engage in business related activities.

In testing H_0:1, a *t* test was conducted. Using the t distribution, the cutting value was located based on the degrees of freedom involved. This cutting value is used to decide whether the tested SM content dimen-

Figure 3. Box plot of data set (social media content dimensions)

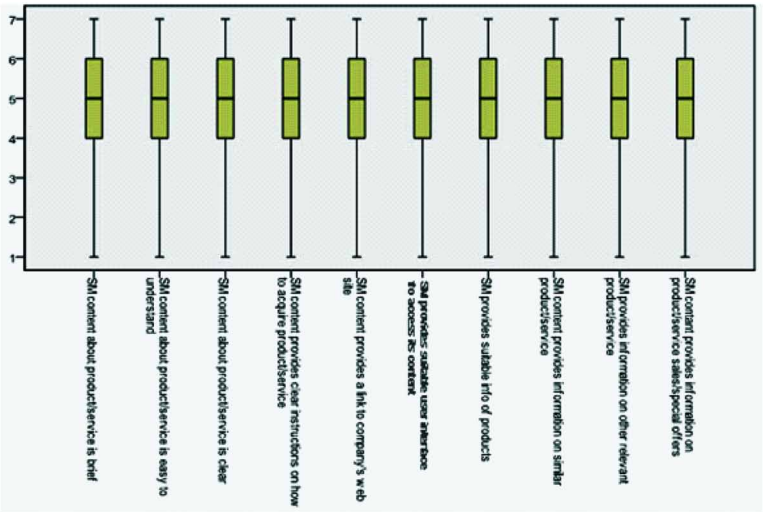

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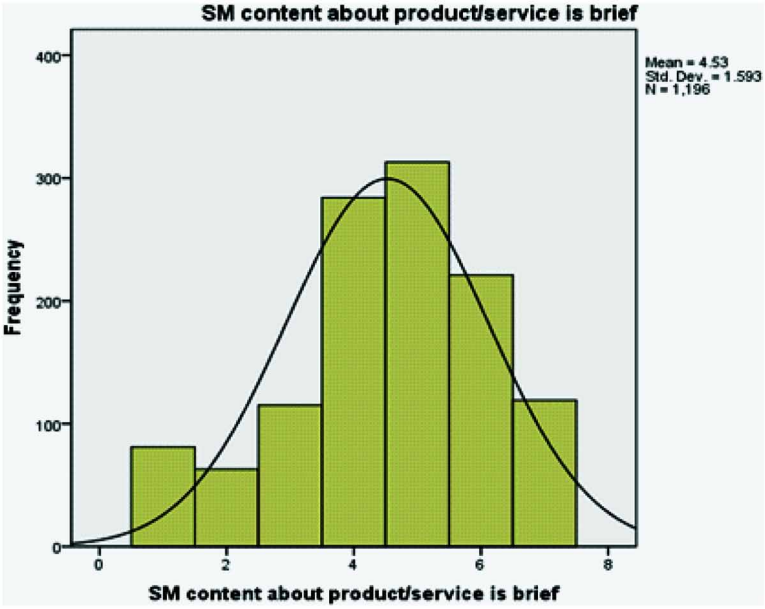
Figure 4. Histogram of data set (SM content dimensions)



sions can persuade users or not to engage in business related activities. The cutting value or baseline value in this test was a median value of an interval (measurement) scale which was 3.5 (see Figure 5) and the SM content mean value was derived from a construct of SM content which consisted of ten dimensions.

In testing H_0:1, the one sample *t*-test analysis indicated that SM content mean was greater than the cutting value as depicted in Table 6. The mean score for the SM Content (M=4.78) was greater than the cutting value (Base value =3.50). In this analysis, the confidence interval used was 95% or 0.05

Figure 5. Measurement for interval scale

1 – 1.99 = Unacceptable
2 – 2.99 = Below average
3 – 3.99 = Average
4 – 4.99 = Good (above average)
5 – 5.99 = Very good
6 – 7.00 = Exceptional
Note: Median value = 7.00 / 2
= 3.5

Table 6. Mean difference between baseline and SM content

One-Sample Statistics				
	N	Mean	Std. Deviation	Std. Error Mean
SM content	1196	4.78	.9915	.0287

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significance level. The result in Table 7 shows that the significant value is 0.00. Therefore, the statistical results suggested that the null hypothesis, H_0:1, should be rejected. This means that SM content does significantly persuade users to engage in business related activities.

Testing of H_0-2

H_0-2: Purchasing decisions are not significantly being influenced by SM content.

Purchasing decisions regarding the testing of H_0:2 are measured by three dimensions as follows:

VAR2: Have you ever purchased a product/service after getting the information from or talking about it through SM?
VAR3: Have you ever changed a decision to purchase a product/ service after getting information from or talking about it through SM?
VAR4: Have you ever stopped purchasing a product/service after getting information from or talking about it through SM?

In testing H_0:2, a Chi Square test was used to identify the influence of SM Content (VAR1) towards the other three dimensions (VAR2, VAR3 and VAR4). All of the dimensions (VAR1, VAR2, VAR3 and VAR4) are a categorical data which justify the use of chi square to analyze the relationship among the variables. The Chi square is a non-parametric test of statistical significance for bivariate tabular (also known as crosstab) analysis. Any appropriately performed test of statistical significance is designed to establish the degree of confidence required to accept or reject the hypothesis. In this study, the hypothesis was tested with chi square to ascertain whether or not the three different dimensions (VAR2, VAR3 and VAR4) are different enough with the influence of SM Content (VAR1).

Table 8 shows cross tabulation table comparing the two hypothetical variables "the influence of SM Content" (VAR1) with "Decisions to purchase product or service after getting information from or talking about it through SM" (VAR2). The cells of the table report the frequency counts for the number of respondents. Within the sample, 423 of SM users had experienced making decisions to buy products or services after getting information from or talking about it through SM and agreed that SM Content influences the purchasing decision. Meanwhile, 485 of SM users had not experienced buying products or services after getting information from or talking about it through SM but agreed that SM Content influences the purchasing decision.

In this analysis, the confidence interval used was 95% or 0.05. As with the Chi-Square test result in Table 9, the significant value was 0.000. This means that the purchasing decision for category VAR2

Table 7. One sample t test

One Sample *t* Test						
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
SM content	166.637	1195	.000	4.778	4.721	4.834

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*Table 8. Crosstab VAR1 * VAR2*

Crosstab VAR1 * 2				
		VAR2		Total (N)
		1.00 (Yes)	2.00 (No)	
VAR1	1.00 (Yes)	423	485	908
	2.00 (No)	98	190	288
Total		521	675	1196

*Table 9. Chi-square tests (VAR1 * VAR2)*

Chi-Square Tests (VAR1 * VAR2)					
	Value	**Df**	**Asymp. Sig. (2-Sided)**	**Exact Sig. (2-Sided)**	**Exact Sig. (1-Sided)**
Pearson Chi-Square	14.025[a]	1	.000		
Continuity Correction[b]	13.519	1	.000		
Likelihood Ratio	14.262	1	.000		
Fisher's Exact Test				.000	.000
Linear-by-Linear Association	14.014	1	.000		
N of Valid Cases	1196				

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 125.46.
b. Computed only for a 2x2 table

was significantly influenced by SM content. In another words, the content of SM can influence SM users to purchase products or services.

Table 10 shows cross tabulation table comparing the two hypothetical variables "the influence of SM Content" (VAR1) with "Changing of decisions to purchase products or services after getting information from or talking about it through SM" (VAR3). The cells of the table report the frequency counts for the number of respondents. Within the sample, 424 of SM users had changed decisions to purchase products or services after getting information from or talking about it through SM but agreed that SM Content influences the purchasing decision. Meanwhile, 484 of SM users had not changed the decisions to purchase products or services after getting information from or talking about it through SM and agreed that SM Content influences the purchasing decision.

*Table 10. Crosstab VAR1 * VAR3*

Crosstab VAR1 * VAR3				
		VAR3		Total
		1.00 (Yes)	2.00 (No)	
VAR1	1.00 (Yes)	424	484	908
	2.00 (No)	143	145	288
Total		567	629	1196

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In this analysis, the confidence interval used was 95% or 0.05 (significance level). In the Chi-Square test result in Table 11, the significant value was 0.381. This means that a purchasing decision for VAR3 was not being significantly influenced by SM content. In simple terms, the content of SM cannot simply influence SM users to change purchasing decisions which were made prior to using SM.

Table 12 shows cross tabulation table comparing the two hypothetical variables "the influence of SM Content" (VAR1) with "Decisions to stop purchasing products or services after getting information from or talking about it through SM" (VAR4). The cells of the table report the frequency counts for the number of respondents. Within the sample, 415 of SM users had stopped purchasing products or services after getting information from or talking about it through SM but agreed that SM Content influences the purchasing decision. In the meantime, 493 of SM users had not stopped purchasing products or services after getting information from or talking about it through SM and agreed that SM Content influences the purchasing decision.

In this analysis, the confidence interval used was 95% or 0.05. In the Chi-Square test result in Table 13, the significant value was 0.015. This means that the purchasing decision for category VAR4 was being significantly influenced by SM content. In other words, SM content can influence SM users to stop purchasing certain products or services.

In conclusion, from the three Chi Square tests results in Table 9, 11, and 13 the significant values were 0.000, 0.381, and 0.012 respectively. Therefore, the statistical results rejected the null hypothesis, H_0:2 (based on the two samples of Chi Square test which were significant - VAR 2 and VAR4). This means that the purchasing decisions were being significantly influenced by SM content.

*Table 11. Chi-square tests (VAR1 * VAR3)*

Chi-Square Tests (VAR1 * VAR3)					
	Value	**Df**	**Asymp. Sig. (2-Sided)**	**Exact Sig. (2-Sided)**	**Exact Sig. (1-Sided)**
Pearson Chi-Square	.767[a]	1	.381		
Continuity Correction[b]	.653	1	.419		
Likelihood Ratio	.766	1	.381		
Fisher's Exact Test				.416	.210
Linear-by-Linear Association	.766	1	.381		
N of Valid Cases	1196				

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 136.54.
b. Computed only for a 2x2 table

*Table 12. Crosstab VAR1 * VAR4*

Crosstab VAR1 * VAR4				
		VAR4		Total
		1.00 (Yes)	2.00 (No)	
VAR45	1.00 (Yes)	415	493	908
	2.00 (No)	156	132	288
Total		571	625	1196

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*Table 13. Chi-square tests (VAR1 * VAR4)*

Chi-Square Tests (VAR1 * VAR4)					
	Value	**df**	**Asymp. Sig. (2-Sided)**	**Exact Sig. (2-Sided)**	**Exact Sig. (1-Sided)**
Pearson Chi-Square	6.275[a]	1	.012		
Continuity Correction[b]	5.941	1	.015		
Likelihood Ratio	6.272	1	.012		
Fisher's Exact Test				.015	.007
Linear-by-Linear Association	6.270	1	.012		
N of Valid Cases	1196				

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 137.50.
b. Computed only for a 2x2 table

Testing of H_0-3

H_0-3: In purchasing decision making, a combination of multimedia elements is less persuasive than a single element.

In the testing of H_0:3, purchasing decision making was based on five types of SM content which are video, text, audio, photos, and combinations of multimedia elements (video, text, audio, and photos). As from the extracted data from the Cross Tabs between the five types of SM contents and the dimension of purchasing decision making (VAR2) in Table 14, the highest frequency of SM content chosen by SM users are the type of combinations of multimedia elements which constituted 260 samples. Therefore in purchasing decision making, SM content which is being displayed using a combination of multimedia elements is more persuasive than a single element.

Table 14. Types of SM content and purchasing decision making

Type of SM Content	**VAR2: Purchasing Decision Making (Buy)**		**Total Respondents Who Bought Products or Services From SM**
	Yes(**N**)	*No* (**N**)	
Video	130	391	521
Text	124	397	
Audio	78	443	
Photos	142	379	
Combination of multimedia elements (video, text, audio & photos)	260	261	

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DISCUSSIONS, CONCLUSION, AND IMPLICATIONS FOR FUTURE RESEARCH

Overall Findings

This paper presents a quantitative study which attempts to determine the perceived impact of SM as a persuasive technology for business purposes in Malaysia. In general, the outcome of this study provides meaningful answers to the three research questions which are:

1. What is the impact of SM utilisation as a persuasive technology for business?
2. Can SM content persuade users to engage in business related activities?
3. Can SM content influence consumers in making purchasing decisions?

For the first research question, the finding clearly provides evidence that SM such as Facebook have the potential to become effective and persuasive tools for businesses. The majority of respondents had been using SM to get information (67%) or share experiences (33%) about products and services. In addition, it was also found that most of the respondents (75.9%) were made aware of the existence of particular products or services through SM. Furthermore, there is also evidence to suggest that respondents use SM to get feedback about product or service complaints (68.4%). All these provide a clear indication of the important role of SM in business, especially for marketing activities. This outcome is in line with several previous studies such as Lesley (2012), Darban and Wei Li (2012), Li and Darban (2012), and Statista (2013).

As for the second and third research questions, the findings from hypotheses one ($H_{0:}1$) and two ($H_{0:}2$) indicate that SM content, if designed effectively and interactively, can persuade people to engage in business related activities and to influence people to purchase products or services. In order to be effective, as this study has shown in the results of hypothesis three ($H_{0:}3$), SM content must be properly designed, relevant, informative, and should include the use of multiple media presentation platforms such as videos, audios, texts and animations. This finding is in line with a report by ComScore, Inc (2011) which states that SM goals can be achieved through the use of insightful and engaging content. Similarly, in order to develop engaging SM content, the use of multiple media presentations cannot be avoided.

This study also reveals that SM content is unlikely to change purchasing decisions which have already been made prior to using SM. The most interesting finding is that SM content can influence users to stop purchasing certain products or services. This means that conversations and discussions among SM users can have an impact on current customers with regard to certain products or services. The result of $H_{0:}2$ in this study revealed that purchasing decisions are being significantly influenced by SM content.

However, SM tools are plentiful and continue to emerge, and the impact of any one tool may be different from the others. A study by Martinka (2012), for example, indicates that Facebook can have an impact on consumer purchasing decisions, as also evidenced in this study, but that is not the case for Twitter. Hence, while acknowledging the important role of SM as a persuasive technology, companies should be cautious in selecting and utilising SM.

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Implications of Study to Business and Research Communities

The findings of this research could be useful for the business and research community with reference to SM. The fact that majority of respondents in this study (75.9%) were aware of the existence of particular products and/ or services after getting information through SM clearly indicates that SM has already had a significant impact on businesses and that there is potential for SM to continue to be widely used in the future. Furthermore, the finding that SM content does significantly persuade users to engage in business related activities (the result of $H_{0:}1$) highlights the emerging role of SM as a persuasive technology in business. The fact that SM can have an impact on purchasing decisions (the result of $H_{0:}2$) should not be underestimated and should be fully utilised by firms. The outcome of this study further supports the findings of previous studies mentioned earlier which include Swallow (2010), Lesley (2012) and Darban and Wei Li (2012). In short, it can be said that the trends in terms of SM impact on business in Malaysia, as also identified in several other findings such as PWC (2013), Shahizan et al. (2012), Chai Li (2014), Hamdadi and Almsafir (2014), are not much different with what is happening in other countries especially in the Western world.

As for the research community, this study provides more evidence that Fogg's persuasive principles can indeed be applied in measuring the level of persuasiveness of computer mediated applications. It shows that the principles are not only applicable in the context of e-learning (Behringer, 2013), Web information retrieval (Lykke, 2009), Computer simulations (Joubert & Roodt, 2009), and database information system (Smink, 2012) as mentioned earlier, but it is also applicable in the context of social media research. In particular, the outcome of this study implies that the Fogg's persuasive principles of reduction, tunnelling, content tailoring, and suggestion (Fogg, 2003), can be utilised in measuring the role of SM as a persuasive technology. The instruments used in this study can be further tested and enhanced accordingly. Similar study can be conducted in different geographical and cultural environments. More hypotheses can be developed and tested to verify the finding of this study.

Limitations and Future Works

There are a number of limitations of this research which should be duly noted. First, the motivation and issues brought forward in this study are based on the analysis of very limited studies on SM especially in the context of Malaysia. Overtimes, the number of studies in this area will increase and therefore future research proposals can be better developed. Secondly, the study is only conducted in Malaysia and hence cannot be generalised to be applicable to all environments. Further efforts should be taken to ascertain the impact of SM on business in different geographical and cultural environments. Third, this study only applies Fogg's persuasive principles (Fogg, 2003) in developing and framing the instruments. Future work should also take into account other theories and models such as Cialdini's six principles of influence (Cialdini, 2006) to strengthen the instrumentations. Finally, this study also has some limitations in terms of its methodological approach. It employed the quantitative method in gathering the data. Using the mixed method approach may further strengthen the finding as the qualitative method enables the researchers to get in-depth information regarding the impact and role of SM in business. In addition, it would be worthwhile to include the sample from other stakeholders such as SM practitioners, business owners, and entrepreneurs in future research.

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Chapter 33
Conducting Survey Research Using MTurk

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ABSTRACT

This chapter presents an introduction to crowdsourcing for survey participant recruitment. It also discusses best practices and ethical considerations for conducting survey research using Amazon Mechanical Turk (MTurk). Readers will learn the benefits, limitations, and trade-offs of using MTurk as compared to other recruitment services, including SurveyMonkey and Qualtrics. A synthesis of survey design guidelines along with a sample survey are presented to help researchers collect the best quality data. Techniques, including SPSS and R syntax, are provided that demonstrate how users can clean resulting data and identify valid responses for which workers could be paid. An overview and syntax for conducting longitudinal studies is provided as well.

CONDUCTING SURVEY RESEARCH USING MTURK

Over the past 25 years, the Internet has progressively become part of how we live. It has changed the way in which we communicate and exchange knowledge. Consequently, the Internet has become a tool for conducting academic and organizational research (Callegaro, Baker, Bethlehem, Goritz, Krosnick, & Lavrakas, 2014; Granello & Wheaton, 2004; Oppenheimer, Pannucci, Kasten, & Haase, 2011). In the field of human resource development (HRD), for example, is not uncommon for findings from survey research to inform theory and/or practice (cf. Gubbins & Roussea, 2015; Shuck & Reio, 2011).

A growing trend in the psychological and behavioral sciences is the use of crowdsourcing for recruiting survey participants (Palmer & Strickland, 2016). Crowdsourcing is a technical innovation that refers to the process of obtaining content by soliciting contributions from a large and diverse pool of people, particularly from online communities. The use of crowdsourcing for academic research has increased over

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the past decade (Harms & DeSimone, 2015). In fact, many reputable journals have published articles for which crowdsourcing methods were utilized (Palmer & Strickland, 2016). Today, multiple crowdsourcing platforms are available, facilitating the link between researchers and populations of potential participants (e.g., MTurk, SurveyMonkey Audience, Qualtrics Panels, StudyResponse, and CrowdFlower).

Despite its growing acceptance and capability of enabling researchers to reach large numbers of people, a recent study suggests that researchers have concerns, often unsupported, with crowdsourcing platforms; thus, they are skeptical to adopt crowdsourcing as a methodological tool for academic research (Law, Gajos, Wiggins, Gray, & Williams, 2017). One of the most popular commercial crowdsourcing services used by social science researchers to recruit participants is MTurk (Buhrmester, Kwang, & Gosling, 2011). Recent studies have found that data collected through MTurk were as good or better than data collected by more traditional survey methods (Behrend, Sharek, Meade, & Wiebe, 2011; Feitosa, Joseph, & Newman, 2015).

In this chapter, we offer a primer to researchers interested in using MTurk for survey research. First, we present an introduction to crowdsourcing for recruiting survey participants. Second, we present MTurk as a tool for conducting survey research, discuss ethical considerations, and compare it to other crowdsourcing services used for survey participant recruitment (i.e., SurveyMonkey, Qualtrics). Third, we discuss the limitations and benefits associated with MTurk. Fourth, we synthesize best practices for designing a survey to be deployed on MTurk and present an associated example. Fifth, we review the implications of collecting data from MTurk and provide R (see Appendix A) and SPSS syntax (see Appendix B) that may be helpful starting places for researchers who are new to collecting data from MTurk.

Crowdsourcing Survey Participants

In the information age, the availability of technological tools and their applicability to academic research have resulted in the boom of crowdsourcing platforms (Law et al., 2017). Currently, multiple commercial crowdsourcing services are available, allowing researchers to reach large populations of potential survey participants, for a fee. Unlike traditional survey methods in which time and budget are a constraint, crowdsourcing relies on the Internet for connecting researchers and survey participants quickly and cost-effectively (Cummings & Sibona, 2017). Although crowdsourcing is not a newly emerged tool for survey research, it is not yet widely used due to researchers' concerns regarding their knowledge of available crowdsourcing tools, and concerns regarding data quality (Law et al., 2017). Nevertheless, during the past decade, the number of articles published in academic journals using crowdsourcing platforms for survey research has increased by more than a hundredfold (Harms & DeSimone, 2015).

This chapter aims to help address concerns regarding knowledge of available crowdsourcing tools. Previous research has focused on addressing concerns related to the quality of crowdsourced survey data, and findings suggest that survey data obtained through crowdsourcing can be valid and reliable (Berinsky, Huber, & Lenz, 2012; Landers & Behrend, 2015). However, there are important considerations researchers must keep in mind with regards to sampling. Sampling is the process that involves the selection of a subset of a particular population with the purpose to infer the results of the sample to the general population from which it was recruited (Blumberg, Cooper & Schindler, 2014). Therefore, it is suggested that researchers carefully evaluate if the participants they can recruit through crowdsourcing platforms are sufficiently similar to their studies' intended populations in order to make generalizable inferences (Landers & Behrend, 2015).

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MTurk Recruitment Service

MTurk, short for Amazon Mechanical Turk, is a service offered by Amazon.com, Inc. It was originally designed for internal purposes in which participants would generate descriptors (e.g., "modern," "vase," "ivory") for Amazon products, and in exchange, they received very small financial incentives (Landers & Behrend, 2015). Today, MTurk has evolved into the most popular commercial crowdsourcing service that connects researchers (requestors) with respondents (workers) via Amazon's online marketplace. MTurk recruits individuals for their marketplace by offering small researcher-paid financial incentives for HIT (Human Intelligence Tasks) completion (Buhrmester et al., 2011). Researchers have absolute discretion over the financial incentive their survey participants receive. Research on MTurk workers indicates that they are younger (millennials >50%), more educated (college degree >50%), and have lower income (*Md* = $20,000–29,999) as compared to the average U.S. population (cf. Berinsky et al., 2012; Feitosa et al., 2015; Smith, Roster, Golden & Albaum, 2015). Therefore, MTurk workers may not be suitable for all studies.

Horton and Chilton (2010) reported that the hourly wage of the typical MTurk worker is $1.38. However, several studies (e.g., Casler, Bickel, & Hackett, 2013; Shapiro, Chandler, & Mueller, 2013) reported rates two to three times as high. MTurk adds a 40% commission (20% for HITs requesting fewer than ten responses) to the HITs' total cost plus an additional 5% for Master workers, who are workers who have earned that qualification for consistently receiving positive feedback. MTurk allows researchers to choose "Premium Qualifications" options for selecting a specific pre-screened target population. Fees for specific target populations range from $0.05 (e.g., high school graduate, LinkedIn user) to $1.00 (e.g., foreign language fluency) (see Table 1). Therefore, the cost per survey response for a 10-minute survey targeted to the general U.S. population can range from $0.30 to $1.70. On the other hand, the cost for the same survey targeted to the female U.S. population would range from $0.80 to $2.20.

When determining the amount of financial incentives for a survey, recent research has demonstrated that higher incentives result in higher data quality (Litman, Robinson, & Rosenzweig, 2015;). In addition to data quality, there are ethical implications to the amount paid to survey participants. Studies revealed that it is not uncommon for MTurk workers to earn part of their living income from MTurk (Harms & DeSimone, 2015; Goodman, CryPaolacci, Chandler, & Ipeirotis, 2010); therefore, while they are considered self-employed and not protected by minimum wage laws, their compensation for survey completion forms part of their wages. Consequently, it is up to the researcher's judgement to determine what fair compensation is for the survey participants' time.

Similarly, in order to comply with Institutional Review Board (IRB) guidelines, when providing compensation, the compensation should be appropriate for the participants' time and effort and should not be large enough to be construed as undue influence. Harms and DeSimone (2015) suggested researchers use the U.S. federal minimum wage as benchmark for a fair compensation of participants' time. This can be done by prorating the U.S. minimum wage to the estimated duration of the survey

Other Recruitment Services

SurveyMonkey and Qualtrics are two of the leading crowdsourcing platforms for survey participant recruitment and distribution services used in organizational, marketing, and academic research. SurveyMonkey Audience and Qualtrics Panels provide survey responses from their online communities in

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exchange for researcher-paid incentives/fees. SurveyMonkey and Qualtrics also provide online survey design and hosting software that allow individuals with basic computer skills to develop professional-looking surveys with relative ease (Brandon, Long, Loraas, Mueller-Phillips, & Vansant, 2013).

- **SurveyMonkey:** SurveyMonkey Audience (SMA) is a service that connects researchers with SurveyMonkey's online pool of members. Each SMA member completes a profile that includes demographic questions when joining a panel, which is used to identify potential participants based on the researcher's requested target population. SurveyMonkey charges additional fees for participant responses from specific target populations (e.g., gender, employment status, household income, etc.). Fees for specific target populations widely range, for example, targeting a demographic of full-time ($0.50), male ($1.00), government employees ($10.00) would add $11.50 to the per-response cost. Participants who complete surveys receive a $0.50–$1.00 donation to their charity of choice and, if offered by the researcher, a chance to participate in a sweepstake. The cost for the researcher varies based on the length of the survey. A 30-item survey costs around $3.00–$4.00 per response plus an optional, but recommended, sweepstake incentive of up to $500 (SurveyMonkey, n. d.). Survey completion rates and data quality have not shown consistency; therefore, studies that used SMA data have shown a wide range of usable response rates, including reported rates of 16% (Morris, 2013) and 95% (Cook & Lorass, 2013).
- **Qualtrics Panels:** Qualtrics Panels offers a more personalized service to data collection in which an assigned Qualtrics project manager assists the researcher in exploring the options that best fit the researcher's needs, which include, but are not limited, to identifying the best target demographics, survey length, and survey design. The cost to the researcher varies based on the length of the survey and target demographics. The base cost per response is $5.00 with a project minimum of $500 for a survey without specific targeting requirements. Specific targeting requirements (e.g., industry, employment type, educational attainment) increase the cost per response (Qualtrics, n. d.). It is not clear if there are fixed prices per demographic requirements, as Qualtrics provides a quote for the entire project after learning about the specific demographic target requirements and complexity of the project. Published studies have reported a wide range of usable response rates for data collected through Qualtrics, including rates of 20% (Hazen, Kung, Cegielkski, & Jones-Farmer, 2014) and 90% (Mohr, Lichtenstein, & Janiszewski, 2012).

Comparing MTurk to SurveyMonkey Audience and Qualtrics Panels

Consider a hypothetical example of collecting data from 300 U.S.-based, full-time working adults using a 40-item multiple choice survey that takes an average of seven minutes to complete. Given the hypothetical example, Table 2 depicts MTurk, SurveyMonkey, and Qualtrics' services and costs. Like SurveyMonkey and Qualtrics online panels, MTurk allows researchers to screen participants based on their desired population target and provides a wide pool of potential participants. Note that MTurk recently changed its participant screening functionality. In the past, MTurk allowed researchers to include a couple of screening questions prior to the start of the survey (cf. Chambers, Nimon, & McCann-Anthony, 2016). Participants who failed the screening questions did not receive payment for going through the screening questions. However, now, screening for a particular target population (e.g., gender, educational attainment, age group, employment status) must be done through the Premium Qualifications option. As discussed previously, this option, for an additional fee (see Table 1 for representative fees), connects researchers

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with pre-screened participants that fit the desired population criteria. As shown on the hypothetical example on Table 2, collecting data exclusively from participants who are employed full time increases the cost per response by $0.35 for responses collected through MTurk and by $0.50 for responses collected through SurveyMonkey Audience.

In comparison to SurveyMonkey and Qualtrics, MTurk is the most cost-effective option for conducting survey research. In addition to a U.S. pool of participants, MTurk has a large international pool as well. However, despite the benefits of having a more diverse population, research (e.g., Berinsky et al., 2012; Paolacci et al., 2010) shows that having a large number of international participants makes MTurk samples less demographically representative of the U.S. population when compared with SurveyMonkey and Qualtrics. Additionally, participants from countries whose primary language is not English may produce survey responses with low reliability (Feitosa et al., 2015). Nonetheless, MTurk allows researchers to screen participants' location and nationality for free through its Worker Requirements feature (see Figure 1). Therefore, the risk of having international respondents can be mitigated in the survey design and deployment process.

Accounting for the differences previously noted, data quality and results obtained from MTurk samples are similar to SurveyMonkey and Qualtrics samples (Berinsky et al., 2012) as well as more traditional convenience samples (Berinksky et al., 2012; Buhrmester et al., 2011; Horton, Rand, & Zeckhauser, 2011; Mason & Watts, 2009; Paolacci et al, 2010). Additionally, an advantage of MTurk over SurveyMonkey and Qualtrics is that MTurk allows researchers to approve or reject payment on the basis of completion and data quality (Brandon et al., 2013).

Limitations of MTurk

A major objection to the use of MTurk for academic research is the threat to external validity (Crowston, 2012). External validity is "the degree to which the results obtained in a given study would hold true at other times, in other settings, or with other individuals" (Sacket & Larson, 1990, p. 430). However, the external validity of data collected via MTurk appears be an advantage rather than a concern as MTurk uniquely offers a wide range of diversity domestically and internationally (Behrend et al., 2011; Buhrmester et al., 2011; Landers & Behrend, 2015). In fact, the notion that online panels threaten the validity of a study's results is not based on empirical evidence, but is rather the result of an arbitrary categorization of data sources (Landers & Behrend, 2015). MTurk samples might be considered a threat to external validity only if the sample is not sufficiently similar to the intended population to draw conclusions that are generalizable to it (Yin, 2013). Therefore, it is important that researchers consider the characteristics of the MTurk population when selecting their studies' sampling approach.

Repeated participation is a concern that could threaten the internal validity of a study. However, it may not be a concern for organizational and HRD surveys in which participants are asked to share their opinions, feelings, or perceptions (cf. Chandler, Mueller, & Paolacci, 2014). While it is a concern when participants of a study are asked to perform cognitive tasks, it is perhaps reasonable to assume that participants may not change their opinions, feelings, or perceptions with more exposure to instrumentation (Landers & Behrend, 2015). Nevertheless, repeated participation of respondents in the same study should not be a concern as researchers using MTurk can design their HIT to prevent repeated participation (Chandler et al., 2014).

The use of financial incentives is a potential concern, as it could introduce systematic bias to a study (cf. Cobanoglu & Cobanoglu, 2003). Despite having an incentive for participation, the potential

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for introducing participation bias in MTurk samples seems to be no different than traditional samples for which an incentive is provided (Hsieh & Kocielnik, 2016; Komarov, Reinecke, & Gajos, 2013). Although MTurk workers indicate financial incentives are the primary reason for their participation in HITs (Behrend et al, 2011), research found that MTurk samples provided similar responses to traditional samples (i.e., university students). Further, research (Landers & Behrend, 2015) suggests that the payment MTurk workers receive for completing surveys does not seem to be a source of bias. The use of financial incentives as a source of bias should only be a concern if financial incentives are theoretically linked to outcomes (Jenkins, Gupta, Mitra, & Shaw, 1998; Landers & Behrend, 2015). Furthermore, research (Chandler et al., 2014; Rao, Kaminska, & McCutcheon, 2010) indicates that financial incentives increase participation rates without decreasing data quality. Several studies have found that compared with traditionally sourced samples, researcher-paid MTurk samples show similar levels of data quality (Buhrmester et al., 2011; Chandler et al, 2014; Mason & Watts, 2009; Mitra, Hutto, & Gilbert, 2015). Furthermore, some studies found a positive correlation between the use of financial incentives and higher data quality (Litman et al., 2015).

High rates of non-response create a higher probability of statistical biases, which could represent a threat to the external validity of a study (Tomaskovic-Devey, Leiter, & Thompson, 1994). Consequently, response rates are of concern to scholars. A high response rate is associated with larger sample sizes, which result in higher statistical power and greater credibility (Rogelberg and Stanton, 2007). Therefore, to increase the precision of estimates and statistical power of a study, it is recommended to increase sample size (Thompson, 2006). Unlike SurveyMonkey and Qualtrics, MTurk uses a marketplace in which researchers publish their surveys to be accessed by Amazon's pool of workers. The unknown number of potential respondents who see the survey but choose not to participate makes it impossible to accurately calculate response rates. However, scholars argue that in survey research, response representativeness is more important than response rate. Therefore, response rate should be a concern only if it affects the representativeness of the sample (Cook, Heath, & Thompson, 2000).

Another source of concern is that MTurk gives researchers the option to approve or reject payment (Fleischer, Mead, & Huang, 2015; Paolacci et al., 2010). Although this can be seen as an advantage, it is also a potential risk. The subjective nature of responses used for organizational and HRD studies can make it difficult to justify payment rejections for straight lining or for using neutral responses for all items. Rejecting payment for completed surveys could violate Amazon's User Agreement and result in the researcher's account being reported. Furthermore, rejecting payment could potentially violate IRB guidelines, as investigators must honor incentives offered to participants who complete, are disqualified, or are unable to complete a survey through no fault of their own (45 CFR 46). There are, however, techniques in survey HIT design that can reduce the risk of getting poor quality responses. MTurk records workers' performance (HIT approval rate) and researchers have the option to design their HITs limiting participation of workers based on that criterion (e.g., 95% HIT approval rate).

It is noteworthy to reiterate that screening questions should not be built into the survey with the objective of disqualifying workers from participation. As noted previously, screening for a desired target demographic should be done through the Premium Qualifications feature available on the MTurk interface. According to Amazon's guidelines, workers who have accepted and completed a HIT should be compensated, unless they submit a wrong or unacceptable answer. A failed response to an attention check question constitutes an unacceptable response, straight lining does not. Researchers are allowed to include attention checks throughout their surveys and to reject payment to workers who do not follow instructions and fail an attention check.

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Benefits of MTurk

Despite skepticism about this relatively new tool for data collection, research provides evidence that when following proper guidelines, MTurk can be a valuable tool for research (Law et al., 2017). MTurk offers an inexpensive and quick alternative to more traditional survey research methods, with advantages over other online panels (Brandon et al., 2013). MTurk workers produce quality data that show measurement invariance with other methods (Berinsky et al., 2012; Casler et al., 2013; Feitosa et al., 2015; Paolacci et al., 2010). Mturk is appropriate for social sciences research (Behrend et al., 2011; Buhrmester et al., 2011; Landers & Behrend, 2015).

For researchers using MTurk for one-time studies, it is important to note that large sample sizes can be achieved quickly. Berinsky et al. (2012) conducted several studies using MTurk for data collection and reported that at incentive levels of $0.75 and $0.50 per participant for a five-minute survey, they collected completed surveys ($n = 400$) within one and three days, respectively (Berinsky et al., 2012).

Like other traditional and non-traditional sampling methods, MTurk has advantages and disadvantages, which need to be evaluated against each specific research study. There are instances in which MTurk has advantages over traditional samples. MTurk workers are anonymous to researchers. Therefore, responses cannot be linked to identity, which represents a potential advantage for studies that involve sensitive questions. Institutional review boards are likely to treat studies that use MTurk participants as exempt from reviews (Paolacci et al., 2010). As well, the particular demographics of the MTurk population (educated millennial) may represent an opportunity for research. Millennials, who have redefined what being "social" means, are also known as "digital natives" (Prensky, 2001). Millennials continue to enter the workforce in large numbers and have been the subject of much research due to their connection to technology that makes them communicate, learn, and exchange knowledge differently than older generations (Hershatter & Epstein, 2010).

MTurk's capability of reaching international participants is also an advantage for researchers who wish to collect data from participants outside of the U.S. In the same way, scholars are able to filter the location of workers to U.S. workers only under the "worker requirements" preference; they could broaden their participant pool to include participants worldwide or select a specific country. Chua (2013) explored the effects of ambient cultural disharmony on creative thinking using participants from five different countries. Mason and Watts (2009) examined the relationship between financial incentives and performance using a sample of participants from 43 different countries. Eriksson and Simpson (2010) explored the relationship between gender differences and risk aversion using samples from the U.S. and India. These are just a few examples of multiple studies that have taken advantage of MTurk's international population.

An analysis of recent HRD academic literature revealed that, while still in the initial stages, MTurk samples are being used in published studies, more so than Qualtrics Panels or SurveyMonkey Audience samples (see Table 3). The analysis was conducted using Google Scholar to search for articles published on or after the year 2000 within each individual journal and using the keywords: "mechanical turk", "amazon turk", "mturk", "qualtrics", "qualtricspanels", "survey monkey", "surveymonkey". Articles returned by each search were examined individually to identify how study participants were recruited. This was done to ensure we had an accurate count of the participant recruitment service used, as MTurk can be used in conjunction with SurveyMonkey and Qualtrics. For example, there were cases in which search results for Qualtrics returned studies that had recruited participants through MTurk and used Qualtrics for designing and hosting the survey instrument (e.g., Jacquart & Antonakis, 2015; Waung,

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McAuslan, DiMambro, & Miegoc, 2016). Therefore, results presented on Table 3 provide a current tally (as of July, 2017) of published studies in selected organizational and HRD journals that have used MTurk, Qualtrics, and/or SurveyMonkey for participant recruitment. An indication of the growing acceptance of MTurk for academic research is that of the 74 published studies that used MTurk samples, 63 of them were published on or after 2015.

Survey Design for MTurk

Despite all the benefits associated with collecting data using MTurk (e.g., cost, convenience, large pool of potential participants), the use of proper techniques for survey design and data collection can impact response rate and data quality. While MTurk provides a survey development tool, there are other online applications that are more user friendly and provide more customization tools and functionality (Holden, Dennie, & Hicks, 2013). Some of the leading providers of online survey software have been used in conjunction with MTurk (Casler et al., 2013; Holden et al., 2013; Smith et al., 2015).

For example, Qualtrics allows users to create surveys and generate reports through a user-friendly GUI (graphical user interface) and distribute them through several channels, such as MTurk. Qualtrics can be used on PC and Mac computers, mobile devices, and works with most browsers. Additionally, Qualtrics provides an easy way to provide unique identifiers for each completed survey, which can be used for data verification for accepting and rejecting payment for participants.

An example survey developed for MTurk data collection using Qualtrics incorporating the recommendations offered in this article is available at https://uttyler.az1.qualtrics.com/jfe/form/SV_dp1dBVZwd47cqCF. For the purpose of illustration, items in the surveyed are numbered. Note that the survey indicates official sponsorship by including the university name and logo on each page, which mitigates non-response bias (cf. Fan & Yan, 2010). The survey also includes a bot screening question (Q1 in example survey) and an informed consent page that may exit participants from the survey if bot screening question is not answered correctly or consent is not provided. Unlike screening questions that are used to exclude participants based on a target demographic, bot screening questions are used to ensure that the participant is an actual person who understands the English language. A unique survey completion code is generated for each participant that completes the survey, which can be used to request payment.

Data safety and usability of the survey are factors that can have an effect on response rates (Fan & Yan, 2010). This risk is mitigated by: (a) using survey software (i.e., Qualtrics) that is accessible by different browsers and computer platforms (Couper, Tourangeau, Conrad & Crawford, 2004), (b) protecting data by using a unique (not shared) ID and password to log in and storing data on secure servers (Kraut, Olson, Banaji, Bruckman, Cohen, & Couper, 2004), (c) not collecting participant identifying data and explicitly informing participants of it (Rogelberg, Spitzmüller, Little, & Reeve, 2006) (d) formatting the survey in a clean, easy to read manner, using paging instead of scrolling (Peytchev, Couper, McCabe, & Crawford, 2006), (e) using simple, unambiguous language for instructions (Dillman & Smyth, 2007), and (f) ensuring that the survey does not take too long to complete, preferably less than 13 minutes (Handwerk, Carson & Blackwell, 2000).

Common method variance (CMV) has been identified as a potential problem associated with research in the social sciences, particularly that involving self-reporting instruments that use a single instrument for independent and dependent variables data collection (Reio, 2010; Richardson, Simmering, & Sturman, 2009). To minimize the risk of CMV, procedures for strengthening its procedural design should be implemented (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003; Reio, 2010). As seen in the example

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survey, directions for the items (Q3 – Q9) indicate that there are no right or wrong answers and that responses remain anonymous to avoid evaluation apprehension. As implemented in the example survey, it is helpful to divide the survey into blocks (e.g., dependent variable block, independent variable block, and demographics block). The dependent variable block (Q4 in example survey) should be placed before the independent variable block (Q5 in example survey) to avoid item priming effects (Podsakoff et al., 2003). Scales within each block should be randomized or counterbalanced; however, it is not recommended that items from different scales are randomized indiscriminately, as it may disrupt the respondents' thought process and decrease the quality of data (Chang, Witteloostuijn, & Eden, 2010; Craighead, Ketchen, Dunn, & Hult, 2011; Podsakoff et al., 2003).

Despite the popularity of progress bars in online surveys, it is recommended that a progress bar not be used for MTurk data collection, as research (Villar, Callegaro, & Yang, 2013) shows that including a progress indicator in surveys that provide financial incentives is associated with increased drop-off rates. Conversely, faster completion rates have been associated with higher pay rates (i.e., $.75 for a 5–9 min. survey) (Berinksy et al., 2014). Higher pay did not seem to have an effect on data reliability in some studies (Buhrmester et al., 2011; Mason & Watts, 2009; Rouse, 2015); however, it did have an effect in some recent studies (Cummings & Sibona, 2017; Litman et al., 2015).

What could impact data quality when using MTurk is the potential risk of surveys being answered by artificial intelligence or "bots." To mitigate the risks of unreliable data due to bot-generated survey responses, a screening question should be presented to ensure that the participant is human and has an understanding of the English language (e.g., "What is the third word in this question: *How many stars are in the American flag*?"; Rouse [2015, p. 305]; Q1 in example survey). Additionally, to ensure that participants are paying attention to the survey, instructional manipulation checks (IMC) or attention checks could be included throughout the survey (e.g., "Please click on the little blue circle at the bottom of the screen. Do not click on the scale items that are labeled from 1 to 9"; Oppenheimer, Meyvis, Davidenko [2009, p. 871]; see item between Q3 and Q4 in example survey). These attention checks are placed in order to determine which participants are paying attention. As can be observed on the example survey provided, these questions serve as "speed bumps" to help participants focus, or re-focus, on the survey, as well as to help the researcher identify responses that may be adding noise to the sample and decreasing the quality of the data (Oppenheimer et al., 2009; Smith et al., 2015). Research suggests that that these questions can help the researcher determine the level of effort of the participant throughout the survey, which may fluctuate; therefore, it is advisable to include multiple attention checks throughout the survey depending on the survey's length (DeSimone, Harms, & DeSimone, 2015). The researcher should consider the trade-off of eliminating responses of participants who fail the attention checks. In multiple studies, researchers have eliminated responses that failed attention checks to avoid potential departures from normality and improve data quality (Mawritz; Greenbaum; Butts, & Graham, 2016; Peer, Vosgerau, & Acquisti, 2013). While eliminating those responses can improve the quality of the data and increase statistical power, it could also harm the external validity of the study (Oppenheimer et al., 2009).

Finally, the decision of demographic questions (Q5 through Q9 in example survey) placement should be made considering the nature of the survey as well as the distribution channel. Organizational surveys have a higher perceived psychological risk due to a closer connection between participants and survey sponsors, which increases participants' fear of being identified and fear of repercussion, thus increasing nonresponse and drop-out rates when demographic questions are placed at the beginning of a survey (Borg, Braun, & Baumgartner, 2008; Rogelberg, Conway, Sederburg, Spitzmuller, Aziz, & Knight, 2003). Therefore, it is recommended that demographic questions be placed at the end of the survey

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when they are organizational or sensitive in nature (e.g., medical history, sexual orientation) (Colton & Covert, 2007; Teclaw, Price, & Osatuke, 2012). However, when using MTurk, it is reasonable to assume that most participants do not have a close connection with the researcher that would create a fear of repercussions for their survey responses. Therefore, it is recommended that demographic questions in organizational or HRD research surveys distributed using MTurk not be treated with extra sensitivity due to their organizational nature since there is likely no connection between the researcher and participants.

DATA COLLECTION USING MTURK

Upon completion of designing an electronic survey, survey platforms (e.g., Qualtrics, SurveyMonkey) provide researchers with survey links that can be shared with prospective participants. The survey link can be shared with the MTurk participant pool through a HIT. This section discusses the different aspects associated with collecting data using MTurk. First, we present MTurk's "Worker Requirements" feature for collecting data from target populations, including its newest option, "Premium Qualifications". Second, we review aspects associated with HIT design. Third, we discuss practices for evaluating data quality and paying workers. Last, we present an overview of how MTurk can be used for longitudinal designs.

Worker Requirements

Worker requirements (see Figure 1) act as filters that allow researchers to include or exclude workers from participating in HITs based on the researcher's specific demographic criteria. In addition to the Master worker requirement, which allows researchers to sample from workers who have earned a high percentage of approval from multiple previous HITs, researchers are able to narrow their worker population using three additional requirement categories: system qualifications, premium qualifications, and researcher-created qualification types.

- **System Qualifications:** System qualifications are filters for Location, HIT approval rate, and number of HITs approved (see Figure 1) that MTurk offers to requesters for free. Using these the option of filtering the location of workers to "United States (US)" researchers are able to achieve quality results that are representative of the population (Feitosa et al., 2015). Previous studies demonstrated that MTurk samples can be as representative of the U.S. population as traditional participant pools (e.g., students, convenience) (Berinsky et al., 2012; Buhrmester et al., 2011; Paolacci et al., 2010). MTurk screens its U.S.-based workers by collecting social security numbers in order to issue earnings statements that are subject to taxation, which provides evidence of the likelihood that when researchers opt for U.S. based samples, participants are truly from the U.S. population. Filtering location can also be used to sample international participants.

Further, using system qualifications to filter by HIT approval rate could increase the likelihood of getting quality data by designing HITs that limit participation of workers who have a HIT approval rate of 95 per cent, as it would indicate that they have a good reputation with other researchers (Barger & Sinar, 2011; Berinsky et al., 2012; Brandon et al., 2013).

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- **Premium Qualifications:** Premium qualifications are filters that allow researchers to sample participants that fit specific demographic criteria such as gender, employment status, and educational, among many. In the past, the only filters available to researchers recruiting participants from MTurk were the ones in system qualifications. Any other target population was available by: (a) oversampling, in hopes that the desired demographic would be included within the collected data, or (b) placing a couple of screening questions at the beginning of a survey to disqualify participants who did not meet the desired population criteria. However, MTurk no longer allows researchers to use screening questions in their surveys. Through premium qualifications, researchers can choose up to two filters per HIT to narrow down their worker population. Table 1 presents a list of filters available through premium qualifications. The list includes the current fee associated with each, which is a per-response fee added to the survey cost paid to Amazon and is not included in the participant compensation. For a comprehensive list of current premium qualifications and their cost, please visit the MTurk marketplace.
- **Researcher-Created Qualifications:** MTurk allows requesters to create their own qualifications. The primary objective of creating these qualifications is to identify workers that have completed a HIT for the requester in order to include them or exclude them from participation in future HITs. Researchers have several options for assigning qualification types to workers who have completed a HIT: (a) manually through MTurk's Web interface, (b) using Amazon Web Services API, (c) using external software such as Command Line Tools (CLT) or R. This section explains how to assign worker qualifications manually through MTurk's Web interface, and in Appendix C, we provide the syntax for assigning qualifications using R. Chandler et al. (2014) provided the syntax for performing this task using CLT; therefore, we will not discuss that approach.

Researchers can manually assign qualifications to workers using MTurk's Web interface, which does not require any programming knowledge. As shown on Figure 2, using the Qualification Types option from the Manage tab, specific qualifications can be created. For example, researchers can use this option to identify workers who have successfully completed a specific survey. Once the Qualification has been created, researchers can download the .csv file containing the workers who have completed previous HITs using the Workers option from the Manage tab (see Figure 3). The downloaded .csv file contains a table with a row for each worker and several columns. The table will show two columns for each qualification type created by the researcher. Using the example shown on Figure 2 in which the qualification *Completed T1* was created, the file contains a column named CURRENT Completed T1 and another column named UPDATE Completed T1. Researchers should use column UPDATE Completed T1 to assign a value that identifies the workers that meet that qualification. Once values have been assigned to workers on the table, the file can be uploaded using the UPLOAD CSV button (see Figure 3). It is important to mention that qualification values for workers can be updated at any time. For example, a value of 1 can be assigned to workers who have completed a survey for time 1, a value of 2 can be assigned to those who have completed the second wave of the survey and so on. Researcher-created qualifications can also be used for identifying a specific demographic (e.g., gender, with children, advanced degree) that the researcher may want to sample in future studies.

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HIT Design

Research has demonstrated that crowdsourced data collected through MTurk can be effective provided that the HIT is designed carefully (Chandler et al., 2014; Kazai, Kamps, & Koolen, 2011). In order to design a HIT, the requester must first create an MTurk project using the New Project link under the Create tab (see Figure 4). An MTurk project contains all of the HIT's description, properties, HTLM and meta-data. The *Survey link* option allows researchers to create a project for collecting survey data through the MTurk marketplace using a survey designed and hosted externally (e.g., Qualtrics). Setting up a HIT entails determining the financial incentive for participants, as well as the number of assignments per HIT, the time allotted per assignment, HIT expiration and auto-approval times (see Figure 5).

Perhaps the most critical decision related to HIT design is the amount of the financial incentive for participants, as research has shown that MTurk workers' primary motivation for participation is financial (Behrend et al., 2011). Although getting participants in MTurk is not a big challenge, it can be time consuming for researchers that offer small financial incentives for surveys that take more time to complete as compared to others in the MTurk marketplace. To mitigate that risk and improve response rates, a researcher might consider providing a higher compensation rate (Berinsky et al., 2012; Rao et al., 2010). Note that higher pay rates have consistently been associated with faster response rates (Buhrmester et al., 2011; Mason & Watts, 2009; Rouse, 2015) and higher data quality (Cummings & Sibona, 2017; Litman et al., 2015). Researchers also need to recognize that potential participants are informed of the incentive amount and estimated completion time by the researcher (see Figure 6). Therefore, if a survey is wrongfully advertised to have an estimated completion time of an hour and has an incentive of $0.50, response rates may be lower than if the researcher had specified a more realistic estimated completion time of 5 minutes.

When defining the number of assignments per HIT, which is the number of unique workers requested for the HIT, researchers have the option of collecting responses for the entire project or breaking the project into smaller batches. Batches are the way in which HITs are posted to the MTurk marketplace. For example, if the objective is to collect 300 survey responses for a study, the HIT could be set up for 300 assignments and the batch could be published once, or it could be set up for 100 assignments for which three batches could be published separately. Batches are published using a project's HIT settings by clicking on the Publish Batch option (see Figure 7).

Batches are used to allow multiple copies of the same HIT to be available on the MTurk marketplace. One of the potential risks of using batches is repeated participation, which could threaten the validity of the study (Chandler et al., 2014). However, researchers can mitigate this risk by publishing one batch for the total number of assignments. It is possible to prevent repeated participation when using multiple batches of the same HIT by assigning a researcher-created qualification to workers who have completed the survey in a batch and modifying the worker requirements prior to publishing a new batch of the HIT. Figure 1 shows an example of how the researcher-created qualification *Completed T1* can be used for excluding participants from retaking a survey in a new batch. In this example, participants who have taken the survey have been assigned a value of 1 for the qualification *Completed T1*; therefore, they would not be able to participate when the new batch is published.

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Evaluating Data Quality and Paying Workers

As mentioned previously, one of the advantages of MTurk over other crowdsourced participant recruitment services is that researchers have the option to automatically approve, or to review and approve or reject payment to participants based on completion or response quality, which is recorded on each worker's profile. This can be done by using the unique code identifier generated by Qualtrics (or other survey software platform) to match the responses from MTurk (see last screen in example survey when meeting the study criteria and completing the survey). However, rejecting payment to workers should be the last route for a researcher, as it could violate IRB guidelines. Another practice that can be used to improve data quality obtained through MTurk is awarding bonuses, which can only be done by using unique survey codes. The use of bonuses for good performance is a way to get more diligent responses, which not only encourages workers to provide good responses to get a bonus payment, but tacitly lets them know that the data will be reviewed prior to releasing payment (Barger & Sinar, 2011).

It is imperative to let participants know that the data will be inspected for quality and only complete surveys will receive a unique code that can claim payment. This is done through the HIT instructions provided to the MTurk community (see Figure 1), which can be seen by potential participants before they accept the HIT. Instructions should include language that explicitly informs workers that only those who pass the screening questions or attention checks will be able to complete the survey, which upon completion will generate a unique code that workers can use to get credit for the survey. Additionally, the researcher can inform workers about bonus offers and that the data will be checked for quality.

An example of syntax for data cleaning is included in Appendix A (R) and Appendix B (SPSS), which can be used to match the data file exported from Qualtrics to the data file from MTurk. This is done through the computation of a variable that identifies potentially unusable responses for deletion, such as the length of time of survey completion, straight lining, failed attention checks, and failed bot checks. The use of that feature simplifies the process of approving/rejecting payment; however, researchers should use their best judgment when deciding what to eliminate from the sample.

Following data cleaning, researchers can determine and indicate what workers approved for payment by downloading the batch results .csv file found under Manage Batches -> Review Results. Using the downloaded file, researchers indicate payment approval and/or rejection by placing an X under the Approve and Reject columns for each worker of a batch. The file can be uploaded using the Upload CSV button, which MTurk uses to release payment to approved workers from the pre-paid funds (see Figure 3).

Longitudinal Designs

MTurk has been successfully used for longitudinal studies (Berinsky et al., 2012; Buhrmester et al., 2011). After collecting data from an initial HIT, researcher can setup subsequent HITs setting the qualification requirement to participants who completed the initial HIT and send out an invite to all previous respondents, thus allowing a researcher to calculate response rates using the number of total surveys sent out. This technique can be used for longitudinal studies, as responses at different time points can be matched using unique participant identifiers.

After qualifications have been assigned to workers, researchers can conduct longitudinal studies using two approaches: (a) passively, without contacting workers or (b) actively, contacting workers directly. The first approach, done through the MTurk Web interface, entails recruiting qualified participants by

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posting a HIT in the MTurk marketplace, restricted to workers who meet the Qualification (see Figure 1) and wait for them to find the HIT. Research demonstrates that the passive approach to collecting data for longitudinal studies is slower than the active approach and results in relatively lower response rates as well (Chandler et al., 2014).

The second approach involves actively contacting qualified workers to invite them to complete a survey. This can be done using the MTurk Web interface, which allows requesters to contact workers individually. However, in order to send emails to multiple workers or to send mass email invitations, researchers must use the Amazon API or external software, such as R. Response rates for longitudinal studies using MTurk in which researchers actively seek participation by emailing workers have been successful. Studies conducted a week, eight days, three weeks, and three months after the initial survey were in the range of 60% to 75% response rate (Berinsky et al., 2012; Buhrmester et al., 2011; Stoycheff, 2016).

After participants have completed responses a second time, another qualification type can be assigned to them or the value for the qualification type they already have, can be updated in order to identify participants that have completed more waves of a study. Appendix C provides the R syntax for conducting longitudinal studies using the MTurkR package (Leeper, 2017). Among its multiple features, the package allows researchers to assign qualifications, group workers, contact multiple workers by email to actively seek their participation in longitudinal studies, and award bonus payments.

Subsequent waves can repeat the previous steps using participants qualified by the researcher. Responses from different time points can be matched using unique participant identifiers. Researchers have several options for matching participant responses collected at different time points. Longitudinal studies that have used the passive approach, in which HITs have been posted to the MTurk marketplace, responses can be matched using the Qualtrics unique survey completion codes. These codes are matched with the MTurk Worker ID, which can be used to match responses at different time points. When participants of longitudinal studies are actively contacted through e-mail and provided with an external survey link, they can be asked to provide their WorkerID to receive a Bonus payment for their participation. An example of a survey designed for collecting data in longitudinal studies can be found at https://uttyler.az1.qualtrics.com/jfe/form/SV_0cwBM3iNZtp2oeN. This survey asks the participants to provide their WorkerID, which can be used to match responses to previously collected data. Payment for workers' participation can be granted through the Bonus option. Bonus payments can be granted through the MTurk Web interface for paying workers individually or through the MTurkR package in R for paying multiple workers simultaneously (see Appendix C).

CONCLUSION

While we have presented a compilation of best practices and ethical considerations for survey research using MTurk, we only addressed limitations associated with survey design and deployment. MTurk's strengths and weaknesses need to be evaluated as there is no one-fits-all solution when it comes to sampling approaches. However, despite its limitations, research (Buhrmester et al., 2011; Berinsky et al., 2012; Landers & Berend, 2015; Law et al., 2017) appears to support the use of MTurk as a viable alternative for scholars. One of MTurk's major advantages, as compared to other non-traditional participant recruitment methods, is that it may help overcome one of the barriers to data collection—access to quality data at low cost.

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APPENDIX 1

Table 1. Current MTurk premium qualifications pricing for common demographics

Premium Qualification (Demographic)	Fee
Age group (18-25; 25-30; 30-35; 35-45; 45-55; 55+)	$0.50
Employment status (full time, part time, unemployed)	$0.35
Gender (male, female)	$0.50
Household income (<25K, 25K-50K, 50K-75K, 75K-100K, 100K+)	$0.50
Language fluency (Chinese, French, German, Spanish)	$1.00
Marital status (divorced, married, single)	$0.50
Educational attainment = High school	$0.05
Educational attainment = Bachelor's degree	$0.50
Educational attainment = Graduate degree	$0.65
Political affiliation (conservative, liberal)	$0.40

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APPENDIX 2: SAMPLE R SYNTAX TO CLEAN DATA AND PREPARE FOR MTurk PAYMENT

```
###Install packages (first time only)
install.packages("psych")
install.packages("car")
###Change to your working directory
setwd ("C:/Users/MTurk/Survey")
setwd("C:\\Users\\nimonmedia\\Desktop\\MentorTek Delete\\Mturk")
###Load libraries
library(foreign, pos=4)
library(psych)
library(car)
```

Table 2. Comparison of online participant recruitment services

Service	SurveyMonkey	Qualtrics	MTurk
Cost - Hypothetical Case[a]			
Cost per participant	$5.50[c]	$7	$1.54[d]
Participant Incentive	$0.50 - $1.00 donation to charity of choice	Unknown	$0.85[e] in Amazon credit
Optional Incentives	$100 - $500 sweepstakes gift card	Not offered	Bonus awards
Project Total Cost[b]	$1,650[c]	$2,100[e]	$462
Payment Terms	Cost is determined by number of survey items and target population criteria. Full amount of project must be paid in function of total *finished* responses (including disqualified responses)	Cost is determined by length/ complexity of survey. Full project amount must be paid in function of total requested responses. Qualtrics replaces up to ~10% of unusable responses (based on quality and time spent on completion)	Cost is determined at the researcher's discretion. Pre-paid purchase of responses. Amazon holds the funds until the requester approves payment for responses completed to *reasonable satisfaction*. Researcher is not required to pay for incomplete, disqualified or poor quality responses. Pre-paid funds for rejected responses go back to the requesters account and can be used to purchase more responses.
Participant Pool	U.S., U.K., Australia.	Worldwide	Worldwide
Software/Survey Design	Researcher-built survey using SurveyMonkey software. Free basic survey building tools. $25/monthly fee for tools that can accommodate more advanced question types (e.g. block randomization, SPSS export)	Researcher-built survey using Qualtrics software. PM can assist in survey design. Individual licenses currently cost $500; however, most higher education institutions use Qualtrics, and through their licenses, access may be at no cost.	Researcher-built survey using MTurk software, which has limited functionality, or any other third party software.
Customer Support	Online	Personalized. Qualtrics assigns a PM to help throughout the project.	Online

Note. [a]U.S. based full-time employees (n=300). [b]Does not include optional incentives. [c]Cost obtained using SurveyMonkey's online pricing tool, includes the $0.50 per response fee for full-time employed participants. [d]Cost includes $.0.34 MTurk Fee and $.0.35 Premium Qualifications Fee for surveying full-time employed participants only. [e]Participant incentive prorating the U.S. federal minimum wage ($7.25) to the seven-minute duration of the survey. [c]Qualtrics does not publish online panel costs; costs were obtained through a call to their sales department. Information about services was retrieved from the SurveyMonkey, Qualtrics and MTurk websites.

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Table 3. Crowdsourcing platforms used in organizational and HRD articles based on a keyword search (2000–present)

Journal	*n*	MTurk	Qualtrics	SurveyMonkey
Academy of Management Journal	1,770	29	1	0
Academy of Management Review	1,010	0	0	0
Administrative Science Quarterly	784	6	1	0
Adult Education Quarterly	435	0	0	0
Adult Learning	1,930	2	0	0
British Journal of Management	807	2	0	0
European Journal of Training and Development, previously published as Journal of European Industrial Training	279	0	0	0
Human Resource Development Quarterly	556	0	0	0
Human Resource Development International	692	0	0	0
International Journal of Adult Vocational Education and Technology	99	0	0	0
Journal of Applied Behavioral Science	435	1	1	0
Journal of Business and Psychology	762	19	2	0
Journal of European Industrial Training	517	0	0	0
Journal of Human Resources	1,910	0	0	0
Journal of Organizational Behavior	1,630	13	6	0
T+D (Training and Development)	729	0	0	0
Work and Occupations	509	2	0	0

Figure 1. Example of worker requirements options including premium qualifications. In this example, each survey would incur a $1.00 additional fee ($0.50 for Gender + $0.50 for Bachelor's Degree).

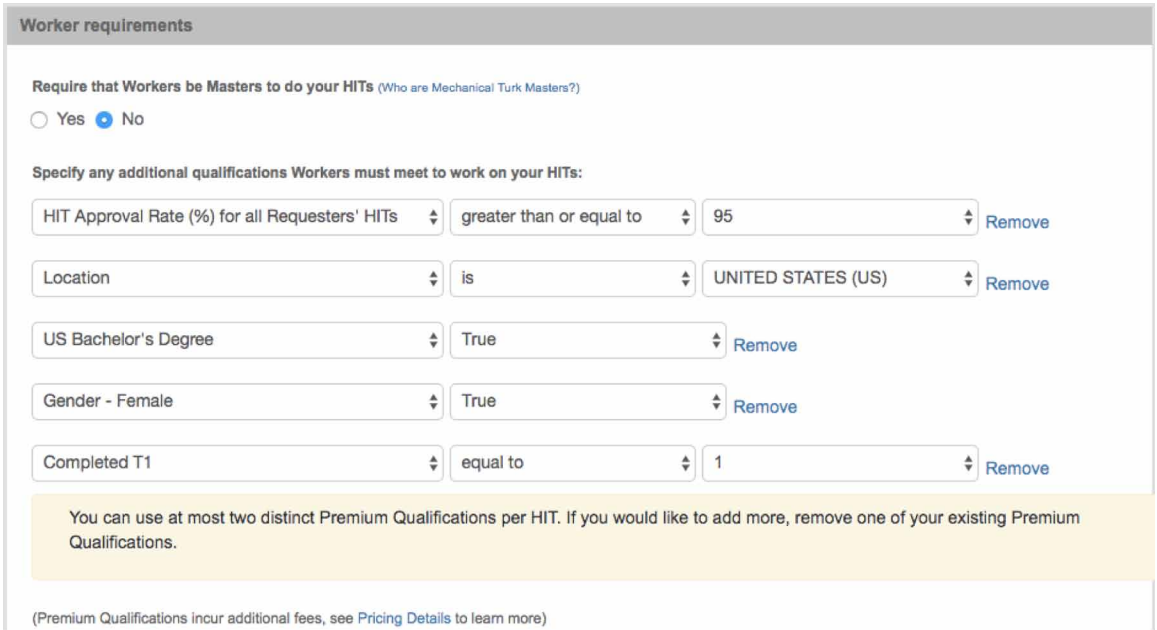

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Figure 2. Example of researcher-created qualification types

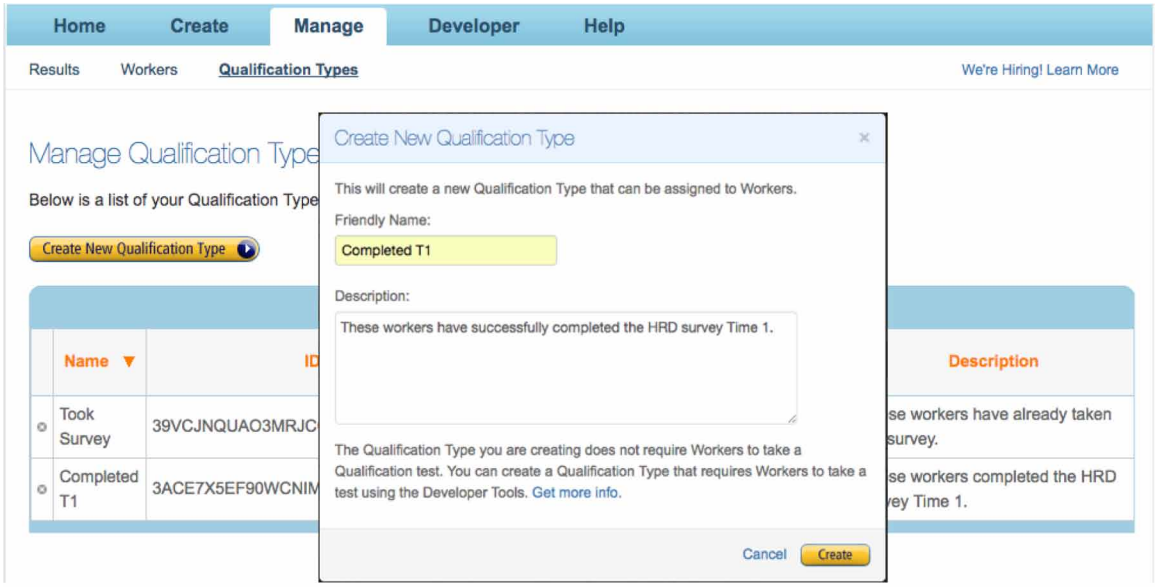
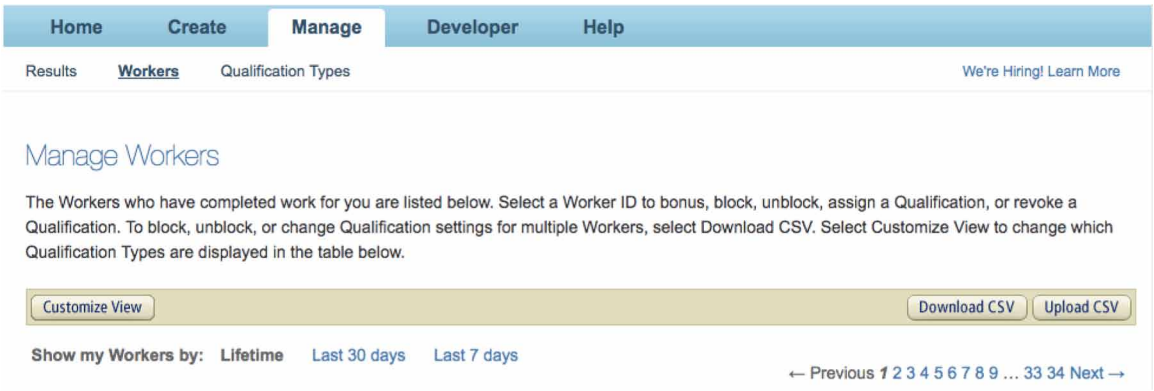


Figure 3. Managing workers example




```
###Read in dataset (one version with coded values and the other as choice text
dso1 <-
  read.table("Values.csv",
   header=TRUE, sep=",", stringsAsFactors=FALSE, na.strings="NA", dec=".",
strip.white=TRUE)
dso2 <-
  read.table("Text.csv",
   header=TRUE, sep=",", stringsAsFactors=FALSE, na.strings=c("","  ","NA"),
dec=".", quote="\\",strip.white=TRUE)
###Look at datasets
head(dso1)
```


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Figure 4. Creating an MTurk project

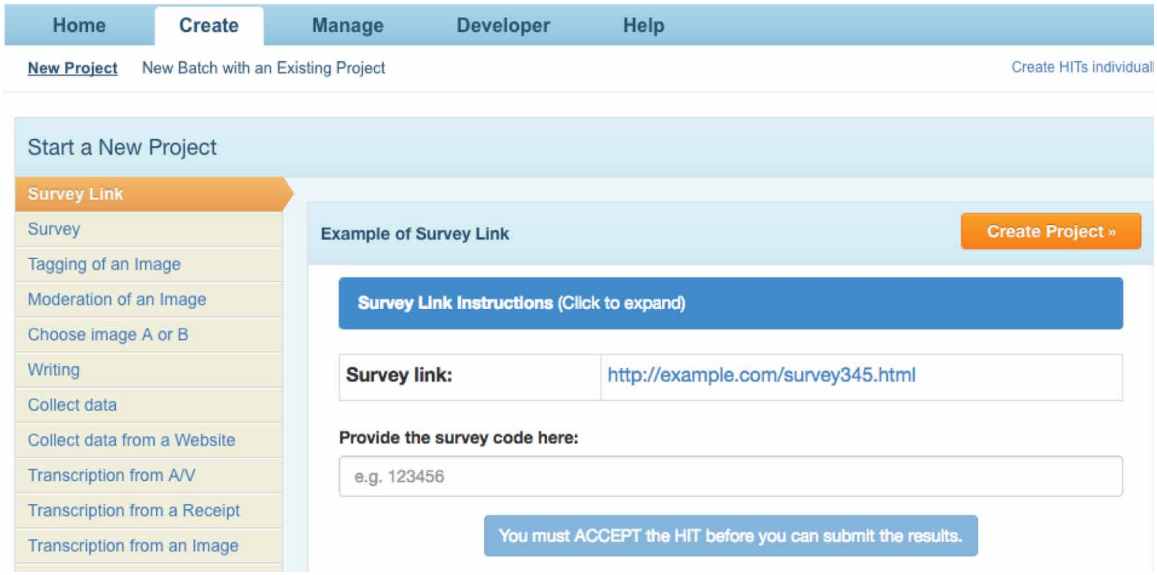
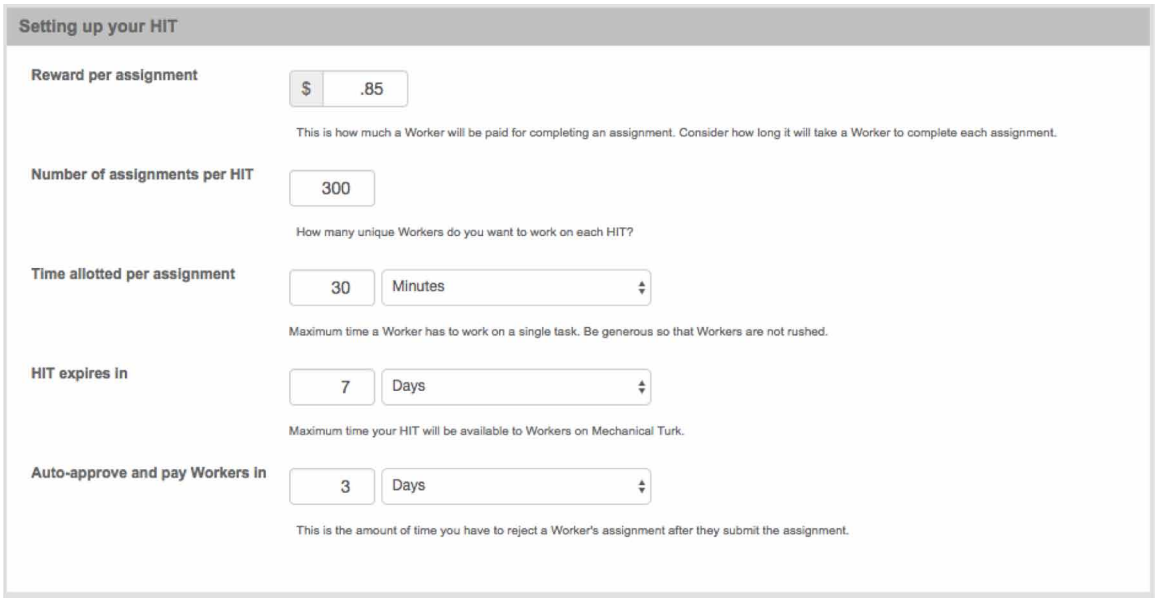


Figure 5. HIT design




```
head(dso2)
###Create dataset with coded values
ds<-dso1
###Ovewrite demographic questions with data from choice text file
ds[,c("Gender","Cohort","Education","Hispanic","Race")]<-dso2[,c("Gender","Coh
ort","Education","Hispanic","Race")]
```


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Figure 6. Publishing batches

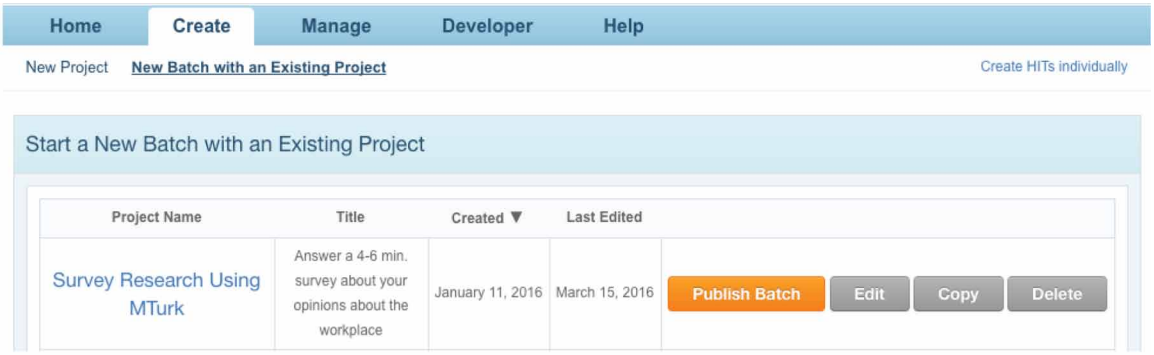
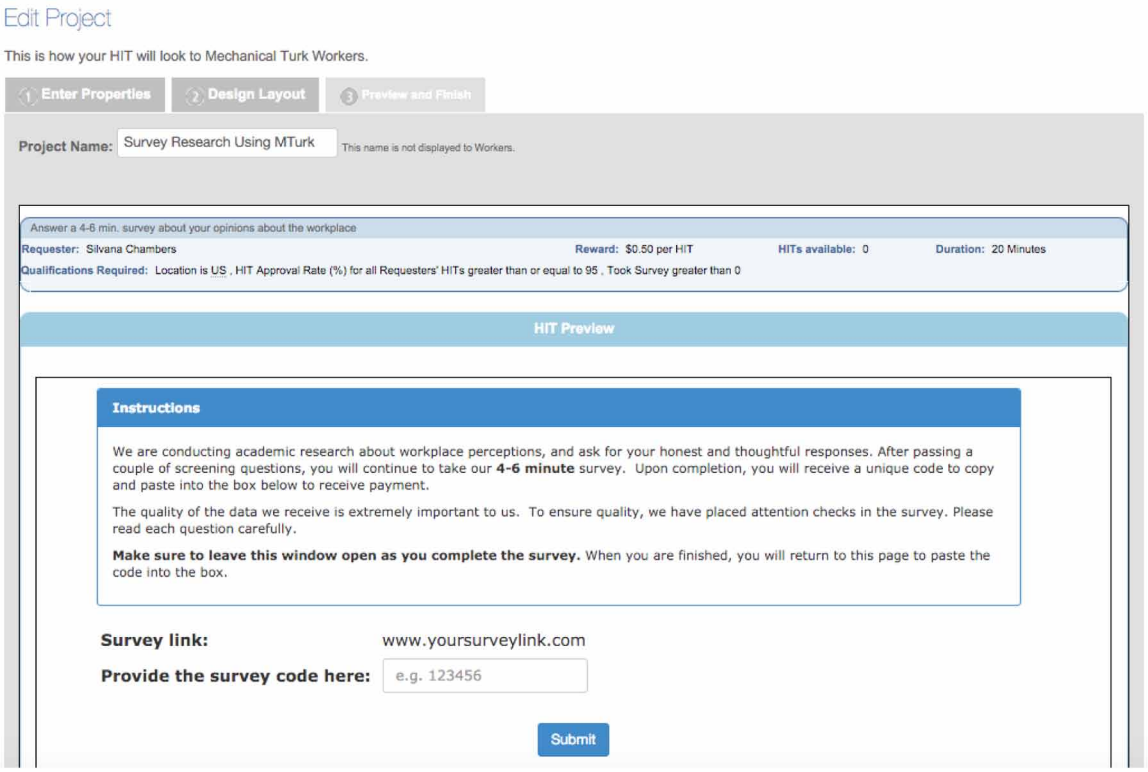


Figure 7. Example of HIT instructions




```
###See total responses
nrow(ds)
###Initialize delete variable
ds$Delete<-"Keep"
###Flag responses that exited the survey before answering BOT/screening ques-
tion
table(ds$BotCheck,useNA="ifany")
```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```
ds$Delete[(ds$Delete==”Keep”) & is.na(ds$BotCheck)]<-”BOT”
table(ds$Delete)
###Flag responses from BOTs or no English proficiency
table(ds$BotCheck,useNA=”ifany”)
ds$Delete[(ds$Delete==”Keep”) & (ds$BotCheck!=4)]<-”BOT”
table(ds$Delete)
###Flag responses that did not respond to consent question
table(ds$Consent,useNA=”ifany”)
ds$Delete[(ds$Delete==”Keep”) & is.na(ds$Consent)]<-”Consent”
table(ds$Delete)
###Flag responses that disagreed to consent
table(ds$Consent,useNA=”ifany”)
ds$Delete[(ds$Delete==”Keep”) & (ds$Consent!=1)]<-”Consent”
table(ds$Delete)
###Flag responses that did not pass attention check 1
table(ds$IMC1_1,useNA=”ifany”)
ds$Delete[(ds$Delete==”Keep”) & !is.na(ds$IMC1_1)]<-”IMC1”
table(ds$Delete)
###Flag responses that did not pass attention check 2
table(ds$IMC2,useNA=”ifany”)
ds$Delete[(ds$Delete==”Keep”) & is.na(ds$IMC2)]<-”IMC2”
table(ds$Delete)
###Flag incompleters
ds$Delete[(ds$Delete==”Keep”)& (ds$Finished==0)]<-”Incomplete”
table(ds$Delete)
###Create variable that shows elapsed time of survey in minutes
ds$Time<-ds$Duration..in.seconds./60
###Depending on the estimated survey duration, flag unusually short and long
durations.  For example <1 minutes > 60 minutes
ds$Delete[(ds$Delete==”Keep”)&((ds$Time<1) | (ds$Time>60))]<-”Time”
table(ds$Delete)
###Create variable that shows standard deviation of how people respond to in-
dependent variable scale.
ds$IVsd<- apply(subset(ds,select=WI_IV1:WI_IV5),1,sd)
###Create variable that shows standard deviation of how people respond to the
dependent variable scale.
ds$DVsd<- apply(subset(ds,select=WC_DV1:WC_DV5),1,sd)
###Flag straight lined responses to DVs, IVs.
ds$Delete[(ds$Delete==”Keep”) & ((ds$IVsd==0)|(ds$DVsd==0))]<-”Staightline”
table(ds$Delete)
###Write dataset out that can be used to assist determining MTurk payment
write.csv(ds,”SurveyOrig.csv”,row.names=FALSE)
###Omit unusable responses
```


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```
ds<-subset(ds,Delete==”Keep”)
nrow(ds)
describe(subset(ds,select=c(WI_IV1:WI_IV5,WC_DV1:WC_DV5)))
### Save clean file including only usable responses
write.csv(ds,”SurveyClean.csv”,row.names=FALSE)
```

APPENDIX 3: SAMPLE SPSS SYNTAX TO CLEAN DATA AND PREPARE FOR MTurk PAYMENT

```
CD ‘C:\Users\Survey\Desktop\Survey\’.
USE ALL.
COMPUTE Delete=0.
EXECUTE.
VARIABLE LABELS
Delete.
VALUE LABELS
Delete
0 ‘Keep’
1 ‘Bot’
2 ‘Consent’
3 ‘IMC1’
4 ‘IMC2’
5 ‘INC’
6 ‘Time’
7 ‘Straight’.
EXECUTE.
FREQUENCIES VARIABLES=BotCheck
  /ORDER=ANALYSIS.
IF ((Delete = 0) & (Missing(BotCheck) = 1)) Delete = 1.
FREQUENCIES VARIABLES=Delete
  /ORDER=ANALYSIS.
IF ((Delete = 0) & (BotCheck ~=4)) Delete = 1.
FREQUENCIES VARIABLES=Delete
  /ORDER=ANALYSIS.
FREQUENCIES VARIABLES=Consent
  /ORDER=ANALYSIS.
IF ((Delete = 0) & (Missing(Consent) = 1)) Delete = 2.
FREQUENCIES VARIABLES=Delete
  /ORDER=ANALYSIS.
IF ((Delete = 0) & (Consent ~=1)) Delete = 2.
FREQUENCIES VARIABLES=Delete
  /ORDER=ANALYSIS.
```


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```
FREQUENCIES VARIABLES=IMC1_1
  /ORDER=ANALYSIS.
IF ((Delete = 0) & (Missing(IMC1_1) = 0)) Delete = 3.
FREQUENCIES VARIABLES=Delete
  /ORDER=ANALYSIS.
FREQUENCIES VARIABLES=IMC2
  /ORDER=ANALYSIS.
IF ((Delete = 0) & (Missing(IMC2) = 1)) Delete = 4.
FREQUENCIES VARIABLES=Delete
  /ORDER=ANALYSIS.
IF ((Delete = 0) & (Finished ~= 1)) Delete = 5.
FREQUENCIES VARIABLES=Delete
  /ORDER=ANALYSIS.
COMPUTE Time = Duration__in_seconds_/60.
EXECUTE.
DESCRIPTIVES VARIABLES=Time
  /STATISTICS=MEAN STDDEV MIN MAX.
IF ((Delete = 0) & ((Time < 1) | (Time > 60))) Delete=6.
EXECUTE.
FREQUENCIES VARIABLES=Delete
  /ORDER=ANALYSIS.
COMPUTE IVSD=SD(WI_IV1,WI_IV2,WI_IV3,WI_IV4,WI_IV5).
EXECUTE.
COMPUTE DVSD=SD(WC_DV1,WC_DV2,WC_DV3,WC_DV4,WC_DV5).
EXECUTE.
IF MISSING(IVSD) IVSD=0.
EXECUTE.
IF MISSING(DVSD) DVSD=0.
EXECUTE.
IF  ((Delete =0) & ((IVSD = 0) | (DVSD = 0))) Delete=7.
EXECUTE.
FREQUENCIES VARIABLES=Delete
  /ORDER=ANALYSIS.
SAVE OUTFILE=”SurveyOrigUpdated.sav”
 /COMPRESSED.
FILTER OFF.
USE ALL.
SELECT IF (Delete=0).
EXECUTE.
FREQUENCIES VARIABLES=Gender Cohort Education Hispanic
  /ORDER=ANALYSIS.
SAVE OUTFILE=”SurveyClean.sav”
 /COMPRESSED.
```


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APPENDIX 4: SAMPLE R SYNTAX FOR CREATING AND ASSIGNING QUALIFICATIONS AND CONTACTING WORKERS FOR LONGITUDINAL STUDIES

```
###Install MTurk package
install.packages ("MTurkR")
library(MTurkR)
###Connect to AWS account using Access Key ID and Secret Access Key obtained through AWS (https://aws.amazon.com/) and linking your AWS to your MTurk account (https://requester.mturk.com/developer).
Sys.setenv(AWS_ACCESS_KEY_ID= "AKIAJIACCESSKEYID")
Sys.setenv(AWS_SECRET_ACCESS_KEY="fHDUPry5SECRETACCESSKEY")
###Create a qualification type.
CreateQualificationType (name="CompleteT1", description="These workers have successfully completed the survey", status="Active")
###The following code is used for assigning qualifications to individual workers.  The first argument is the QualificationTypeId, not the Qualification name.
AssignQualification("32BTPYHQ5JQUALIFICATIONID", workers="A2EPWORKERID1", value = "1", notify = FALSE)
### Group workers who will be granted a Qualification or will be contacted
group<-c("A2EPWORKERID1","A2EPWORKERID2","A2EPWORKERID2")
###The following code is used for creating a Qualification and assigning it to workers simultaneously
AssignQualification(workers= group, name="CompletedT1", description="These workers completed my HRD survey", status="Active")
###Update a Qualification score. Can be used to identify workers who have completed different time waves of a survey.
UpdateQualificationScore(qual="32BTPYHQ5JQUALIFICATIONID", workers=group, values = "3")
###The following code is used for contacting workers for participation in longitudinal studies
##Use the following code to contact workers individually
ContactWorker(
    subjects = "Email subject 1",
    msgs = "Email body 1",
    workers = "A2EPWORKERID1")
##Use the following code to contacting multiple workers (and send reminders) using the same email.
ContactWorker(
    subjects = "Thank you for completing my HIT. $1 Bonus Offer",
    msgs = "Thank you for completing my HIT.  Please complete the follow-up survey by Friday, August 17th and receive a $1 bonus.
    The survey can be completed at
    http:yoursurveylink.com",
```


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```
    workers = group,
    batch = TRUE)

###Grant Bonus payment to a group of workers
bonusgroup<-c("A2EPWORKERID1","A2EPWORKERID4","A2EPWORKERID6")
GrantBonus(workers=bonusgroup assignments=ASSIGNMENTID amounts="1",
reasons="Thank you for completing my survey. I hope I can count on you for fu-
ture HITs")
```


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Chapter 34
The Standardization of Down-Streamed Small Business Social Responsibility (SBSR): SMEs and Their Sustainability Reporting Practices

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University of Turin, Italy

ABSTRACT

Scholars have begun to investigate the prevalence of Corporate Social Responsibility (CSR) within the context of small and medium-sized enterprises (SMEs). This paper studies the implementation of non-financial sustainability reporting tools in Italian SMEs as part of their Small Business Social Responsibility (SBSR) long supply chain compact with large multinationals. The fundamental finding of this work is that because of the down-streaming effect of CSR reporting from large companies to small ones, SMEs approach sustainability as a standard management practice. The sample is composed of 73 Italian multi-certified entities (SA8000/ISO14001/EMAS) that have published their sustainability report online between 2011 and 2013. Principal Component Analysis (PCA) was used to discover three otherwise un-observable underlying effects.

INTRODUCTION

In 2014, almost 99.8% of all European enterprises were small and medium-sized enterprises (SMEs). These SMEs employed around 87 million people and contributed 57.6% of the overall European economic value added (EU Commission website, 2016). At the same time, SMEs are responsible for up to 70% of the total environmental pollution generated on the planet (Eurobarometer, 2012). These facts have led to a growing awareness of SMEs' significant impact in financial terms, but also in terms of their global natural environment and societal impacts. Moreover, the entire planetary economy revolves around the contributions of SMEs.

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The definition of what constitutes an SME varies among countries, and within the same country over time (Ferenhof, Vignochi, Selig, Lezana, & Campos, 2014). From among the available definitions, the European Commission has adopted Recommendation 2003/361/EC, which defines an SME according to three criteria: staff headcount, annual turnover and annual balance sheet. In particular, an SME is identified as an enterprise that employs fewer than 250 employees. From the financial perspective two criteria are added: an annual turnover not exceeding 50 million euros, and an annual balance sheet total not exceeding 43 million euros. In addition, an SME must be an autonomous enterprise, that is, an independent entity. An independent entity is a firm without governance links between the firm itself and other companies. Meaning, it does not have an ownership stake in other enterprises, and no other enterprises have a relevant stake in it. If there are any cross-ownership linkages, they are not able to exert a relevant influence on the governance structure of the SME.

As stated by the Global Reporting Initiative (GRI) and the United Nations Environment Program (UNEP), multinational companies, because of economic globalization, engage SMEs in their supply chain. These SME suppliers are actually often responsible for producing the bulk of the components and services sold under the multinational's brands (GRI and UNEP, 2008). Nowadays most of the economic, environmental and social impacts of a multinational business occur through this long supply chain, and most of these impacts are then obviously due to SMEs' behaviors (Carbone et al., 2012).

The retrieval of supply chain sustainability data is often a costly and difficult process because of the lack of systematization of data collection and reporting within SMEs. As pointed out by Vázquez-Carrasco and López-Pérez (2012), although there is a growing tendency to focus on Corporate Social Responsibility (CSR) as part of the self-regulatory strategies, tools, and practices of small business environments, there are few studies critical of the tools aimed at Small Business Social Responsibility (SBSR), and fewer still on the issues of understanding, measuring, improving and reporting sustainability performances at the SME micro-scale.

The purpose of this research is to add a contribution to SBSR studies by showing how a tendentious global standardization practice arises in SMEs facing sustainability reporting because of an earlier internal commitment to sustainability. The methodology applied in this paper is Principal Component Analysis (PCA). PCA is a statistical method used to analyse the interrelationships between a large number of variables. It seeks to explain these variables in terms of a smaller number of variables, called principal components, with a minimum loss of information.

The sample for the study was chosen from among Italian multi-certified entities. By multi-certified we mean an entity that has reached at least one Management System certification on environmental issues - the International Standards Organization (ISO) international standard for environmental management, ISO 14001, or the related Eco-Management and Audit Scheme (EMAS) - and also a social environmental system certification, that is, the SA8000 certification by Social Accountability International (SAI). The selected organizations need in addition have published a sustainability report online, and have had financial information available in the Italian business database AIDA. The temporal dimension is 2013 both for financial and sustainability information. The companies selected have already been investigated in an earlier study with respect to their different managerial behaviors towards CSR by Scagnelli et al. (2013). The earlier study did not however focus on the standardization of sustainability accounting and reporting practices addressed herein.

This paper seeks to give useful insights to practitioners as to the effective application of Social and Environmental Management Systems (SEMS) to increase SBSR. On the scientific level, this study

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would like to contribute to the ongoing debate on the need for new researches and studies on the effects of standardization of sustainability practices at the SME level.

SMALL BUSINESS SOCIAL RESPONSIBILITY (SBSR)

Two decades of studies on SBSR have demonstrated a fallacy in the use of tools when downsizing CSR to smaller scale SME organizations (Tilley, 2000; Spence et al., 2003a; Fuller and Tian, 2006; Maurillo and Lozano, 2006; Jenkins, 2004, 2006; Cambra-Fierro et al., 2008). Even in the case of tools created and tailored for SMEs, if the SME entrepreneur does not immediately recognize explicit short term benefits, then the effectiveness of the tools is still compromised (M. P. Johnson & Schaltegger, 2016). The most widely adopted tools are those pertaining to the field of Social and Environmental Management Systems (SEMs), which are aimed at transparency and ethical practices (Testa, Gusmerottia, Corsini, Passetti, & Iraldo, 2015).

Compared to managers of large firms, the small managers/owner/entrepreneurs running SMEs often do not possess all the necessary tools, resources and knowledge to implement responsible sustainability strategies. Enderle (2004) notes in addition that international standards to implement CSR may prove inappropriate for smaller firms because they have been developed thinking of large businesses (Enderle, 2004). Bürgi (2010) has noted that SEMs do help SMEs address CSR issues in management practices, and Fatoki e Chiliya (2012) and Uhlaner et al. (2012) have tested this in empirical ways. When SMEs have interests in sustainability issues, they may also be encouraged to formalize their environmental management, and this in turn may help them raise the quality of their internal management. However, a lack of formalization, especially under communication perspectives, still remains (Graafland & Smid, 2015).

Relatively few studies have been made about the role of sustainable reporting practices. There is a substantial lack of data, and as a result these studies are mostly qualitative (Borga, Citterio, Noci, & Pizzurno, 2009; Del Baldo, 2010). Of course, as several authors have pointed out, the reason for the lag in the development of a more formalized quantititative approach is substantially due to the core features of SMEs. First, informality, or "pro-activity," because it usually originates from the voluntary involvement on the part of SMEs. Then "explicit Small Business Social Responsibility" (SBSR), because there is otherwise generaly a lack of disclosure (Matten and Moon, 2004; Fuller and Tian, 2006; Del Baldo, 2010). Third, "dependency." which is understood as a close correlation between the actions of the sustainability driver within the company, often the owner or the head of a family if the company is also a family business, and the personal attitudes of the owner (Testa et al., 2015).

The authoritarian-paternalist nature of the SME owner-manager is a consequence of the nature of a smaller SME business. It is defined by high personalization, local area operation, and dependency on internal sources of capital to finance growth (Vyakarnam et al., 1997). Related, Spence and Rutherfoord (2001) have proposed four frames of priority when pursuing the purposes of the SME. These priorities can be identified as: profit maximization; subsistence; enlightened self-interest; and social capital. Within these priorities, SMEs compete in a turbulent economic environment the same as larger companies. However, SMEs face their competitive pressures with more limited cash flow, less knowledge and time, and fewer human resources. Because of this, SMEs are often skeptical when faced with business ethics dilemmas and complex sustainability programs, and tend to perceive them as a business cost with no related benefit (Spence et al., 2003). This implies the attitude of SME managers is often to

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adopt a myopic view of the future (Lepoutre and Heene, 2006) while multitasking busily during their day-by-day routines.

An SME requires an intense participation of the owner-entrepreneur in all areas, despite of their lack of specialized knowledge in certain areas (Nooteboom, 1994). Their constant involvement, passion and motivation, and their personal relations with the community, are all essential pillars for the long-term success of SMEs. Their community relations are built on trust, reputation, and a sense of consensus and legitimacy with identified stakeholders. These relations represent the lifeblood of SMEs, but only if properly managed. SMEs seek out these intangible assets, and the related resources and competencies are often embedded within the social capital of the firm (Perrini, 2006; Williamson, 2006; Russo and Tencati, 2009; Del Baldo, 2010; Russo and Perrini, 2010; Fassin et al., 2011). At the same time, the relationships between the owner-manager of an SME and their employees are often fluid, which enables control activities to be performed more informally (Rivera-Lirio and Muñoz-Torres, 2010). The intangible assets also include the company's strategic profile, in terms of initiatives and integrated behaviors scoped within the SME's overall business strategy; the culture of the enterprise; the processes of accountability aimed at improving systems for collecting and diffusing information; and the systems of corporate governance, that is, the systems for decision-making processes and internal control (Del Baldo, 2010).

On the theoretical level, the glaring lack of theories to explain SBSR has been noted by several papers. Only recently has the work of Spence (2014) and Wickert (2016) tried to address this issue. Spence (2014) provides a feminist perspective driven by the ethics of care. Wickert (2016) presents the political role of CSR in SMEs as something that goes beyond conventional notions of CSR, as one based on the traditional economic role of corporations acting as substitutes for public good providers (Spence, 2014; Wickert, 2016).

SBSR AND THE SOCIAL REPORTING PRACTICES

The number of SMEs that have shown an interest in taking part on sustainability initiatives and in voluntary sustainability or integrated reporting activities is constantly increasing (GRI and UNEP, 2013). In general, the decision to join a given sustainability initiative or to set up specific plans or actions in sustainability is personal and depends on the morals and personal values of the owners of the firm.

The term social accountability, or the synonym social accounting, involves the preparation and publication of an account that reports the interactions and activities of a company with reference to the environment, employees, local community, customers and other stakeholders and, if possible, the consequences of these interactions and activities (Gray, 1992). Accountability then, when taken as the reporting of the results derived from sustainable actions in a transparent way, reflects the strategic importance of business objective measurements, and can help achieve competitive advantages (Castka et al., 2004; Perrini, 2006; Del Baldo, 2010; Ahmad and Seet, 2009). Conversely, other studies have demonstrated that a lack of external communication over the sustainability commitment of SMEs has public opinion and stakeholders' effects that carry over negatively into the relationships between them and the company itself (Hörisch, Johnson, & Schaltegger, 2015; Jansson, Nilsson, Modig, & Hed Vall, 2015; Johnson, 2013).

It is well recognized that the participation of SMEs in global supply chains has been influenced in recent years by the CSR actions of global buyers, and that in both developed and less developed countries. It is even more common for large global companies to require the SMEs that comprise their supply

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chain to embrace sustainability in a cost-effective way so as to cement their competitiveness. In the last several years, global buyers that have joined global CSR actions, programs and guidelines have also started to audit their long supply chain on sustainability topics. These audits of the supply chain have in turn encouraged SMEs to adopt managerial tools designed to provide the information their buyers require. The tools selected can be divided in categories: accounting and reporting tools; management accounting and control tools; governance tools; social capital tools; management systems certification tools; network tools; and policy and strategy tools (Johnson, 2015). Recently, software and web-tools have even been developed that seek to apply a vendor rating on competitiveness, and to provide data answering to the call by the Basel Committee on Banking Supervision (BCBS) to evaluate and report the reputational risk of banks (Johnson et al., 2016).

Social and Environmental Reporting (SER) is the process of communicating the social and environmental effects of an organizations' economic actions to particular interest groups within society, and to society at large. Social accounting may contain financial information, but it is more often a combination of qualitative and quantitative information. Social accounting extends the accountability of organizations and companies beyond the traditional role of providing a financial account to the owners of capital (Gray, et al., 1996; Gray et al, 1997).

Scholars have pointed out a correlation between corporate characteristics and social responsibility disclosures. However these studies have focused on large and often publicly listed companies (Cowen, Ferreri, Parker, 1987; Carbone et al., 2012). Concerning SMEs, Rusconi (1988, 2006) stated there are two possible reporting methods: the draft of a simple social report (with some "low-cost" data), or an aggregated report (supply chain reporting or a report that combins the interests of a group of SMEs). Still, studies on sustainability reporting at the smaller scale of SMEs are fairly rare, and the present contribution directly addresses this gap in the literature.

Previous research (Olitzky, Schmidt and Rynes, 2003) has found a positive correlation between environmental and social performance through a meta-analysis methodology. But few studies have been made using PCA aimed at mapping CSR performance while focused squarely on supply chain levels (Carbone et al., 2012). Furthermore, there is a substantial lack of studies completely coherent with the argumentation of SBSR, and those that do address the topic have been mostly qualitative (Battaglia, Bianchi, Frey, & Passetti, 2014; Borga et al., 2009; Del Baldo, 2010).

METHODOLOGY

In order to set up a sound foundation for the study, a sample composed of uniformly defined multi-certified SME organizations was used. Multi-certified companies have quality, social and environmental certifications like SA8000, ISO 14001 or EMAS, ISO 9001, and OHSAS 18001. SA8000, ISO 14001 and EMAS require specific reporting duties to initially obtain and later renew the management process they certify. This makes the sample used to carry out this study on SMEs homogenous, even though SMEs as a whole are a rather heterogeneous group (Hillary, 2004; Ferenhof et al., 2014).

In order to have their managerial systems certified, certified organizations need have reported their sustainability performance indicators using a formal communication tool, be it for sustainability reporting, or as an environmental declaration or communication. Consequently, these companies have some expertise with the processes, resources and knowledge needed to report sustainability information. So it is from an analysis of these reports that we reasonably derive our assessment of the state of the art

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status of sustainability reporting by SMEs, including the factors influencing the reports and the scope and extent of the reporting itself.

Because of the lack of earlier studies with which to compare the outcomes of this study, an exploratory approach was used. The database used has Italian firms which have obtained at least one social management system certification (SA8000) and one environmental management system certification (ISO 14001 or EMAS), and have in addition published their sustainability accounts online, be it in the form of reports, communications, or declarations.

The first step was the merge of three distinct databases, those of ISO, EMAS and SAI.

The second step focused on the collection of the aforementioned sustainability reports for the period 2011-2013, but only after two years since completion in order to include any biennial reports. In 2011, these companies were 357 in number.

Next, the economic and financial analysis data for the 357 companies was obtained from Bureau van Dijk's AIDA databases and analyzed.

Especially when first attempted, sustainability reporting may incur considerable costs for data compilation, the reporting procedure definition, the data assurance, and the publication of the results. To overcome the problem concerning the retrieval of these many reports, we collected only reports that had been published online, a total of 73.

The resulting study sample of 73 SMEs can be defined as homogeneous in the sense that all the firms have implemented the same standard procedures to obtain their certifications; they successfully capitalized on their knowledge, as evidenced by having obtained their certification; and they also were willing and able to publish their reports online.

In order to evaluate the social reporting process as part of SBSR strategies, the model of contingent forces proposed by Contrafatto (2008) was applied. Contrafatto (2008) suggests that the process of social reporting is influenced by corporate, contextual and organizational factors. Table 1 includes a rationalization of the variables considered for this study, based on their previous adoption in the literature.

As evident from Table 1, apart from the traditional economic and financial variables, we added several variables. One for regulated reporting, called *RR*, which refers to the use of standard guidelines for the preparation of a sustainability report - be they mandatory reports or management system driven reports (EMAS reports, ISO 14001 policies, SA8000 filings). One called "self-defined methodology," for voluntary non-financial reports that do not follow a shared reporting framework or a model determined by external bodies, but may follow national reporting frameworks. And one for voluntary sustainability reports that follow an international shared reporting framework or international guidelines, for example Global Reporting Initiative (GRI) or United Nations Global Compact (UNGC) principles.

A Principal Component Analysis (PCA) was performed on each data set. Then these normalized data sets were merged to form a unique matrix, and a global PCA performed on this matrix. The individual data sets were then projected onto the global analysis to analyze and outline communalities and discrepancies between variables. After this, several variables were evaluated as not fundamental in explaining the total variance, and the database accordingly reduced to comprise only those variables that simplify the complexity of the observation without material loss of information (Eastment & Krzanowski, 1982). The 7 more significant explanatory variables identified are reported in Table 2.

The correlation matrix in Table 3 shows the initial linkages between the variables.

PCA results confirm that the structure of our data is consistent over time, thus allowing for global analysis. Table 4 reports the factors, the eigenvalues for each dimension.

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Table 1. Rationalization of the variables considered

Type of Factor	Name	Literature Linkage	Type of Variable and Acronym
Corporate	Corporate dimension	Gray, Kouhy and Lavers (1995)	Total revenues (euros) [TR] Number of employees (numerical) [NE]
Corporate	Company age	Roberts (1992) Roberts et. al (2006)	Year of foundation (numerical) [YF]
Corporate	Economic and financial performance	Cowen, Ferreri, Parker (1987) Gray, Kouhy and Lavers (1995)	Total revenue (euros) [TR] Total assets (euros) [TA] Net worth (euros) [NW] Total leverage (rate - numerical) [LEV]
Contextual	Nature and level of reporting	Adams (1999, 2002) Guthrie and Parker, (1989)	Use of standard guideline regulated reporting [RR] Sustainability reporting referred to an intl. Standard (5) Sustainability reporting referred to a national standard or a self-defined methodology (4) Mandatory communication based on the guidelines of the social and environmental management system (3) Number of accounted for Key Performance Indicators (KPIs) (number) [NKPI] Easiness into information retrieval No. of click between company's web site homepage and sustainability report on the website (number) [EI]
Organizational	Experience	Hibbit and Collinson (2004)	Year of the first certification [FCY] and type of certification (year and string variable) [TFCY] Time lapse between first certification and second one (number of year) [TLFSCY]
Organizational	Internal micro-process: - Stakeholder engagement - External assurance	Adams (2002)	Number of identified stakeholder (number) [NS] Presence of stakeholder engagement actions (binary) [SE] Presence of external assurance controls [EA]

Table 2. The 7 explanatory variables

Variable	Observations	Min	Max	Mean	Std. Dev.
NE	73	0,000	1413,000 (*)	156,027	259,536
RR	73	3,000	5,000	3,164	0,441
NKPI	73	0,000	153,000	15,644	20,692
NS	73	0,000	23,000	4,370	5,111
SE	73	0,000	1,000	0,644	0,482
NW	73	-116665000	41976096	3360663,781	5668571,863
LEV	73	-37,454	2820,149	198,601	556,304

(*) There is only one record of a company meeting the cutoff criteria of annual turnover under $50 million euros and annual balance sheet under $43 million euros, but it exceeds the 250 maximum number of employees limit as it is a large cooperative where shareholders are at the same time also employees.

The scree plot in Figure 1 shows the relative importance of the factors, the eigenvalues of the correlation matrix, in descending order of magnitude, and the percentage of cumulative variance.

Based on the methodology applied, three dimensions explain the majority of the variance, as illustrated in Table 5 and Figure 2.

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Table 3. Correlation matrix with the initial linkages between variables

Variables	NE	RR	NKPI	NS	SE	NW	LEV
NE	**1**	-0,084	0,098	-0,026	-0,004	0,156	-0,162
RR	-0,084	**1**	**0,416***	**0,231***	0,148	-0,071	0,077
NKPI	0,098	**0,416***	**1**	**0,233***	0,136	0,028	-0,046
NS	-0,026	**0,231***	**0,233***	**1**	**0,488***	-0,083	0,154
SE	-0,004	0,148	0,136	**0,488***	**1**	-0,170	0,169
NW	0,156	-0,071	0,028	-0,083	-0,170	**1**	0,126
LEV	-0,162	0,077	-0,046	0,154	0,169	0,126	**1**

*α=0,05

Table 4. The eigenvalues for each dimension

	F1	F2	F3	F4	F5	F6	F7
Eigenvalues	1,894	1,262	1,130	1,044	0,651	0,532	0,487
Variance (%)	27,058	18,032	16,138	14,914	9,304	7,600	6,954
% Cumulative Variance	27,058	45,090	61,228	76,142	85,446	93,046	100,000

Figure 1. Scree plot

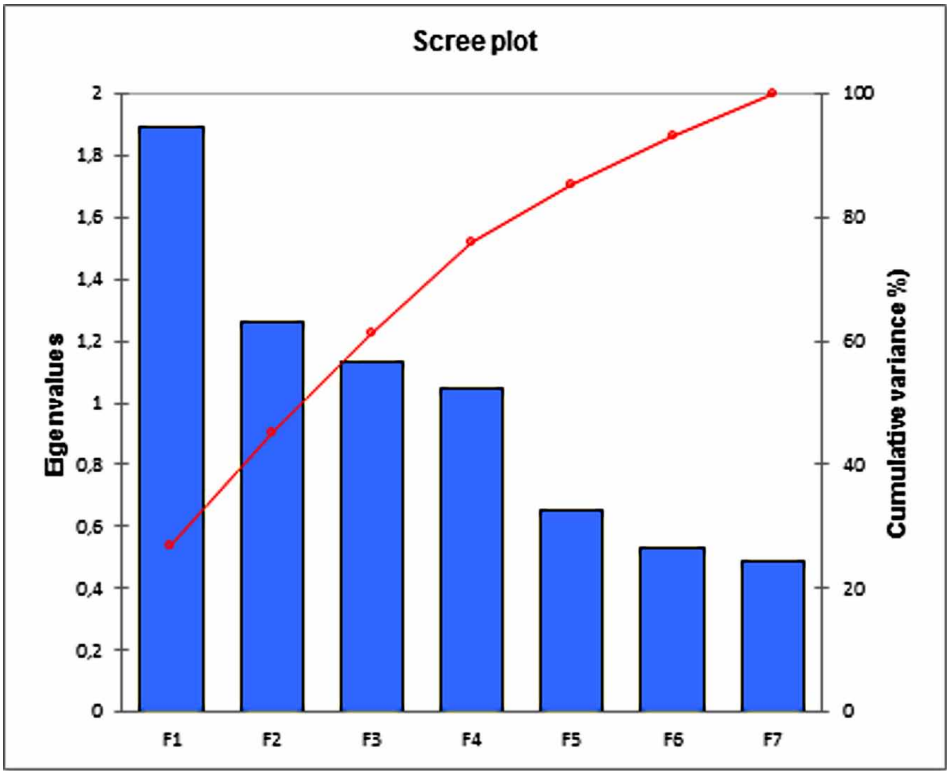

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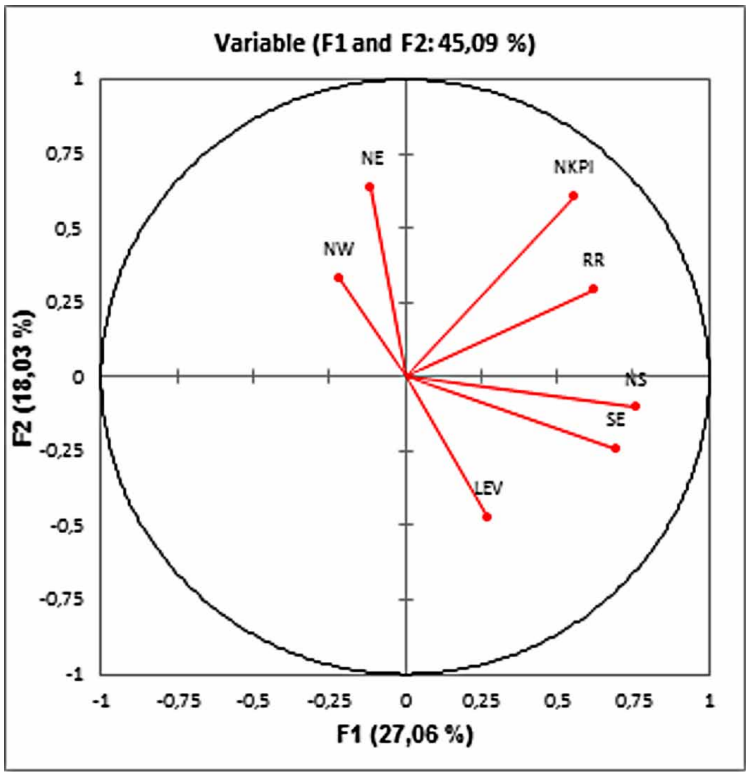
Table 5. The three factors F1, F2 and F3 explain most of the variance

Dimension	F1	F2	F3	F4	F5	F6	F7
NE	0,012	**0,405***	0,024	0,370	0,173	0,008	0,008
RR	**0,388***	0,087	0,006	0,263	0,040	0,214	0,003
NKPI	0,314	**0,365***	0,001	0,062	0,002	0,255	0,001
NS	**0,574***	0,011	0,007	0,096	0,093	0,008	0,210
SE	**0,484***	0,060	0,000	0,218	0,001	0,000	0,236
NW	0,046	0,108	**0,651***	0,004	0,152	0,019	0,020
LEV	0,076	0,226	**0,442***	0,030	0,190	0,028	0,008

*Factors with greater value of cos^2

Figure 2. Three dimensions explaining majority of the variance



DISCUSSION

As seen in Table 5, the first component called F1 receives its major contributions from regulated reporting RR, the number of stakeholders NS, and whether there is stakeholder engagement SE. The pervasive credibility of the regulated report itself, the number of stakeholders identified in the report, and the presence of relationships with the stakeholders explain the first component. All three of these variables are linked to SBSR and in general to CSR. The growing awareness of the importance of stakeholder

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engagement shifts the attention of the SMEs from traditional reporting structures and channels ("one-way communication" - companies just publishing a report without engaging with stakeholders) towards more stakeholder dialogue and other effective communication channels ("two-way communication"). The first component F1 really refers to the openness and transparency of the company. The more stakeholders influence and engaged in the SME's business activities, the more the report has been detailed according to international standards guidelines. In a sense then, this principal component F1 also deals with reputational capital.

Table 5 also shows that the second component F2 in strictly influenced by the number of employees NE and the number of accounted for Key Performance Indicators NKPI. The number of employees and the number of KPIs accounted for reflects the ability of the company to acquire specific know-how as part of the social reporting process. As noted above, within SMEs, employees are recognised as important stakeholders. This fact is evident in the mean value of regulated reporting RR. Table 2 shows the mean of RR is only around 3.164, very near to the inferior limit of 3.0 given to those companies preparing their sustainability reports according to solely social and environmental management system guidelines. This finding is evidence for the trapdoor effect of downsizing large company CSR reporting to the SME level. It appears there is a sort of standardization in social reporting practices in SMEs. SMEs are aware their social and environmental declaration is a normative aspect of the sustainability certifications they have, but they do not go further. Their reports are generally standardized and uniform in their application of the guidelines. The report content varies as the corporate dimension varies. For example, the more employees are covered by SA8000, ISO14001 and EMAS, the more the company provides indicators on them. This dimension is indeed explained by the know-how and the use of management systems as proper management accounting tools. When companies are well aware of the use of environmental management systems, then they raise their quality and more fully exploit the potentiality of their management system (Graafland & Smid, 2015).

Table 5 shows the third component F3 is influenced most heavily by net worth NW and total leverage LEV. These variables reflect the financial and capital dimensions of the SME. As also indicated by the literature presented above, F3 expresses the pressure from scarce resources and limited budgets on the SME's behaviors towards the social accounting implicit in their corporate social responsiblity sustainability reporting practices.

CONCLUSION

The use of integrated management systems allows companies to deal with social and environmental issues through more standardized and formalized processes. If a company acquires a social and environmental management system certification, it must create a report that shows it actually meets the guidelines it is supposed to adhere to. For example, if a firm has an EMAS certification, it has to report and account based on the EMAS reporting scheme requirements.

Whereas the adoption of a sustainability certification program is a voluntary decision, once adopted, the environmental accounting linked to the certification becomes compulsory. And if a firm then decides to add other voluntary Key Performance Indicators (KPIs), and so account for other societal or environmental issues, it makes progress towards a more voluntary approach to social accounting.

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We note again that the traditional and international sustainability reporting guidelines, such as the Global Reporting Initiative (GRI), the United Nations Global Compact (UNGC), and the Carbon Disclosure Project (CDP), were created with large corporations in mind, whereas SMEs prefer to exclusively report only information mandatorily included in their management system standard guidelines, roughly 15 indicators. SMEs tend to only report data mandated to be included in certified management system reports because they are annually audited on their reports by third parties. But to audit other voluntary data, companies would need to pay additional fees to the external auditors. Still, for SMEs, the audited validation of reportable data is fundamental because the first users of their data are their main customers, even if only indirectly through their membership in a long supply chain.

The results of our PCA analysis shown in Table 2 suggest that the economic and financial dimensions NW and LEV only weakly influence the attitude towards reporting activity. Regardless of the heterogeneity of the group of SMEs selected, companies publishing a sustainability report do not go beyond the required certification scheme. They do not adopt a more comprehensive vision of reporting. Instead, the Italian SMEs in this study stick to the simplest reporting possible, one that limits itself to only meeting the reporting rules required to obtain and maintain their multiple certifications. This observation is shared by the work of Johnson et al. (2016), which found that German micro-sized companies also stick to short-form, pre-defined sustainability check-lists.

One surprising result shown in Table 3 is the strong link between stakeholder engagement SE and the number of stakeholders NS. The geographical proximity between SMEs and their local environment appears to explain the ability of SMEs to interact closely with their stakeholders and obtain feedback input from them towards their reports. It appears then that in order to better manage the complexity of reporting sustainability issues in the long supply chain, the SMEs analyzed herein seem to adopt an integrated approach that combines social and environmental aspects. This tie-in could represent a significant threat to the voluntariness of Corporate Social Responsibility (CSR) because certification as revealed herein seems to encourage a more standardized and so universal approach. Additional research is needed to puzzle over the complexity of Small Business Social Responsibility (SBSR), and moreover to start thinking about SBSR from the ground up, possibly from a less imposed and regulated perspective, and more from a market-driven perspective.

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Chapter 35
A Framework for Interfacing Unstructured Data Into Business Process From Enterprise Social Networks

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ABSTRACT

The increased number of Enterprise Social Networks (ESN) business applications has had a major impact on organizations' business processes improvements by allowing the involvement of human interactions to these process. However, these applications generate unstructured data which create barriers and challenges to offering the data in the form of web services in a SOA environment, which again impacts negatively the business process. In this context, the authors propose a framework to interface ESN unstructured data into BP using text mining techniques. The Term frequency-inverse document frequency is used as a weighting schema in this framework. After that, the cosine similarity and k-mean are utilized to find similar values from different documents and cluster documents into groups respectively. The result of the evaluation of the framework shows promising results for retrieving social unstructured data. These results can be published into the SOA enterprise service bus using the RESTful web services.

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1. INTRODUCTION

The most popular implementation of SOA is the web service. It enables business processes (BP) heterogeneous application to exchange data, communicate with each other and reuse functionality over the network. The availability of web services in SOA environments attracts organizations attention to applying the concept in new domains, such as e-business, social business and social networking domains.

Recent years have witnessed a growing number of business applications called Enterprise Social Networks (ESN). These applications can provide valuable information on running business process as they hold organizations' social data. With this data, organizations can socialize some business processes, which require human interaction or involvement. ESN also convert classical BP into more dynamic social BP. They enable internal employees to exchange experience, ideas or any topics that can enhance their organizations' BP. Moreover, ESN adopt web 2.0 features like user profile, follow, subscription, notification and streams. Therefore, embedding social data generated by ESN with business applications like customer relationship management (CRM) can integrate social and business activities through multi systems. Additionally, it simplifies the access of business and social processes from one source.

There are, however, some challenges related to the type of data generated by ESN as most of the data formed by the ESN is unstructured data. Unstructured data in ESN play an important role, as most of the ESN contents are stored in text format. For example, in user profiles, employees use text to update their professional experiences, and minutes of meetings are uploaded using text format. This data type constructs barriers to discovering knowledge from ESN in order to offer it as a web service in the SOA environment.

In this research, therefore, we propose a framework to interface unstructured data generated by the ESN into the business process using text mining techniques. The aim is to extract user expertise, project details, and any social information which can be used in daily business processes. Based on the result, web services will be generated and published into the SOA environment for reusability by BP applications.

The remaining of this research is organized as follows. Section 2 gives details about related works in the literature. Section 3 illustrates the framework followed by experiment and evaluation in section 4. Section 5 presents the conclusion and future work.

2. RELATED WORK

In recent years many research has been conducted in the field of text mining and social networks. Luo et al. (2016) introduced the double reading (DRESS) system by utilizing cloud-based technologies. They developed multiple subsystems to extract structured data elements from unstructured medical records. They developed three subsystems (LinkMR, LinkCore and LinkQC). These subsystems provide data acquisition, data security and data sharing. The authors validated their research with Kappa statistics to measure the blinded reproducibility discrete variables and continuous variable. As a result, DRESS shows a high reproducibility of 98% out of 100 patients study. It turns unstructured data into semi-structured big data by processing thousands of medical records in a few days.

The study conducted by Hong et al. (2016) used the cTAKES clinical Natural Language Processing (NLP) tool to annotate events and detect sentences. They developed a framework to transform free text diagnostic criteria into a structured Quality Data Model. Attributes of clinical diagnosis events were annotated and classified by a machine learning algorithm which is based on Conditional Random Fields

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(CRF). The authors hypothesize that their approach can be generalized to other clinical knowledge. However, their work was limited to specific experiments of diagnostic criteria and they followed cTRAKES default configuration which affected the performance of converting free text into structured formats.

Sampathkumar, Chen and Luo (2014) used text mining to extract knowledge from unstructured text data. They present a system with three main modules: Information retrieval module, text processing module and information extraction module. The Information retrieval module is responsible for extracting useful information from data sources such as online forums using a web crawler. The text processing module processes the text data using Natural Language Processing (NLP) tools. However, the information extraction module is used to extract a relationship between entities of interest. The authors use Hidden Markov Model based text mining system to forecast the relationship between a drug and an adverse side-effect.

Chua et al. (2016) developed a method of analyzing diplomats' interactions and how to understand people before negotiating with them based on design science approach. The method depends on extracting critical information from sparse text. The method starts with preprocessing the text by removing stop words, lemmatize words and finally index words. After that, it calculates similarity based on WordNet. Finally, it generates sematic chains. The authors tested this method in 499 posts from Facebook and found it feasible to apply.

Other research, conducted by Kuncoro and Iswanto (2015) showed the efficiency and effectiveness of Term Frequency, Inverse Document Frequency (TF-IDF) in ranking the top 20 of the most followed Instagram accounts. The authors used text mining and proposed a methodology with three modules (retrieval, preprocessing, and ranking modules.) to find the keywords and ranking of image caption data posted in top 20 Instagram accounts. TF-IDF indicates that the highest ranking if the keyword is the main topic of the Instagram account. However, the authors miss the usage of TF-IDF in slang words and non-English languages.

Forss, Liu and Bjork)2014) developed a baseline system to extract people's hobbies and interest information from social media. The authors applied the TF-IDF term weighting method to determine the most common hobbies and interests. They found that key word extraction is more useful in social media, compared to sentence based extraction, since people in social media use unstructured texts. They combined keyword extraction with Name Entity Recognition and predefined dictionaries to have a broad scope.

Another framework proposed by Dang et al. (2016) retrieves fashion content from social network data based on the Vector Space Model and Supporting Vector Machine. The authors measured the importance of words in the test using TF-IDF and transformed the document text information into the Vector Space Model. Here, the authors used the Support Vector Machine algorithm to build a text classification model from a training set. The framework showed good results after it was tested with Facebook and Twitter datasets.

Kakisim, Ipek and Sogukpinar (2016) introduced a model to detect popular tags used by hackers and their followers in social networks. The authors used TF-IDF to obtain the most popular tags related to suspension groups. The outcome showed good results and figured out suspected profiles. On the other hand, Elghazaly, Mahmoud and Hefny (2016) used TF-IDF to obtain a document vector in Arabic text classification. The TF-IDF was used to weight the scheme and cosine measure was used to calculate the similarity of documents with training documents. As a result, TF-IDF showed good results even for Arabic text in social media. In contrast, Albadarneh et al. (2015) used an advance method by employing big data analytics to solve the problem of Arabic tweet authentication authorship. TF-IDF with bag of words approach was used to computer the weight of feature vectors of tweets. Moreover, Ling, He and Yingwei (2015) integrated TF-IDF with the TextRank algorithm to extract user interest from so-

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cial networks and, based on the result, build an ontology based service recommendation framework. A common method in the above studies is that that authors use TF-IDF for text mining in their model and approaches, which proves its ability to return accurate results in field of social networks.

The medical field is another field, where researchers utilize TD-IDF for medical information text mining. Bouslimi, Ayadi and Akaichi (2016) retrieved medical images based on radiological social networks using the TF-IDF weight vector and bag of words approach. In similar research, Tefrie and Sohn (2016) built a model for to detect Ebola outbreaks based on twitter data and social network media. The authors used a bag of words and TF-IDF features to build the workflow of the system and successfully find optimal values for such outbreaks. Moreover, the study conducted by Markazi-Moghaddam et al.(2016) used TF-IDF as a weighting schema to measuring the performance of hospitals, based on social network analysis. However, to the best of our knowledge there are very little research has been conducted to extract user profile skills from ESN. This research will enable business processes to be socialized after identifying the users' skills.

3. THE FRAMEWORK

Figure 1 shows the details of our framework. It starts by crawling the ESN Uniform Resource Locator (URLs) to build the service corpus. These service corpuses are preprocessed to extract a set of keywords that are related to, and contribute to, business process and service functionality. These steps are followed by the TF-IDF module which provides the most important words in certain corpus. The results of weighting and ranking from extracted document are later used to build a web service based on the type of document (user profile information, project information, etc.). The following sections detail each step.

3.1. Web Crawler

A web crawler is used to access to the data source by retrieving document information from online sources such as ESN. Researchers refer to the web crawler as a web spider or web robot. This tool searches online data sources through a uniform resource locator (URL), and its hyperlinks.

In this work, our main data is user profile information, project information, minutes of meeting and business forums. So, the main function of the web crawler is going to be querying these types of data and keeping document information updated. Web crawlers vary from one provider to another and may consist of several main processes like a queuer, repository, parser or updater in order to provide an accurate result of the required documents (Costa et al., 2016).

3.2. Preprocessing

In the ESN field, text mining is used to prepare the textual data for analysis. In the literature, there are many methods for preparing the text before conducting further analysis. Some of these methods are "parsing the textual data, stemming and/or lemmatization, and vectorization, such as transforming the textual data into keyword vectors" (Song et al., 2016).

The real world of ESN data is inconsistent and is noisy as most of the contents are free text. There is, therefore, a need for data reduction and data cleaning using preprocessing methods. The preprocessing step's goal is to extract text from ESN user profiles and forums, and to process them into suitable

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a format that can be weighted by the TF-IDF. Typically, this step consists of several Natural Language Processing (NLP) tools in order to prepare the text from ESN for the next step. In this study we exclude voice and video tagging.

The ESN text is preprocessed as follows: 1. Tokenize text 2. Remove unwanted punctuation, 3. Filtering stop words, 4. Stemming words and 5. Index words (Figure 2 illustrates these steps). Similar processes have been used in text mining approaches like Snowball text mining systems and SMART Information Retrieval System (Chua et al., 2016).

Tokenizing a document in text mining is "the process of breaking a stream of text up into phrases, words, symbols, or other meaningful elements called tokens" (Verma, Renu and Gaur, 2014). This process identifies the most meaningful words in the document.

Filtering punctuation and stop words will accelerate the text mining by minimizing the number of words in the document. Stop words can be common words or domain specific. Removing common words like "the", "or", "is", can lead to a reduction in number of words in the document. However, attention should be paid to domain-specific stop words. In the information system domain, for example, general words such as "IT" or "PC" are not useful words when we seeking specific qualifications.

Word stemming is used in this research to return words to their root by reducing their inflectional forms. Many researchers have used word stemmers in text mining and information retrieval such as studies by (Kassim et al., 2016; Pallavi Reddy and Nara,2017; Çakir and Güldamlasioglu, 2016; M. N. Kassim et al., 2016). This process increases the accuracy of words and reduces variants. The stemming

Figure 1. The proposed framework

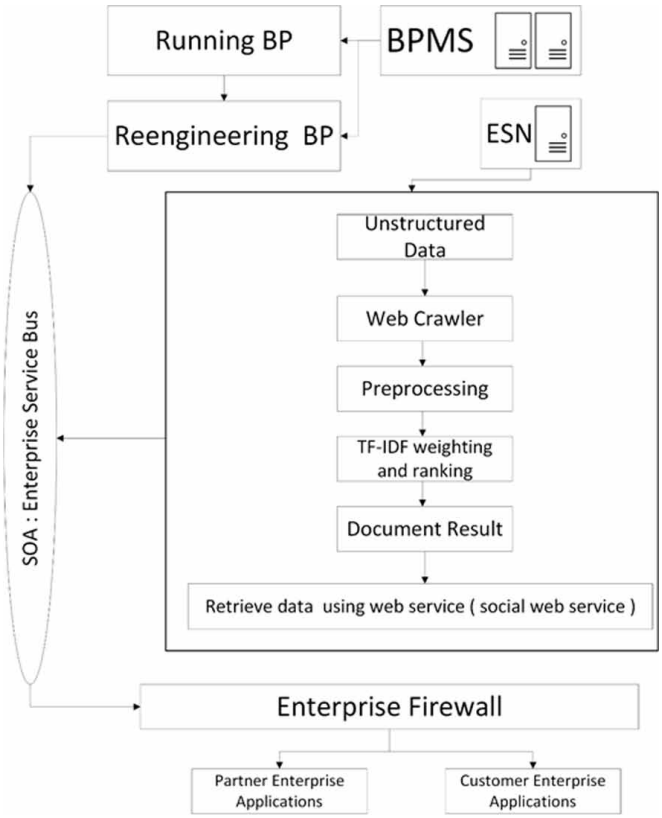

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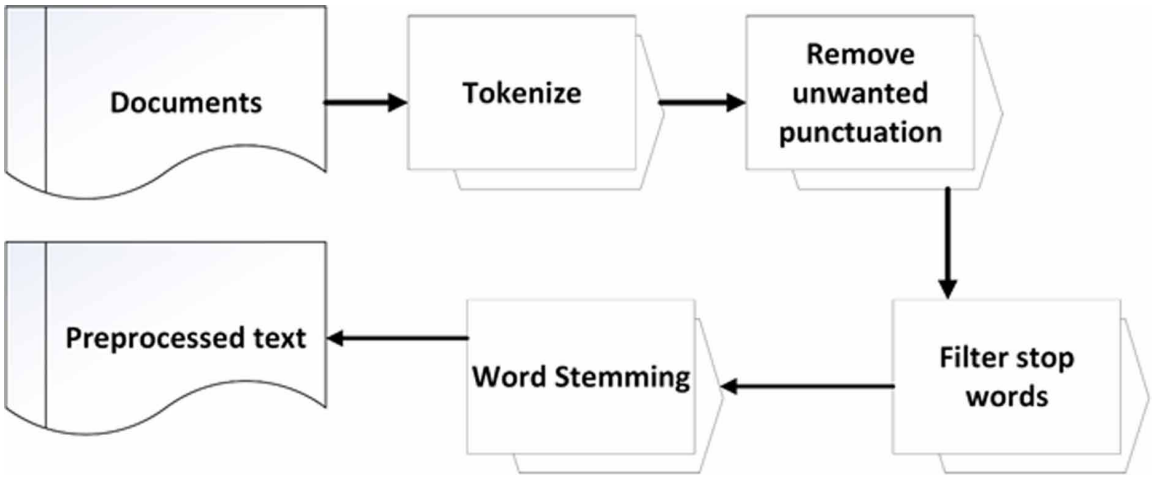
Figure 2. The preprocessing steps



process removes prefixes, suffixes and infixes of words (Ignatow and Mihalcea, 2016). After this process has been applied to each word, the indexing process will assign an index number to each word in order to measure the frequency of its appearances.

3.3. Document Result

Documents are a set of information gathered from user profiles, project information or the minutes of meetings in the ESN. If document information satisfies the needs of the business process request, a web service will be generated from the result. For instance, a business process may fetch for certain project information from unstructured data using some key words. Once the required project is found from certain documents like minutes of meetings or a forum, a project title with basic information on this document will be generated in the form of a web service.

3.4. Web Service

In this framework, the RESTful web service is used as it is uses basic XML which makes it more flexible than SOAP and its response time and throughput are much better than SOAP (Kumari and Rath, 2015). Our previous work shows that the RESTful web service reduces the coupling between components and interaction latency even in a multi-tenancy environment.

3.5. Term Frequency-Inverse Document Frequency (TF-IDF)

In text mining, there are many methods for weighting schemes including Boolean weighting, tfc weighting, TF-IDF weighting and TF weighting (Jotikabukkana et al., 2016). Among these techniques, the TF-IDF is the most used and the popular technique for extracting words from documents and for text classification. The TF-IDF measures two statistics: the Term Frequency (TF) and Inverse Document Frequency (IDF). The TF divides the number of times the word found in the document by the total number of words in the same document:

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$$TF\left(t,d\right)=\frac{f\left(t,d\right)}{\max\left\{f\left(w,d\right):w\in d\right\}}$$

$f\left(t,d\right)$ is the number of time the word "t" is found in the document "d", and $\max\left\{f\left(w,d\right):w\in d\right\}$ is the maximum number of words in the document.

The Inverse Document Frequency (IDF) measures how the word is important in a document(s). It can be expressed as follow:

$$IDF\left(t\right)=\log\frac{\left|D\right|}{1+\left|\left\{D:t\in d\right\}\right|}$$

From this equation, the term can be measured if it is important (rare) or just appears a lot of times in the document such as "a", "is", "and" or "this". "1+" is used in $1+\left|\left\{D:t\in d\right\}\right|$ to avoid any zero division operation. At the end the TF-IDF is calculated as follow:

$$TF-IDF\left(t\right)=TF\left(t,d\right)\times IDF\left(t\right)$$

3.6. Term Frequency Merging

The Term Frequency Merging is used to solve the problem of words appearing in more than one document. For each document, there are total numbers of words with different weights. For example, user's skill like "Exchange" in document 1 has a TF value of 0.6 with 200 total numbers of words. In contrast, the same word may have a different TF a with different total number of words in another document. Merging TF values of a specific word from different documents will not give an accurate result. In this scenario, the only way to solve this problem of finding the correct value of TF is to use vector normalization.

Vector normalization is used to identify the weight of words in certain corpuses. For example, a corpus can be a certain technology like (Microsoft) and words can be products like: "Exchange", "SharePoint" and "SQL". Word vector normalization is a way of normalizing (TF) as follows:

$$TF_{w(i)}=\frac{x_i}{\sqrt{x_1^2+...+x_n^2}}$$

where $TF_{w(i)}$ is the value of normalized word(i) and X_i is the number of occurrence of word(i). Summing TF values from different documents leads to the total number of words in the corpus.

Table 1 shows an example of three words: "Exchange", "SharePoint" and "SQL". TF with vector normalization is calculated from two different sources (user profile and discussion forums).

The value of normalization of these words from two different sources is shown in Table 2.

In the case where we have more than one resource of documents, we can use the cosine similarity technique to calculate the similarity values from different documents. The cosine similarity is expressed as:

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Table 1. TF values

		Exchange	SharePoint	SQL	$\sqrt{x_1^2 + \ldots + x_n^2}$
Source	User Profile (X)	10	6	5	12.6
	User Profile (Y)	10	6	6	13.11
	Discussion Forums	50	30	15	60.2

Table 2. Value of normalization

		Exchange	SharePoint	SQL
Source	**User Profile (X)**	10/12.6=0.79	6/12.6=0.47	5/12.6=0.39
	User Profile (Y)	10/13.11=0.76	6/13.11=0.45	6/13.11=0.45
	Discussion Forums	50/60.2=0.83	30/60.2=0.49	15/60.2=0.24
Total	**Total**	1.62	0.96	0.63

$$\left(\frac{a * b}{\|a\| * \|b\|} \right)$$

where *a* and *b* are the TF-IDF of each word of the document in the vector which can be expressed as:

$$\vec{a} = \left(a_1, a_2, \ldots\right) \text{ and } \vec{b} = \left(b_1, b_2, \ldots\right)$$

and $a * b$ is the Euclidean length between documents.

From the cosine similarity technique, we can find out the highest score of words from certain documents, which gives us the indication of the right document to be retrieved as a web service.

From the above example, suppose that a BP application runs this query to retrieve skilled people in the SharePoint field: “certified employees in SharePoint installed in SQL server”. This query gives us these word vectors as shown in Table 3.

From Table 4, we can conclude that user Y has more experience in SharePoint than user X as his cosine similarity score at 0.64 is higher than the 0.61 of user X.

Another widely used technique is K-means which groups similar documents into clusters by finding similar words in these documents. It is a clustering algorithm based on the distance between points. Similar objects are grouped together into a cluster based on the close distance with high similarity.

Table 3. Word counts of the query

Exchange	SharePoint	SQL
0	1	1

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Table 4. Cosine similarity

Source	Cosine Similarity
User Profile(X)	0.61
User Profile (Y)	0.64
Discussion Forums	0.52

The K-means algorithm works as follows (Aggarwal and Reddy, 2013):

- Choose data points *K* called "Centroids "to be a center of the cluster;
- Find the best centroids by choosing points in the center of a certain cluster or allocate data points to clusters based on existing centroids (see Algorithm 1).

4. EXPERIMENT AND EVALUATION

Evaluating any type of artifact including a framework should include integration of this artifact within a technical business infrastructure. There are various evaluation methods in the literature. The most appropriate evaluation method for this framework is the observational method where a case study can be investigated deeply in business environment (Von Alan et al., 2004). However, since this framework has not yet been fully implemented, the descriptive evaluation method will be followed where real scenarios will be taken from an existing company that uses ESN in its daily business besides their BP application. This scenario will demonstrate the utilization of the framework.

4.1. Scenario: The Innovation and Support Center (ISC)

4.1.1. Problem

The ISC provides information technology services to other Government organizations and citizens such as cloud hosting services, security services and technical support. The ISC decides to utilize its current internal information systems, which are hosted in the ISC private cloud, by adopting the SOA to fill the gap of some missing features in its systems and to enhance the collaboration and data exchange between systems and databases. The main goal is to redefine the BP to be more agile and flexible and to find new services, which can improve the business and its e-commerce and at the same time improve the maturity of the center.

Algorithm 1.

```
Choose K points as initial centroids.
     Repeat
               From K clusters: allocating data point to its closest centroid.
               Precompute clusters centroid.
     Until meeting criterion.
```


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The ISC is using ESN that has a large amount of information about the organization and employees in the form of structured and unstructured data. Structured data can be found in the ESN database, while unstructured data is available in form of free text like forums, business minutes of meeting logs and user profiles. However, other systems such as the BPM system, ERP system and CRM system were implemented years ago, and operate mainly inside the organization.

The ISC is willing to extract web services from ESN and reuse them into BPM, ERP and CRM after reengineering the BP and workflow to allow these systems to interact through web services in the SOA environment. The ISC needs to reuse the unstructured data generated in ESN user profiles and allow customers to interact with its employees according to their skills (obtained from ESN as a service) in specific products or technology. The only way to find proper resources from the user profiles is to use text mining techniques as explained in the next section.

Figure 3 shows the ISC current business process of the call center. It starts by receiving requests in the form of emails from the customers' side. In this process technical engineers record these calls in the Customer Relationship Management (CRM) System and send email confirmation to customers about the newly opened case. After that, team leaders evaluate case types manually and allocate human resources to start solving these cases. This BP slows the ISC revenue and return of investment in ESN as almost all processes are manually performed.

4.1.2. Solution

In our solution, we started by reengineering the ISC BP to align with our proposed framework as shown in Figure 4. After receiving requests from the customers' side, technical engineers evaluate the support

Figure 3. BP before reengineering

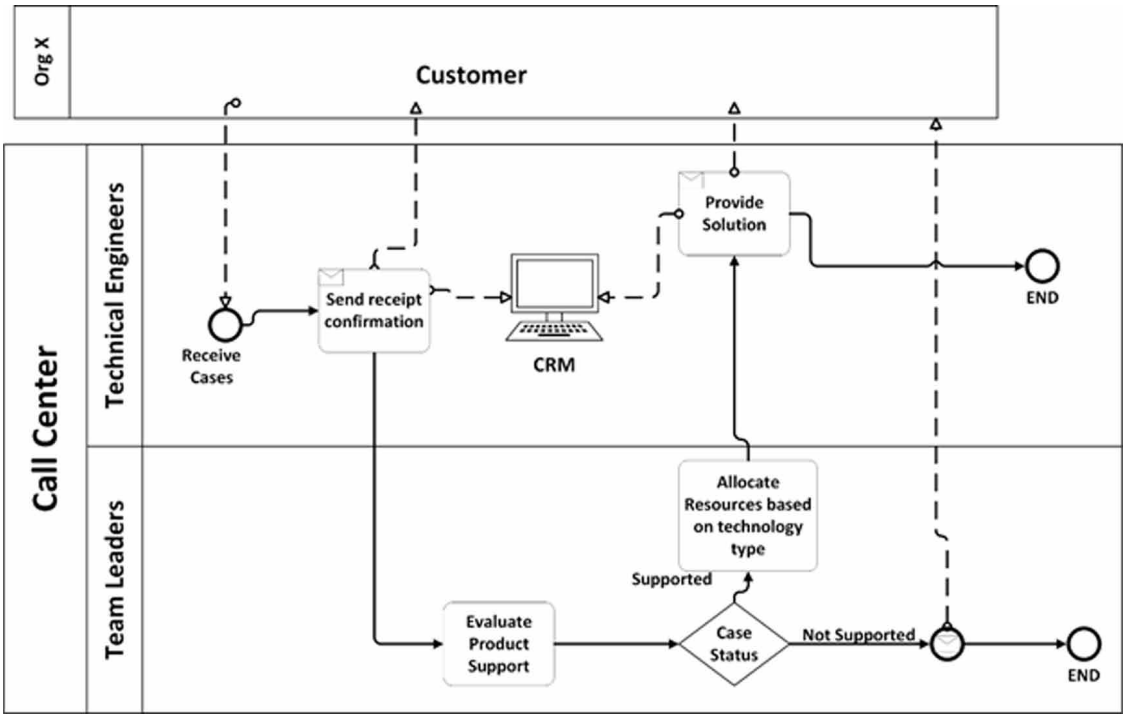

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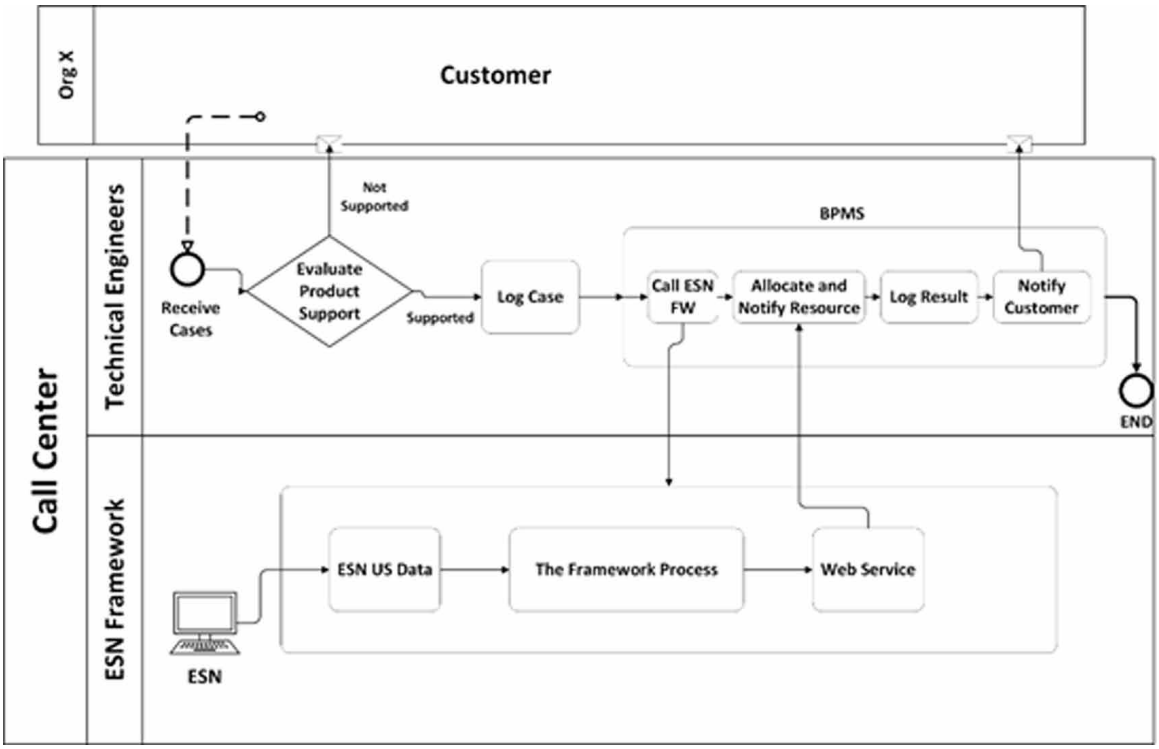
Figure 4. The reengineered BP



eligibility before logging the case into the BP management system (CRM in this case). The CRM will start the business process by calling the proposed framework. This framework applies the processes as detailed in section 3, and provides the CRM with appropriate resources in form of web service.

In our experiment of this proposed framework, we retrieved user profiles from the ESN of the ISC which has 11 technical employees who are dealing with customers. We excluded administrative people. Each of these employees has a different field of experience in some particular technologies. An example is listed in Table 5.

Each employee profile is considered as a document set. These documents are preprocessed as explained in section 3 using an open source text mining tool (Rapid miner). After the preprocessing steps, the TF-IDF technique is used which generates TF-IDF values for each word in all documents. Table 6 shows the TF-IDF values of each word in each document. For instance, the highest TF-IDF value of the word "active" can be found in document 10, while Table 7 shows top words with how many numbers of occurrences in documents.

Table 5. Employee field of expert

Employee	Experience/ Field of Expert
Employee(1)	System Center, Windows Server 2008, Windows Server 2012, Windows Server 2016, TMG, Windows Security
Employee(2)	SharePoint 2010, SharePoint 2013, SQL Server 2008, SQL Server 2012, Active Directory, Windows Server 2008, Windows Server 2012, Windows Server 2016

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Table 6. TF-IDF of some words in the 11 documents

Example Set (11 Documents, 5 Special Attributes, 25 Regular Attributes)									
Document No.	**Active**	**Azure**	**Center**	**Cloud**	**Communication**	**Computing**	**Directory**	**DNS**	**Exchange**
1	0.021	0	0.133	0.443	0.525	0.221	0.021	0	0.221
2	0.031	0	0.198	0.331	0	0.331	0.031	0.331	0.331
3	0	0	0.462	0	0	0	0	0	0
4	0.022	0	0	0	0	0	0.022	0	0
5	0.023	0.572	0.145	0.483	0	0.242	0.023	0.242	0.242
6	0.022	0	0	0	0	0	0.022	0	0
7	0.020	0	0.128	0.427	0	0.213	0.020	0	0.213
8	0.039	0	0	0	0	0	0.039	0	0
9	0.022	0	0	0	0	0	0.022	0	0
10	0.047	0	0.301	0	0	0	0.047	0.392	0
11	0.043	0	0	0	0	0	0.043	0.352	0

Table 7. Total occurrences of words in documents

Word	**Total Occurrence**	**Document Occurrence**	**Ahlam**	**Mohammed**	**Ahmed**	**Asim**	**Fatam**	**Ghalib**	**Halah**	**Mubarak**	**Qais**	**Shabib**	**Suli**
Server	48	11	7	5	3	5	5	5	3	3	5	4	3
Windows	39	11	3	4	4	3	5	3	4	3	3	4	3
Active	10	10	1	1	0	1	1	1	1	1	1	1	1
Directory	10	10	1	1	0	1	1	1	1	1	1	1	1
Exchange	8	5	2	2	0	0	2	0	0	0	0	1	1
Cloud	7	4	2	1	0	0	2	0	2	0	0	0	0
Center	6	6	1	1	1	0	1	0	1	0	0	1	0
Security	6	6	0	1	1	0	1	0	1	0	0	1	1
SQL	6	3	0	0	0	2	0	2	0	0	2	0	0
System	6	6	1	1	1	0	1	0	1	0	0	1	0
TMG	5	5	0	1	1	0	0	0	0	1	0	1	1
Computing	4	4	1	1	0	0	1	0	1	0	0	0	0
DHCP	4	4	0	1	0	0	1	0	1	1	0	0	0
DNS	4	4	0	1	0	0	1	0	1	1	0	0	0
Hosting	4	4	1	1	0	0	1	0	1	0	0	0	0
SharePoint	4	2	0	0	0	2	0	2	0	0	0	0	0
ISA	3	3	0	0	0	0	0	0	0	1	0	1	1
Networking	3	3	0	0	0	0	0	0	1	1	0	0	1
Azure	1	1	0	0	0	0	1	0	0	0	0	0	0

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According to those tables, the "Active Directory", "Windows Server" and "Exchange" are the most frequent words in the whole dataset. However, there is a similarity between documents for some words. For instance, the user profiles for Mohammed and Asim have the same value of total occurrences of the word "server". Furthermore, Mohammed's and Ahmed's profiles show the same number of occurrences of the word "windows". In this case, and to find the similarity of documents (close profiles to certain field of experience), the cosine similarity is used to compare all the retrieved documents. The sample result of cosine similarity in Table 9 shows that documents 4 and 6 have the highest similarity "1", followed by document 2 and 5 which has 0.761 similarity value. Evaluating documents 4 and 6 manually shows this result is accurate as illustrated by Table 8. In addition, after asking Asim and Ghalib about experience and daily work, it was found that they were doing the same tasks on a daily basis.

Moreover, the K-means algorithm is used to group documents that are similar to each other and to evaluate the results in Table 9. Running K-means with different k values (2, 3 and 4) shows more precise results, as Table 10 illustrates. The algorithm gives a better result when $k=4$ is compared to $k=2$. As shown in Table 10, when k=4, four clusters are generated and each cluster contains similar resources. After evaluating user profiles documents manually, we found that the result of K-means the clustering

Table 8. Documents 4 and 6 text

Document	Document Text	Profile
Document(4)	SharePoint 2010,Sharepoint 2013,SQL Server 2008,SQL Server 2012,Active Directory, Windows Server 2008,Windows Server 2012,Windows Server 2016	Asim
Document (6)	SharePoint 2010,SharePoint 2013,SQL Server 2008, SQL Server 2012,Active Directory, Windows Server 2008,Windows Server 2012, Windows Server 2016,	Ghalib

Table 9. Cosine similarity result

First Document	Second Document	Similarity	First Document	Second Document	Similarity
4	6	1	9	10	0.002
2	5	0.761	4	10	0.002
10	11	0.737	6	10	0.002
2	10	0.485	6	8	0.002
8	10	0.470	1	8	0.002
5	7	0.469	2	9	0.001
2	3	0.429	2	4	0.001
4	9	0.369	2	6	0.001
1	7	0.318	1	6	0.001
1	10	0.217	4	7	0.001
3	5	0.200	6	7	0.001
5	8	0.200	3	4	0
7	11	0.195	3	6	0
3	8	0.192	3	9	0

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Table 10. Clustering model (k = 2, 3 and 4)

k = 2			*k = 3*			*k = 4*		
Id	**Label**	**Metadata_file**	**Id**	**Label**	**Metadata_file**	**Id**	**Label**	**Metadata_file**
1	Cluster_1	Ahlam.txt	1	Cluster_0	Ahlam.txt	1	Cluster_0	Ahlam.txt
2	Cluster_1	Mohammed.txt	2	Cluster_0	Mohammed.txt	2	Cluster_0	Mohammed.txt
3	Cluster_1	Ahmed.txt	3	Cluster_2	Ahmed.txt	3	Cluster_1	Ahmed.txt
4	Cluster_0	Asim.txt	4	Cluster_1	Asim.txt	4	Cluster_2	Asim.txt
5	Cluster_1	Fatma.txt	5	Cluster_0	Fatma.txt	5	Cluster_0	Fatma.txt
6	Cluster_0	Ghalib.txt	6	Cluster_1	Ghalib.txt	6	Cluster_2	Ghalib.txt
7	Cluster_1	Halah.txt	7	Cluster_0	Halah.txt	7	Cluster_0	Halah.txt
8	Cluster_1	Mubarak.txt	8	Cluster_2	Mubarak.txt	8	Cluster_3	Mubarak.txt
9	Cluster_0	Qais.txt	9	Cluster_1	Qais.txt	9	Cluster_2	Qais.txt
10	Cluster_1	Shabib.txt	10	Cluster_2	Shabib.txt	10	Cluster_3	Shabib.txt
11	Cluster_1	Suli.txt	11	Cluster_2	Suli.txt	11	Cluster_3	Suli.txt

result is very precise. The data related to "Exchange servers" comes under one cluster, the "security" set is the second cluster, "portal and SQL servers" related data are gathered into another cluster, and finally data related to "directory service" are grouped into the fourth cluster.

The cosine similarity shows that documents 4 and 6 are similar. At the same time the k-means algorithm indicates that both 4 and 6 documents occur in the same document where (k=2 or 3 or 4). The same applies to documents 2 and 5 where the cosine similarity value is close to one and they are in the same cluster. Moreover, cluster 3 consists of 4 documents (3/8/10 and 11) which are very similar if we refer to the cosine similarity values between (10 and 11), (8 and 11) and (3 and 10).

To conclude, cosine similarity and k-means provide the same results which validate the accuracy of returned results of the TF-IDF by grouping documents (user profiles) into clusters.

The next step is to retrieve user information from ESN user profiles and convert it into the RESTful web service before publishing it into internal service bus to measure the performance and quality of the web service.

5. CONCLUSION AND FUTURE WORK

Interfacing ESN unstructured data into BP is a major challenge facing organizations. In this research, we have developed a framework based on text mining to retrieve useful information from unstructured texts of the ESN. The framework crawls ESN by retrieving document information and preprocesses texts using tokenization, stop word removal and stemming. After that, weighting words using the TF-IDF algorithm is used to return the most frequent words.

At this stage, the framework is evaluated using a descriptive evaluation method. A real case study is taken from the industry and the TF-IDF technique in ESN is applied to user profiles to generate a TF-IDF value for each word in all documents. The result is evaluated using cosine-similarity to compare

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and find similar experts in certain fields using user profiles. Furthermore, that, the k-means algorithm is used to find groups of documents that are similar to each other. Both cosine-similarity and k-means algorithms provide the same results which shows the accuracy of returned results of the TF-IDF.

In future work, the framework will be developed to retrieve useful information based on TF-IDF results in form of a RESTful web service and it will be published into internal service bus.

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Chapter 36
Software Process Paradigms and Crowdsourced Software Development: An Overview

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ABSTRACT

Production of quality software requires selecting the right development strategy. The process and development strategies for creating software have evolved over the years to cope with the changing paradigms. Cloud computing models have made provisioning of the computing capabilities and access to configurable pooled resources as convenient as having access to the common utilities. With the recent advancements in the use of social media and advent of software development through crowdsourcing, the need to comprehend and analyze the traditional process models of software development, with regard to the changed paradigm have become ever more necessary. The changes in the way software are being created and the continuous evolution in the processes of development and deployment has created a need to understand the development process models. This chapter provides an insight on the transition from the conventional process models of software development to the software development methodology being used to develop software through crowdsourcing.

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INTRODUCTION

Software is a product and also a vehicle for delivering a product. Engineering of this Software is termed "Software Engineering". The term Software Engineering was coined at a NATO Conference in 1968 (Naur & Randell, 1968) and is defined as the systematic approach to the development, operation, maintenance and retirement of the software. The systematic approach enables the production of high quality software and focuses on the activities directly related to the production of the software and thus these activities form the core of a software project. The approach defines the tasks and the order in which they should be executed. The software development approach that we deploy plays a critical role in the quality of software being developed. A non-systematic development approach will produce software of low quality that may not meet user expectations and also might incur additional cost of development. Software engineers use software development models for creating fault free software that meets the requirements of the end users and is delivered within the pre specified time limit and budget. Following a non systematic approach and developing software without the use of development models, not only violates the budget and time deadlines but also results in creation of low-quality software that would be difficult to maintain.

Software development is a creative and ever evolving area. Organizations use various software development process models and methodologies for developing software. A Software Process Model defines the stages in which a project should be divided, order of execution of these stages, and other constraints and conditions on the execution of these stages (Pankaj, 2010). The process models are based on the paradigms of software development and have undergone evolution from their inception to the present times. From the first published water fall model in 1970 to the Agile Software Development Methodologies until the recent times, the software industry has seen the evolution over years to help the industry cope up with the changing scenarios. There exists some generic process models and many variations of these generic process models have been proposed and in practice a combination of different models may be used. A generic process model defines five key activities: communication, planning, modeling, construction and deployment (Pressman, 2014). Each generic model describes a process flow that describes the activities and tasks along with their sequence of occurrence.

The computing paradigm has seen a revolution with the advent and popularity of distributed computing. Gone are the days when organizations used to buy additional hardware to increase the computing capabilities of the systems. Cloud Computing has much changed the way organizations operate and do business. According to the definition given by the US National Institute of Standards and Technology (NIST), Cloud computing is a model for enabling ubiquitous, convenient, on-demand network access to a shared pool of configurable computing resources (for e.g., networks, servers, storage, applications and services) that can be quickly provisioned and released with minimal management effort or interaction of the service provider (Mell & Grance, 2011). This framework provides three service models and four deployment models. The service models are Infrastructure as a Service (IaaS), Platform as a Service (PaaS) and Software as a Service (SaaS). The deployment of the distributed network can be as a Public, Private, Hybrid or a Community cloud. The software that is created for the cloud is designed and developed to cater to the multi tenancy architecture. The task of creating such software requires process models and frameworks that could incorporate all the security requirements of the multi tenancy environment (Hasteer, Bansal, & Murthy, 2013). The development methods, tools and models for engineering cloud services needs attention and must be addressed to realize the potential of the technology completely as the cloud drives new needs.

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Regardless of the model being used for development, it has always been important for all the team members to have a precise understanding of the software product developed and have coordination among them. In today's scenario, the social media has drastically changed the landscape of software engineering (Storey, Singer, Cleary, Figueira Filho, & Zagalsky, 2014). Social networking has made the creation of "virtual communities" possible through various web based hosting services. Social networking and social software are becoming prominent in every aspect of our life (Begel, Bosch, & Storey, 2013). People from all around the world have started demonstrating an unprecedented social behavior, wherein they are coming together and joining hands to perform tasks, usually for little or no money, that were once the sole province of employees. This phenomenon commonly known as 'Crowdsourcing', is sweeping through industries ranging from professional photography to journalism to sciences, to software development (Howe, 2006). The objective of crowdsourcing software development is to produce high quality and low cost software products by harnessing the power of the crowd. To meet this objective, the crowd workers who agree to work on the task are given some financial or social incentives. Large numbers of people coordinate and compete to solve complex problems. Through participation and closer coordination among large number of people and use of new computing and communication technologies it is possible to address a wide range of problems through crowdsourcing. Wikipedia is considered to be one such Technology Mediated Social Participation System(TMSP) (Kraut, Maher, Science, Olson, & Thomas, 2010).

BACKGROUND

Several studies in literature focus on different types of process models and their evolution. The choice of methodology for a software project has varied largely due to the diversity in nature and type of software applications. Technological advancements too have led to new paradigms of software development. The development of software by outsourcing it to different organizations has been in practice for quite some time now. But the use of cloud to outsource the development of software to a crowd is new and is relatively in its nascent stage.

The term Crowdsourcing was coined by J Howe in 2006 through his article 'The Rise of Crowdsourcing' in the wired magazine (Howe, 2006). Researchers have described Crowdsourcing as a problem solving model that makes use of collective intelligence and wisdom of the crowd. It has been termed as a flexible model that is applicable to wide range of activities from producing consumer goods and media contents to creating software. Many crowdsourced platforms are coming up to solve complex problems and facilitate the development of software. Organizations like RentACoder, oDesk, Elance, Topcoder, uTest adopt different approaches for crowdsourcing (R., A, & Eric, 2010). Most of these organizations serve as a liaison between the free lance software developers and the clients. They provide workforce to the clients and in return take payment of the same. Some organizations on the other hand provide the solution and get payment from the client for developing complete software from crowd workers. To understand the

role that social networking plays in software development, Andrew Begel et al. (2013) conducted interviews with leaders from GitHub, MSDN, Stack Exchange and TopCoder. The focus of these interviews was to understand these social networks, their features and to know the incentives given to encourage participation. Their work reveals the evolution, hurdles faced and the future of crowdsourcing software development.

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PROCESS MODELS

A 'Process' is defined as the collection of activities and tasks to be performed for creation of a Product. Activities describe broad objectives and tasks focuses on small and well defined objectives. The activities and tasks reside within a framework that describes their relationship with one another. These frameworks are termed 'Models'. A Process Model provides a useful framework and a roadmap for software engineering work to all concerned with the development of a product. It is defined as an abstract representation of a design process, which in turn is a structured set of activities required to conceive a full software system or parts of it.

Changes in technology and improvement in the hardware affects the process of software development. Any organization involved in development of the software requires choosing the right kind of process model for executing the project. Depending on the complexity of the software, nature and scope of the project and tools used for developing the software different process models are chosen. Due to the diversity in the nature of the projects, designers and developers many a times find it difficult to stick to one process model and may change the implementation of the model during the development process. The literature reveals many generic process models and also shows how these models have changed with time to cater to the changing development paradigms.

Classic Life Cycle Model

The classic lifecycle model, popularly known as the waterfall model or a linear model is one of the oldest and the simplest process models. The model follows a sequential approach to the development of software. The model was originally proposed by Royce in 1970 (Royce, 1970) and later has been modified depending on the nature of the activities. The phases of this model moves linearly from the specification of the requirements to design, implementation, testing and operation. The end of one phase and the beginning of the other is clearly marked in the model. The fundamental activities in the model are well defined and are as listed below:

- **Requirement Analysis:** The purpose of this activity is to define in detail the system specifications. The goals and constraints of the system are established in discussion with the customer during this phase. It focuses on analysis of the requirements and planning for them.
- **System and Software Design:** The purpose of this activity is to establish the overall system architecture. The phase focuses on identifying and describing the software system abstraction and their relationship.
- **Implementation and Unit Testing:** The implementation phase deals with converting the design to a set of programs and testing at a unit level ensures that each unit meets its specifications.
- **Integration and System Testing:** During this phase the individually tested components are integrated and it is ensured that the software meets the requirements.
- **Operation and Maintenance:** During the operations phase, the software system is installed and put to use. Maintenance phase involves correction of any errors that went unnoticed during the earlier phases of the life cycle.

The model is illustrated in Figure 1 and is a good choice for the projects where the requirements are well understood and the project is a routine type of project. Although very popular, this model has some

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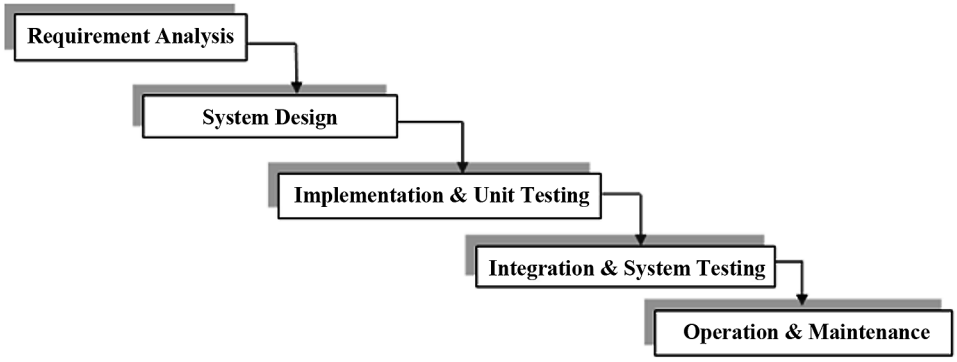
Figure 1. Water fall model

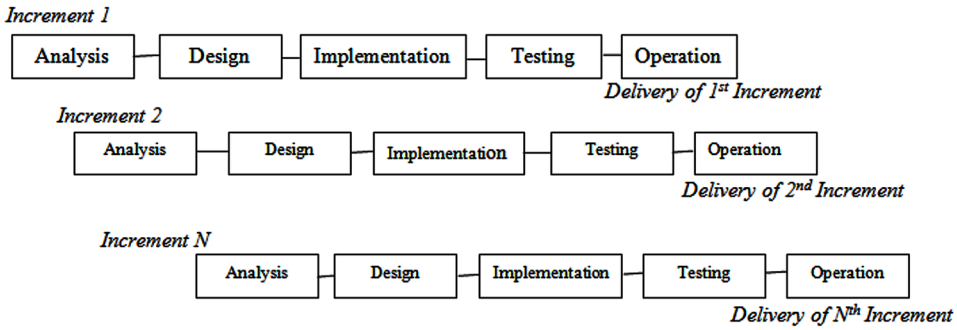


constraints. It is a rare possibility to have a smooth sequential flow of activities in case of real projects. Additionally, the model requires all the system requirements to be well defined at the start of the project that may not be feasible in most of the projects. Since the technology changes at a rapid rate and in case of a project that extends to few years, freezing of the requirements at an early stage might result in developing a product that would work on an obsolete technology. This model requires formal documents at the end of each phase. Further, since the developed product is delivered at the end, the working version of the software is not seen until late in the process. In today's world, development of software is fast paced and changes are frequent. This makes the use of waterfall model inappropriate in many cases.

Incremental Process Model

The incremental model combines the elements of linear and parallel process flows. The model applies the linear sequences in a staggered fashion. At the end of each linear sequence a deliverable increment of the software is produced. In this process model, the customers identify the services to be provided by the system. The requirements for the services that are to be delivered in the first increment are then defined in detail. The increment is completed and delivered to the customer and then further requirement analysis for the later increments is done. The model is illustrated in Figure 2. Though these models have lower risk of project failure because of a working version seen early, it sometimes can be difficult to map the customer requirements to a small sized increment.

Figure 2. Incremental process model



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AGILE MODELS

In the earlier decades of software development, software teams used to do work under defined roles and with the help of defined models and practices to execute a well defined plan. The traditional models that were used for development were rigid. In the present times, the resource, schedule, cost and other constraints are managed effectively with the help of agile methodologies. The Agile processes have a group of software development methods that focus on iterative and incremental development. These models replace high-level design with frequent redesign during the development process. All agile models are based on the incremental development and delivery concept and have different processes to achieve their objectives, though sharing the same set of agile principles. These models enable the development of high-quality, adaptive software by small teams using the principles of continuous design improvement and testing based on rapid feedback and change. Some of the popular agile models are Scrum, Extreme programming (XP), Crystal, Adaptive Software Development (ASD) and Feature Driven Development (FDD). The scope of this chapter focuses on detailed discussion on Scrum Based Development.

Scrum Development

For decades organizations have relentlessly pursued to create optimized and repeatable processes. Out of the many models of agile, scrum based development is one lightweight methodology that has been used to develop complex products since 1990 (Tuli, Hasteer, Sharma, & Bansal, 2014). Scrum based development uses an iterative and incremental approach to optimize predictability and control risk while developing software. The Scrum framework is transparent, is inspection based and encourages adaptability. It includes a set of Scrum teams and their associated roles. The process is time boxed and has a set of defined artifacts and rules (Schwaber, 2009).

Each Scrum Team has the following three important roles in a project:

1. **Scrum Master:** The Scrum Master acts as a facilitator whose job is to resolve obstructions and also to help in creating a self-organizing environment. He is responsible for ensuring that the process is thoroughly understood and rigorously followed.
2. **Product Owner:** The product owner is responsible for product vision, maximizing return on investments, prioritizing the product backlog, and also deciding whether to continue development or not under certain conditions. Product backlog is a list of customer-centric features. Product owner is responsible for maximizing the value of the work that the scrum team does and ensuring the completion of tasks as specified in the product backlog.
3. **Scrum Development Team:** The team is responsible for doing each and every task as assigned by the product owner within the sprint deadline. The composition of the team is usually small. A team of 5-7 members is made to carry out the development tasks.

The core of a Scrum is a Sprint, which is an iteration of one month or less that is of consistent length throughout the development effort. One sprint follows another and Scrum methodology uses time boxes to create and ensure regularity. Processes of Scrum that are time boxed are the Release Planning Meeting, the Sprint Planning Meeting, the Sprint, the Daily Scrum, the Sprint Review, and the Sprint Retrospective.

Scrum Master works with the customers and management to identify and establish a Product owner and then ensures that the Scrum team follows the Scrum rules and that the adoption process is smooth

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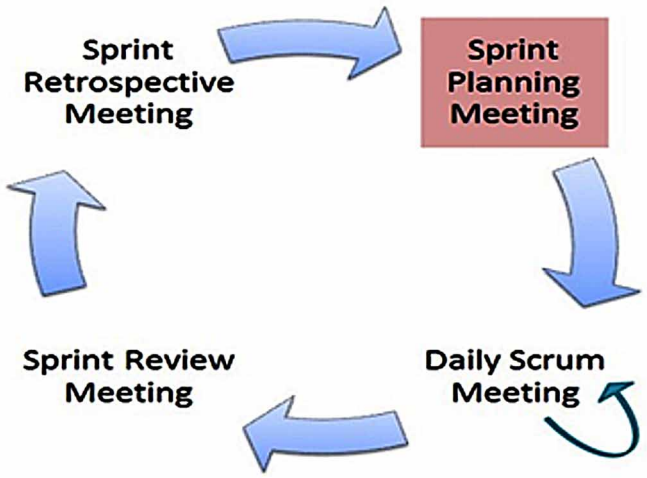
and continuous. The Scrum teams are self organizing teams and are cross functional. The Product Owner has the responsibility of managing the Product Backlog. His responsibility is to ensure the value of the work that the 'Team' is contributing along with the prioritization of the Product Backlog. The members of the Scrum Development team are responsible for translating items of the Product Backlog into increments of deliverables at every Sprint. The members possess all required skills to create and deliver an increment. The optimal size of the team as specified earlier is generally from 5 to 7 members. Teams do not have sub teams and the composition of a team may change at the end of a Sprint.

Sprints are time boxed iterations. Sprints consist of the Sprint Planning meeting, the development work, the Sprint Review, and the Sprint Retrospective. There is no gap between successive Sprints and each Sprint has a goal which is an objective that covers a defined scope of a Product Backlog to be accomplished. The goal is met by successful implementation of the same. Product owner has the authority to cancel a Sprint, in case of a Sprint goal getting obsolete. During a Sprint planning meeting, the Product owner presents the top priority Product Backlog to the Scrum Team. Team figures out what functionality is to be developed during the next Sprint and how it can be developed. A list of tasks required to convert the Product Backlog into working software is formulated. It is called a Sprint Backlog. At the end of a Sprint, a Sprint Review meeting is held wherein the Product Owner identifies what has been accomplished so far. The Team discusses the issues encountered during Sprints and how they managed to solve them. The Team then demonstrates the work that has been accomplished. The Product Owner then discusses the Product Backlog as it stands, in the presence of the Scrum Master. The Sprint Review provides valuable inputs to subsequent Sprint Planning meeting. After the Sprint Review and before the next Sprint planning meeting, the Sprint Retrospective meeting is held. The purpose of the Retrospective is to inspect how the last Sprint went with regard to people, relationships, process and tools. The focus is to inspect Scrum team composition, methods, processes. Each Scrum development team meets daily for 15 minutes for a status check and to see the progress towards attaining the Sprint's goal. These Daily Scrum meetings helps to identify gaps, improve communication and promote quick decision making. The flow of various Scrum meetings in Scrum based development of software is illustrated in Figure 3.

Figure 3. Scrum meeting flow in Scrum based development



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Following are the artifacts of the model:

1. **Product Backlog:** It is a list of prioritized requirements that are needed for the development of the end product.
2. **Sprint Backlog:** It is a list of tasks to turn the Product Backlog for one Sprint into an increment of potentially shippable product.
3. **Release Burndown:** It is instrumental in measuring remaining Product Backlog across the time of a release plan.
4. **Sprint Burndown:** It measures remaining Sprint Backlog items across the time of a Sprint.

The Product Backlog usually has User Stories and represents everything required to develop and launch a successful product. It contains list of all features, functionalities, enhancements, technologies, and bug fixes that consist of the changes that will be made to the product for its future releases. The items contained have attributes of description and priority. The Team modifies Sprint Backlog throughout the Sprint, as well as Sprint Backlog that occurs during the Sprint. The Sprint Backlog has a list of tasks the Team performs to turn Product Backlog items into an increment and it is a real picture of the work that the team plans to accomplish. A Burndown measures the remaining backlog over time. Sprint Backlog Burndown is a graph of the amount of Sprint Backlog work remaining in a Sprint across time in the Sprint. The Release Burndown graph records the sum of remaining Product Backlog estimated effort across time.

CROWDSOURCING

A revolution that marks the rise of online community made up of like minded individuals who work together or compete with each other to deliver solutions to problems is termed Crowdsourcing (Howe, 2008). One of the oldest known commercial crowdsourcing applications is Amazon's Mechanical Turk (AMT) that was launched in 2006. It is a market place for small tasks that cannot be easily automated (Ipeirotis, 2010). Crowd workers called 'Turkers' select 'Human Intelligence Tasks' (HITs) from this market place of work that matches their interests and abilities. This gives them freedom to work as per their convenience and also gain financial and social incentives. Some work for fun and others for gaining extra income or to earn a reputation. HITs on AMT platform are generally of the kind like characterizing data, transcribing spoken languages, or creating data visualizations. What makes crowdsourcing interesting is that virtually everyone and anyone can contribute. The proliferation of crowdsourcing practices indicates a new peer production paradigm (Doan, Ramakrishnan, & Halevy, 2011). It has been classified into various typologies based on its aim of practice. Typologies vary depending on whether the power of crowd is being used for solving complex problems (crowd wisdom), or for seeking a creative input (crowd creation), or for opinion polling (crowd voting), or for the purpose of outsourcing tasks (crowd production) and or for raising money (crowd funding) (Kleemann & Voß, 2008). Crowdsourcing is efficient with the right community at place and for gathering information quickly and effectively. It is inexpensive and can fill the information gap quickly.

Crowdsourcing as described earlier is also an emerging form of outsourcing software development. Software development process is revolutionizing from the usual outsourcing to an organization or a client to the outsourcing to the masses. The idea of crowdsourcing software development is to take the

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services of voluntary online community to build software rather than taking the services of traditionally employed workers. Enterprises can outsource the task of developing software to the general crowd in either collaborative or competitive manner and can have access to scalable workforce. In a collaborative crowdsourcing environment, people collaborate to produce software products. Competitive crowdsourcing on the other hand is reward based.

Organizations can harness the power of crowd and take benefit of Crowdsourcing in order to produce quality software, and have reduction in the total cost incurred on the development process. Apart from these direct benefits, there are many other reasons why organizations would like to get software developed through crowdsourcing. Some of the benefits include rapid acquisition of the solution, identification of talent, and promoting diversity of ideas, broadening participation, better marketing and encouraging the use of some specific tools.

Software Application Development Methodology

Many platforms for facilitating software development through crowdsourcing are coming up. One such successful TMSP platform is TopCoder. TopCoder founded by Jack Hughes is one of the largest competition based software development portal that posts software development tasks as contests. The business model at TopCoder has been refined since its inception to accommodate the changes in the software industry. However its USP has always been the competition based software development approach (R. et al., 2010). The platform has an online community of digital creators who compete to develop and refine technology, various web assets, perform extreme value analytics, and develop mobile applications for customers. This commercial crowdsourced platform has seen significant growth in its community members in the past few years, which itself speaks volumes about the popularity of the platform. Many organizations are using the services of this platform, to develop low cost software. The platform has also been successfully used to develop spaceflight software for small satellites among many other projects. SPHERES Zero Robotics is an initiative of DARPA to develop spaceflight software through crowdsourcing (Nag, Heffan, Alvar, & Lydon, 2012). It is a project between MIT, Aurora Flight Sciences and TopCoder that is supported by NASA and DARPA. It is a robotics programming competition in which students learn to a write a program for controlling a satellite in space with the help of a graphics or a C editor. The robots are miniature satellites called SPHERES. The participants compete to win a technically challenging game by programming their strategies into these miniature satellites. Thousands of developers compete during the contests hosted by TopCoder to creatively design a web interface for these students and assemble the software components to build a robust framework to allow satellite control.

TopCoder provides mechanisms and infrastructure to manage and facilitate the creation of problem statements and their solutions. A platform manager is assigned to each project who closely works with the client to formulate the problem and host it onto the platform in the form of competitions. This model of software development is known as a 'Competition Based Development Model'. The software application development methodology being used by the TopCoder platform is illustrated in Figure 4.

Software Development Phases of Competition Based Development Model

The application development process of a competition based development model progresses in phases. Each phase is executed through a competition or a series of competitions and the winning entry serves as an input to the subsequent phases. The client of a crowdsourced platform may use an existing com-

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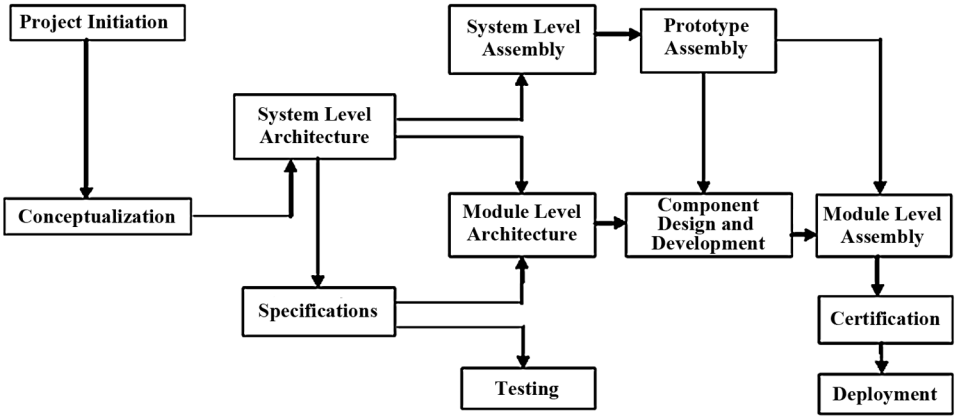
Figure 4. Software application development methodology at crowdsourced platform
Source: Company Docs.



ponent from the platform catalogue or request for creation of a new component. There are six broad phases namely Conceptualization, Specification, Architecture, Component Design and Development, Testing and Assembly.

- **Conceptualization Phase:** The development begins with the Conceptualization phase. The competitions under this phase are conducted to identify and document the needs and ideas of all the project stakeholders. The competitions under this phase may commence by either running a series of studio competitions to create graphical conceptualization artifacts like Storyboards, Wireframes and Prototypes, or a series of Conceptualization contests to create a Business Requirement Document and High-Level Use Cases.
- **Specification Phase:** The Specification phase deals with the formulation of application requirements in as much detail as necessary in order to accomplish the goals for the creation of application module. The high level use cases that are identified during Conceptualization contests are assigned to modules during System Architecture phase, and during the Specification phase all the individual scenarios that make up those use cases are broken up in text and graphical form with the help of UML Activity Diagrams.
- **Architecture Phase:** There is a System Level and a Module Level Architecture phase of software development. The competitions at a System Level Architecture phase accepts the business requirements and prototype defined in Conceptualization phase as input to define the overall technical approach that will be employed to meet those requirements. Module Level Architecture Phase defines the lower level technical design of an independent module of a larger application. This phase is responsible for defining the components and their interactions that will implement the requirements for a particular module.
- **Design and Development Phase:** During the component design phase, competitors get an opportunity to clarify any unclear requirements and define technical details for implementation. Component design competitions take the component requirements developed during the architecture phase as input and produce a detailed component design specifications from the same. After the component design competition is completed, the detailed component design specification acts

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an input into Component development competition phase. During the component development competition phase, the component is actually implemented.

- **Testing Phase:** The competitions in the testing phase provide a mechanism for verifying that all of the requirements that were identified during the initial phases of the project were properly implemented and that the system performs as expected. The test scenarios developed through these competitions ensures that the requirements are met end-to-end.
- **Assembly Phase:** The System Assembly phase hosts competitions to create the foundation for the application. This includes creating the build scripts that will be used throughout the application as well as incorporating all identified components into the shell that implements the application's cross-cutting concerns.

Most Crowdsourced platforms in general effectively handle the security and Intellectual property issues that might resist the potential clients from using their services. Company sources reveal that customers who are not familiar with the security and privacy policy of the platform may have apprehensions in choosing the platform initially (R. et al., 2010). Crowdsourced platforms produce white papers on their security and privacy policies to attract new customers and communicate their processes to them. These papers reveal in detail the confidentiality policy and the approach to software development being used at the platform. The platforms also allow the clients to generate test data sets to be used during the competitions and keep anonymous names for their organizations to ensure privacy. The competitors or the contestants too are allowed to set their privacy policies at the platform.

Benefits of Competition Based Development Model

The competition based development model has successfully created software for the use of individuals and organizations. Some of the benefits of the competition based development model with regard to a project in an organization are as listed below:

- The time and cost needed to hire, train and fire people are lowered.
- The cost of networking, communication and infrastructure is reduced.
- The participants possess diverse skills and experience there by creating innovative solutions.
- The individual's interest and choice of working on a particular problem increases the chances of submitting solutions as per the deadline.
- The solutions to the problems are not dependent on individuals.
- The intensive review process ensures the selection of the best and quality work as a winning solution.
- Winning solution is rewarded with a fixed pre decided amount only if the solution meets the specifications and is delivered on time there by reducing cost of development.

There are numerous benefits that crowd workers realize so as to be active participants in the competition based development model. Individuals are keen to participate as competitors either to spend quality time on the internet for fun or to earn extra income. The social and financial incentives gained by competitors are often a driving factor for continuous participation in the competitions at a crowdsourced platform. The flexibility of working as per their convenience and having no requirement of reporting to their bosses is an attraction for many.

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Cloud Based Software Crowdsourcing Architecture

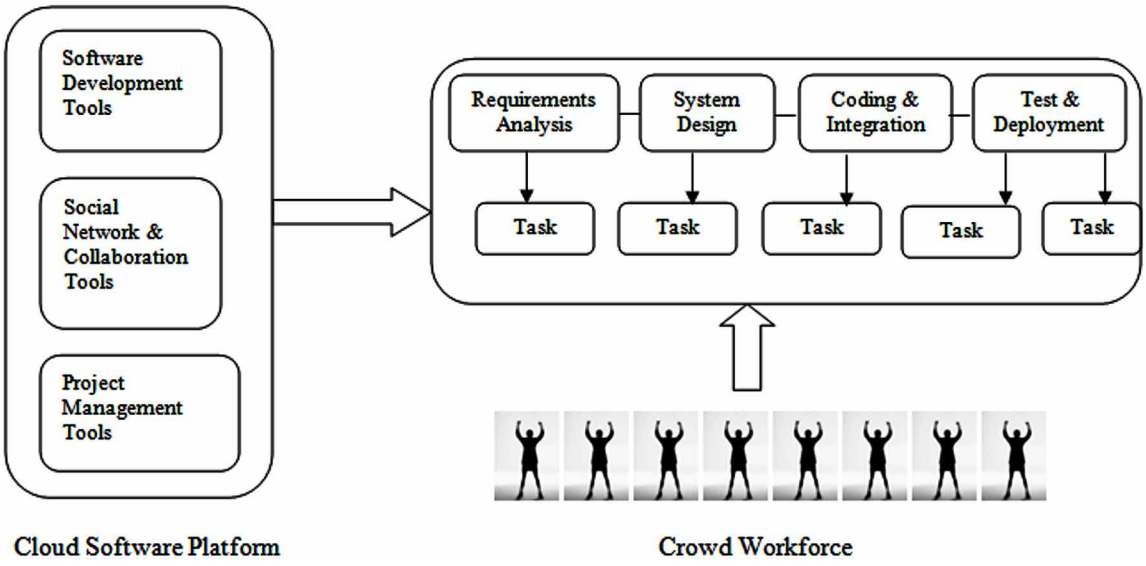
The distributed development of software through crowdsourcing needs reference architecture to facilitate the development process. The cloud based software crowdsourcing reference architecture proposed by Wei-Tek Tsai et al (Tsai, Wu, & Huhns, 2014) has the following components or elements:

- Cloud Service Management dash board to help system administrators and software crowdsourcing organizers.
- Collaboration and communication tools, such as a distributed black board system to enable participants to participate in discussions.
- Software development tools for modeling, simulation, code editing and compilation, design notation and documentation and testing.
- Tools for raking participants and displaying scoreboards.
- Cloud Payment tools and credit management tools.
- Repository of software modules, specifications, architectures, and design patterns for possible reuse.

The reference architecture for a Cloud Based Software Crowdsourcing system that encapsulates the above stated elements is as shown in Figure 5. The use of architecture can enable the achievement of the ultimate goal of developing high-quality and low-cost software products.

With the use of a properly specified Platform-as-a-Service (PaaS), software project managers can establish a customized cloud software environment to facilitate software crowdsourcing process. A manager can make use of software networking and collaboration tools to create a reward mechanism to motivate the crowd workers. Depending on the scale of development and value of the software product,

Figure 5. Reference architecture Cloud Based Software crowdsourcing
Source: Internet Computing, (Tsai et al. 2014).



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a project manager can specify the appropriate budget to attract as many talented developers as possible and provision computing resources to sustain their activities.

The manager uses project management tools to coordinate development tasks among the crowd workforce by ranking individual's expertise and matching their skills with the different task levels and types. For a specific software project, manager sets up a virtual system platform with all the necessary software development gears to assist crowd workers with their tasks. Social Network and Collaboration tools can prove to be of great use for creating virtual teams and generating skilled crowd workforce.

ISSUES AND CHALLENGES

Crowdsourcing offers both advantages and disadvantages. With regard to Crowdsourcing in general, one of the challenges is development of trusted sources and platforms. It is not possible to examine all the contents and restricting who posts data online defeats the entire purpose of crowdsourcing. Participants are humans and as a common saying goes 'To err is human'. It might be false to assume that there is no error in the information provided. Unfortunately, the hard fact is that the accuracy of information is an assumption most of the times. Another big challenge is publicizing a crowdsourcing platform and establishing a network of volunteers. The publicizing task requires resources that might be a scarcity. Higher participation rates translate into a greater volume of data and managing this process may become tedious.

Stol and Fitzgerald (Stol & Fitzgerald, 2014) have identified six key concerns for crowdsourcing software development. According to them decompositions of tasks, coordination and communication, planning and scheduling, knowledge and intellectual property, quality assurance, motivation and remuneration are important and relevant in the context of software crowdsourcing. The challenges of a competition based Development Model are as listed below:

- Formulating a proper work flow design by decomposition is an area of concern. The appropriate decomposition of the tasks into smaller units and establishing a workflow design is a challenge specifically with regard to software. Understanding complex interfaces and interdependencies to decompose the problem into smaller tasks by the platform mangers in order to host the competition could be challenging.
- Establishing proper Coordination and Communication among the participants is another challenge. The competitors who compete and submit their solutions are not a part of the crowdsourced platform. Coordination between the platform manager and all the competitors is an issue that needs to be handled effectively as interdependent tasks are performed by different competitors.
- Planning and scheduling of the competitions need to be handled effectively for timely delivery of the product. Once the competition and deadline has been scheduled, it is the difficult for the platform manager to intervene and expedite the development for meeting any demands of the customer for early delivery of the product.
- Quality of the end product might be of concern. Findings in the literature (Peter, Laura, Sara, & Haakon, 2013) suggest that more the number of contestants, poor is the quality of the work delivered. It is sometimes considered that crowd mostly consists of amateurs; hence the quality of work is their least concern. Also, there could be disagreement about a solution for any published problem. Kittur (Kittur, 2010) distinguished 'subjective' tasks for which there is no single right

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answer, and 'objective' tasks that can be easily verified. Even if the submitted software fulfills a set of requirements, there still could be disagreements regarding certain functionality or the scope of a task.

- Another important concern could be of intellectual property. Organizations might be hesitant to provide too many details for certain tasks. The risk of losing competitive advantage by sharing and putting up many details for everyone to see on a common platform with regard to the project is a challenge for adopting competition based development model.
- Motivation and remuneration is considered to be another challenge and the topic has received enough attention in the field of software engineering research. Motivational factors can be external or internal to the tasks.

RESEARCH DIRECTIONS

Many software development models and methods have been proposed to assist organizations in their software development process: from the traditional waterfall approach to the recent and highly popular agile methods. Crowdsourcing can be incorporated into conventional software development processes and can contribute to any software development phase (Tsai et al., 2014).

Crowdsourcing continues to advance and solve increasingly complex issues (Greengard, 2011). It has generated interest amongst software engineering researchers worldwide and scientists are attempting to solve complex problems through crowdsourcing. Researchers across the globe are working on various aspects of crowdsourcing software development.

Techniques to formulate reward mechanisms in order to minimize cost have been an area of active research. The work of Dominic and Milan (Dipalantino & Vojnovic, 2009) demonstrated the relationship between incentives and crowd participation at a crowdsourced platform. Many researchers have compared features offered by various crowdsourced platforms. The work of M Vukovic (Vukovic, 2009) proposes a taxonomy for classification of crowdsourcing platforms, and evaluates a number of existing systems against the set of identified features.

One of the prime challenges for crowdsourcing software development as discussed in the earlier section is the decomposition of the tasks into microtasks. Thomas D Latoza et al (Latoza, Towne, Adriano, & Hoek, 2014) developed an approach to decompose programming work into microtasks. They proposed the coordination of work through tracking the changes to a graph of artifacts, generating appropriate microtasks and propagating change notifications to artifacts with dependencies. They implemented the approach in a Cloud based IDE CrowdCode.

Scientists are investigating the age, skill set and demographics of crowd workers to propose models best suited for development of the software at crowdsourced platforms. The work of Wenjun Wu (Wu, Tsai, & Li, 2013) examines software crowdsourcing processes including TopCoder and AppStori. The work also identifies the min max nature among contestants as an important design element with regard to creativity and quality. The strategic behavior of contestants at a crowdsourced platform has been analyzed by Archak (Archak, 2010). The research found that individual specific traits along with project requirements and project payment are significant predictors of the final project quality. He found significant evidence of strategic behavior of contestants and the study reveals that high rated contestants face

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tougher competition. The research conjectured that the reputation and cheap talk mechanism employed by TopCoder platform positively effects the efficiency of simultaneous all-pay contests and this approach should be considered for adoption in other crowdsourcing platforms as well. In their work Zhenghui and Wenjun (Hu & Wu, 2014) applied the famous game theory to model two player algorithm challenges at TopCoder to study the competitive behavior of contestants.

It is changing the way organizations handle complex problems and issues. Research in future can focus on solving issues with regard to multiple winners at a crowdsourced platform. Another area that needs attention is how cloud infrastructure can be well utilized for hosting scalable application development environment for dynamic, task specific crowd teaming.

CONCLUSION

Software development requires a disciplined engineering approach to create cost effective and quality software. Development of quality software requires creative skills along with sound technical expertise. The emerging crowdsourcing practices would inspire new research directions and give new dimensions to stimulate while ensuring high quality of the developed software products. With social networking getting so predominant in our daily life, future would see more integration of the social networks with the creator networks and crowdsourced software development platforms. While our traditional models aim at providing a systematic way to develop software, one cannot overlook and deny the emergence of successful open source projects where there is no existence of a predefined process. Platforms that promote crowdsourcing software development would have to incorporate flexibility in terms of scaling up the resources and building a trust among stakeholders for the wide acceptance of this development methodology.

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KEY TERMS AND DEFINITIONS

Human Intelligence Tasks: Human intelligence tasks are a variety of simple tasks that humans can accomplish better than computers. One of the common examples of such tasks is the identification of some attributes in multiple images.

IaaS: Infrastructure as a Service (IaaS) model of Cloud provides the capability to the consumer to provision processing, storage, networks, and other fundamental computing resources so as to be able to deploy and run software that can include operating systems and applications. The consumer does not manage or control the underlying cloud infrastructure but has control over operating systems, storage, and deployed applications and some limited control of select networking components.

Multi-Tenancy: A term used for a software architecture where a single instance of an application serves multiple customers. Each customer or a group of customers is called a tenant. Multi tenancy applies to all the three layers of a cloud.

PaaS: Another service model of Cloud computing. In Platform as a Service (PaaS) model the capability provided to the consumer is to deploy applications onto the cloud infrastructure. These applications can be either *consumer created* or *acquired* applications created through programming languages, tools and services supported by the provider. The consumer does not manage or control the underlying cloud infrastructure including network, servers, operating systems, or storage.

SaaS: One of the service models of Cloud Computing. In Software as a Service (SaaS) model of Cloud Computing the service or the capability provided to the consumer is to use the provider's applications running on a cloud infrastructure. The applications are accessible from various client devices through either a thin client interface, such as a web browser (e.g., web-based email), or a program interface. The consumer does not manage or control the underlying infrastructure or individual application capabilities.

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Technology Mediated Social Participation Systems: Systems that involve the participation of people, communication tools and actions to transform and build new systems. These systems are centered toward better engagement of people with diverse experiences, perspectives, skills, motivation and knowledge and to create new systems.

USP: Unique Selling Proposition (USP) is a concept of marketing that is used to explain a successful pattern of an organization.

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Section 4
Utilization and Applications

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Chapter 37
Disruption and Deception in Crowdsourcing

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ABSTRACT

While crowdsourcing has become increasingly popular among organizations, it also has become increasingly susceptible to unethical and malicious activities. This article discusses recent examples of disruptive and deceptive efforts on crowdsourcing sites, which impacted the confidentiality, integrity, and availability of the crowdsourcing efforts' service, stakeholders, and data. From these examples, the authors derive an organizing framework of risk types associated with disruption and deception in crowdsourcing based on commonalities among incidents. The framework includes prank activities, the intentional placement of false information, hacking attempts, DDoS attacks, botnet attacks, privacy violation attempts, and data breaches. Finally, the authors discuss example controls that can assist in identifying and mitigating disruption and deception risks in crowdsourcing.

INTRODUCTION

Organizations can use crowdsourcing to take "a function once performed by employees and outsourcing it to an undefined (and generally large) network of people in the form of an open call" (Howe, 2006). Crowdsourcing has emerged as a viable alternative business model that focuses on problem solving and production provided by the distributed network of individuals (Brabham, 2010). It potentially has many benefits (Howe, 2016; Bonabeau, 2009; Cox, 2011; Bommert, 2010; Xiao & Carroll, 2015), it can be more cost-effective than having traditional employees perform certain tasks. It also supports knowledge sharing, makes knowledge more accessible and more useful to the crowd. It enables organizations to get access to a wide and varied collection of opinions and ideas, which can reduce bias in decision-making. It allows organizations and governments to directly engage with customers and citizen. Although crowdsourcing is still evolving as an organizational and societal phenomenon, its potential demonstrated is

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by data from the crowdsourcing market: 15 major crowd service providers almost tripled their revenues from US$140.80Min 2009 to US$375.70M in 2011 and the global enterprise crowdsourcing market growth rate reported 75% growth in 2011 compared to 53% in 2010 (Lionbridge, 2013).

Yet, several challenges threaten the usefulness of crowdsourcing as a reliable organizational problem-solving approach. For example, there are challenges concerning the ownership of crowdsourced products or the perceived lack of quality standards related to crowdsourced goods or services (Lasecki, Teevan & Ece, 2014) (Floren, 2012). Moreover, recently crowdsourcing sites have emerged with the intention of causing harm online. A rapid increase in malicious crowdsourcing service sites (also known as crowd-turfing sites) has been observed in countries like China, the US, and India (Wang et al., 2012). Such sites recruit individuals that for a small payment post false negative restaurant reviews, write biased political comments, or post false advertising (Wang et al., 2013). There are also examples of legitimate initiatives that have been attacked by individuals seeking to achieve profits from exploiting the crowd-sourcing ventures: In 2016 users posted false reports of blocked road traffic in their neighborhoods on a crowd-sourced app Waze to deflect some of the traffic flow from the places where their lived (Hendrix, 2012).

As crowdsourcing is increasingly becoming one of the ways in which organizations execute projects and support decision-making, disruptive and deceptive use of and responses to crowdsourcing initiatives need to be better understood and mitigated. It is unclear what harm might be caused to individuals and organizations by potential deception in crowdsourcing. For example, scholars are also unsure how disruptive the effects of crowdsourcing pranks and deceptions are on organizations. It is also unclear what are the physical or emotional effects of deceptive or violated crowdsourcing efforts on its contributors or beneficiaries.

Both crowdsourcers and crowdsourcing providers must be aware of existing threats and threats that may develop in the future. Currently, the biggest challenge that crowdsourcing providers and consumers faces concerns the number of crowd participants whose malicious behavior is difficult to detect and control (Cox, 2011). Thus, the primary motivation for this study is to understand intentional disruptive and deceptive behavior in crowdsourcing contexts. Our main objective is to identify emerging risks that are related to crowdsourcing deception. We discuss recent examples where crowdsourcing websites were attacked or abused by malicious activities. Finally, we propose an organizing framework of risks that result from these security violations and deception cases.

This article is structured as follows. First, we discuss previous research on disruption and deception in crowdsourcing environments. Next, we present our study's method. We then present the categorization of the identified disruption and deception incidents and analyze the identified cases using defined risk pattern clusters according to the CIA triad. We discuss potential controls ways to mitigate the identified issues. Finally, we discuss the implications of the study, its limitations, and directions for future research.

BACKGROUND

Past research on cyber threats and deception in crowdsourcing has focused on different issues. For example, Dwarakanath et al. (2016) focused on crowd trustworthiness in crowdsourced software development initiatives. They proposed a taxonomy of trustworthiness and existing methods to build trust in a crowd. They showed that macro-tasks that require specific skills are related to a high level of untrustworthiness. They also found that workers' poor reputation had a strong impact on trustworthiness. Other findings showed little correlation between monetary benefits and trustworthiness.

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Kamoun et al. (2015) created a Risk Breakdown Structure (RBS) of crowdsourcing projects where they mapped risk factors pre-defined crowdsourcing project lifecycle phases. Among the set of defined risks, the researchers identified Technology Risk, which they described as "Performance/security issues with the selected crowdsourcing platform", which they then tied to Evaluation Phase of a crowdsourcing project. The paper also defined potential undesirable outcomes related to Technology Risk that could be manifested as network performance issues, security breaches, privacy threats or result in legal disputes and litigation.

Stefanovich et al. (2014) analyzed the ability of crowdsourcing systems to cope with attacks. Based on the data collected from DARPA's Shredder Challenge, the researchers identified attack mechanisms and analyzed how users recover from such attacks. They argued that while participants can recover from errors in the long term, the attacks still affected participants: after being attacked, participants develop a notion of not being able to influence malicious behavior. It thus appears that victims of malicious behavior often suffer from motivational challenges to get involved in tasks. Consequently, their task efficiency tends to drop as well. Lasecki et al. (2014) found similar motivational challenges as a result of crowdsourcing threats: they found that the more malicious tasks appear in a crowdsourcing environment, the less willing users are to participate in such tasks. Their study further showed that even simple tasks are subject to online manipulation and can be a target for information distraction.

Harris (2011) raised the issue of ethics in crowdsourcing design and analyzed the examples of crowdsourcing initiatives that intentionally would not conform to ethical standards. In his paper, he examined how crowdsourcing contributes to unethical behaviors and activities such as posting fake online reviews. He listed social engineering, human computation tests as well as "attack and run" techniques as three disruptive phenomena, which can potentially be used to unethically support crowdsourced initiatives. In the same online reviewing context, Fayazi et al. (2015) investigated how to uncover crowdsourced manipulation. The researchers created a sampling method to track down items, which received manipulated online reviews. Their method also aims at identifying and removing users who post false reviews from affected crowdsourcing platforms. Similarly, Chen et al. (2016) described crowdsourcing tasks where the provision of new information (exploration) is often distorted and exploited, because the verification part of a crowdsourced task is neglected. The researchers built an agent-based model that helped them balance exploitation and exploration in crowdsourced search tasks where time plays a critical role.

Shiller (2017) and Hemingway (2013) underlined that especially crowdfunding initiatives are susceptible to subtle forms of deception because of manipulative aspects of human behavior. Shiller claimed that the risks of crowdsourcing are underestimated and proposed that Crowdfunding initiatives should be regulated by governments. In turn, Hemingway proposed that securities crowdsourcing in the United States should be regulated by the CROWDFUND Act to control potentially disruptive group decisions of crowd investors.

Liu et al. (2017) proposed an encryption-based framework for spatial crowdsourcing that ensures locations of crowd contributors are not disclosed to any party. The framework also ensures that crowdsourced tasks are assigned to workers based on proximity of the location of each task. What is more, the proposed framework ensures the privacy of data for both problem owners and crowd contributors.

Liu et al. (2017) further analyzed Community Question Answering (CQA) Portals and proposed combined factor graph model (CFGM) that helps to detect deceptive answers and questions on crowdsourcing websites.

Crowdsourcing users can also create fake identities (Sybils), which, when multiplied, can be used to boost the perpetrators' reputation. Cheng et al. (2005) presented a frame-work to assess robustness

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of reputation mechanism to Sybils. Like flagging fake identities, researchers have also focused on flagging fake or inappropriate content. Kayes et al. (2015) built a classifier that detects abusive users of community-based question/answering platforms. Their findings show that flagging suspicious content by the users works effectively as a crowdsourced monitoring function. Moreover, the researchers found that flagged users received more attention but often were not perceived as toxic to the community. On the contrary, flagged users who posted questions received a higher than average level of response compared to questions posted by ordinary users.

In turn, Wolfson et al. (2011) analyzed data security-related areas, where crowdsourcing and the law are likely to intersect in the near future. They discuss possible challenges related to the deployment of crowdsourcing and claims that crowdsourcing misuse is highly tied to issues with data security.

In terms of theoretical background, we identified theories from Criminology that support the discussed phenomenon. Below we discuss four Criminological theories that have proven to be effective in explaining cyberviolations and could potentially be useful to uncover the motivations of offenders in crowdsourcing. Due to the lack of exposure to potential perpetrators in this research, we focus on Routine Activities Theory, which we analyze in the Method section.

Akers's Social Learning Theory (Akers, 2009) as well as Gottfredson and Hirschi's General Theory of Crime (Gottfredson & Hirschi, 1990) have both been used to explain perpetrators' motivations to commit crime. Social Learning Theory helps to explain how offenders can be influenced by third party interactions. In turn, the General Theory of Crime looks into how levels of self-control affect criminal behavior of an individual. Social Learning Theory integrated with General Theory of Crime applied by Burruss et al. (2013) has demonstrated that social learning process was the strongest predictor of software piracy. Agnew's General Strain Theory (GST) (Agnew, 1992) argues that people exposed to strain can feel anger or frustration, which in turn can push them to turn to criminal activity. Patchin and Hinduja used GST to find a direct relationship between strain and cyberbullying (Patchin & Hinduja, 2011).

Routine Activities Theory (RAT) was formulated by Cohen and Fehlson (1979) to explain the connection between crime and routine activities. RAT takes into consideration three core elements (motivated offender, suitable target and the lack of capable guardian), which are a part of every crime. As far as cyberviolations are concerned, there have been numerous studies that successfully deployed RAT in an online environment. For example, Holt et al. (2016) used RAT to discuss the cybercrime victimization phenomenon. The researchers found that political structure of a nation or the existence of substantive technological infrastructure in the nation is correlated with a likelihood of malware attacks at a national level.

As can be seen, research on cyber threats and deception in crowdsourcing is fragmented. Apart from the separate studies on cyber and deception threats to crowdsourcing discussed above, we were unable to identify any study nor a theory exploring the scope of the problem or addressing the problem from a holistic perspective by taking a full range of threats into consideration. The next section describes our research method to collect and analyze practical examples of cyber threats and deception in crowdsourcing in order to develop a holistic framework of the different types of such threats.

METHOD

The development of a structured overview of cyber threats and deception in crowdsourcing took place in three steps. Each step is detailed below.

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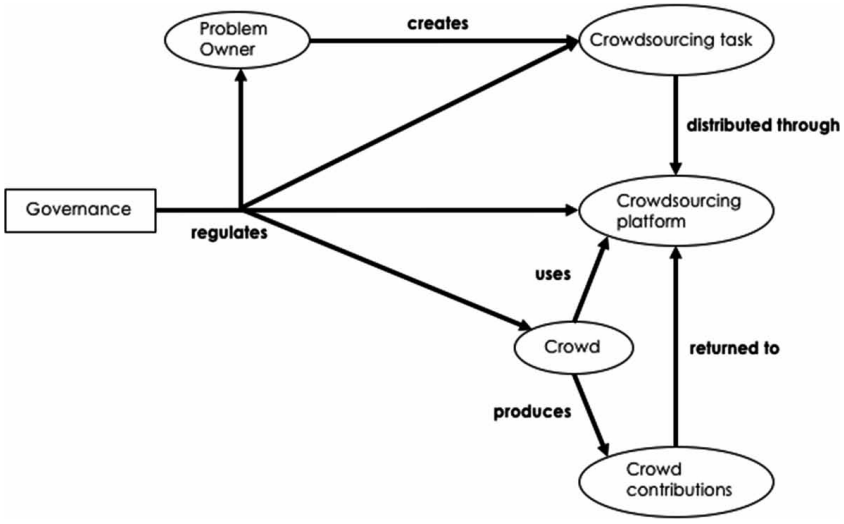
Crowdsourcing Organizing Framework

We first conceptualized a crowdsourcing effort in terms of the relevant elements that can be distinguished. The purpose of this conceptualization is to collect relevant information about examples of malicious crowdsourcing efforts. Thus, our conceptualization is an example of a Theory for Analyzing, which is "used to classify specific dimensions or characteristics… by summarizing the commonalities found in discrete observations… when nothing or very little is known about the phenomenon in question" (Gregor, 2006). Our conceptualization is based on past definitions of crowdsourcing (e.g. Howe, 2006), previous models (e.g. Pedersen et al., 2013) and past research (e.g. Dwarakanath et al., 2016).

Our conceptual model of a crowdsourcing effort consists of the following elements that are likely to be attacked by an offender (Figure 1):

- **Crowdsourcing Task:** The work assignment for which contributions are solicited. Crowdsourcing tasks are also referred to as problems or challenges. We captured information that would characterize the task that was at the center of a deceptive crowdsourcing incident;
- **Crowd:** The individuals (crowd workers) who perform the task. In the deceptive crowdsourcing context, crowd-related issues concern malicious human behavior as well as the identification of mechanisms that might initiate such behavior;
- **Crowdsourcing Platform:** Connects the crowd and problem owner. When capturing crowdsourcing deception examples, we focus on risks and vulnerabilities related to the platform or its management;
- **Problem Owner:** Defines a task, posts it on a platform, and provides data and tools for task completion. For our analysis, we focus on information related to the problem-owner's context concerning risks that were initiated by problem owners or caused by their negligence;
- **Governance:** The policies, reward structures, and moderation of the crowdsourcing effort. We collected information on the governance mechanisms used in the incidents and related vulnerabilities, e.g. lack of quality control;

Figure 1. Conceptualization of a crowdsourcing effort



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- **Crowd Contributions:** Outputs from crowd members when they have completed their tasks. We captured information regarding potentially disruptive or deceptive input, e.g. intentionally false information, and its' effects on the crowdsourcing results.

Identification of Deceptive Crowdsourcing Incidents

Next, we conducted a structured literature and web search for examples of deceptive crowdsourcing incidents. We scoped our search as follows. First, we focused on examples from academic or practice publications, including web publications, from the last 10 years. As crowdsourcing is a relatively young phenomenon, we did not expect to find examples that go back earlier than 2007. Second, we focused only on legitimate (legal) crowdsourcing efforts that had become target or victim of malicious intent. During our search, we found examples of a distinct type of malicious crowdsourcing called "crowdturfing" (Wang et al., 2012; Wang et al., 2013) where the effort is purposefully organized to cause harm. Crowdturfing problem owners reward a crowd to perform malicious activities, e.g. putting negative comments on competitors' products' websites. Yet, our focus is on crowdsourcing efforts that fall victim of malicious activities, such as cybersecurity breaches or deception.

To find examples of incidents, we performed a wide search using academic (Google Scholar, ABI/INFORM Global) and general (Google) online search engines. We determined search terms in two steps: We first identified search terms that we felt would best reflect our phenomenon of interest. Then, from the relevant publications we found, we identified additional synonyms and other content search terms. We performed a final search with the additional terms to find further publications. Our final search terms list includes terms such as "crowdsourcing deception", "crowdsourcing threats", "cybersecurity crowd-sourcing", "open innovation challenges", "online labor market challenges", "public participation gone bad", "online contest gone bad", "hacking of crowdsourcing webpages", "crowdsourcing controversy", "crowdsourcing cyber violations", "crowd deception crowdsourcing", "crowdsourcing breaches", "cyberattacks on crowdsourcing pages", "crowdsourcing went wrong" and combinations of constituent terms. For each example that we identified, we collected available information per the elements of our conceptual model. As our objective was not to create a comprehensive library of every reported incident, we did not capture information on incidents that could be considered identical in nature as others that we recorded already. For example, descriptions of malicious prank attempts on crowdsourcing websites are relatively common so we only included a few in our set of incidents.

Extracting Deceptive Crowdsourcing Types

For the final step we looked for commonalities among the different incidents that we recorded to identify distinct types of cyber threats to crowdsourcing. We used Routine Activities Theory to define and categorize vectors of attack. We focused on 'suitable targets' part of the theory and identified the platform, the crowd and the crowd contribution as the main vectors of attack. Then, we tied identified cyber threats to the respective crowdsourcing elements (nodes) presented in Figure 1. Next, we used the Confidentiality-Integrity-Availability (CIA) triad to sort the threat types in terms of what part of the triad was at risk. We used the CIA triad as this one of the most popular cybersecurity frameworks. Next, we defined specific risks involved in each type of crowdsourcing threat and for outlining examples of controls that can assist in preventing the risk or mitigating the risk's impact when it materializes.

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RESULTS

Crowdsourcing Incidents

Our search of publications and online sources yielded a variety of real-case incidents that are detailed in the Table 3 in the Appendix. We included 18 incidents in this overview; similar incidents were left out due to page limitations. For each incident we captured relevant information from the publication or online source according to the elements of our conceptual model.

The overview of the incidents shows that half of the Confidentiality-related incidents were related to privacy violations caused by the placement of sensitive data online. All incidents related to Integrity breaches were caused by the placement of false information intending to gain profit, willingness to make other participants lose, or disruption of crowdsourcing initiative using prank information. The only malicious incident type identified as an Availability-issue was related to DDoS attacks, which intend to disrupt the secure flow of information. Table 1 gives an overview. Table 2 gives an overview from the victim's point of view.

We realize that the identified collection of malicious and deceptive activities is unlikely to be exhaustive. Companies that fell victim to deceptive crowdsourcing efforts may be reluctant to publicly share information about the experience. Still, the collected incidents show an interesting pattern. We observe that all cases were either related to the placement of false information, sharing of sensitive information, the disruption of secure information flow or intentional deceptive action aimed at undermining crowdsourcing initiatives. User deception by provisioning of false information, disrupting the content of correct information or denying access to correct information appeared to be most common. Figure 2 showcases the risk types.

Figure 2. Risk types related to a crowdsourcing effort

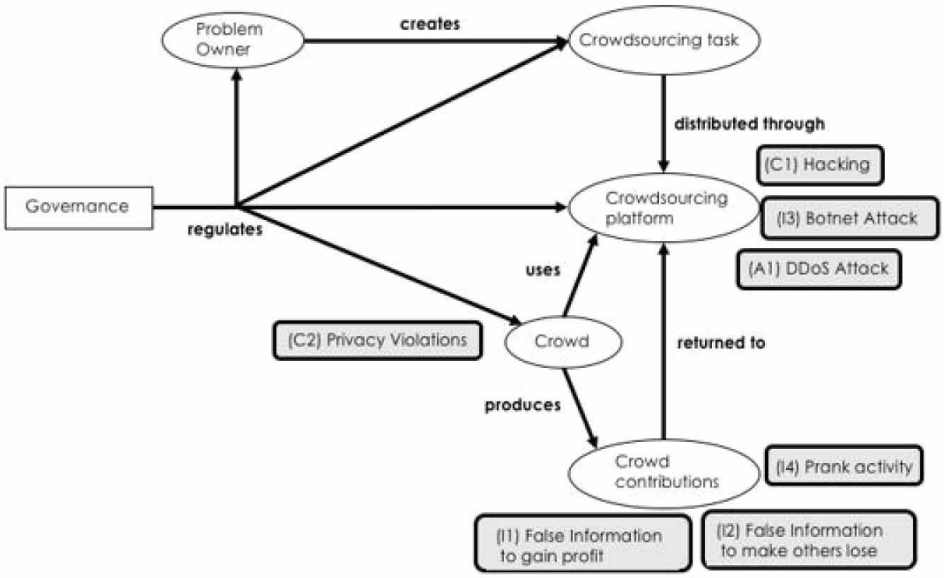

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Table 1. Identified risks types: Offender's view

Type	Risk Description	Key Benefit for the Offender
C1. Hacking crowdsourcing site (e.g., theft of private information)	Loss of trust among stakeholders; financial loss; reputational loss impacting future investors decisions; penalties if the information gets stolen	Private information gets compromised and can be used to carry out online fraud e.g., unauthorized credit card payments or hacking of online bank accounts
C2. Privacy violation	Legal privacy violation due to sharing of unverified or sensitive information between the crowd members; reputational loss; regulatory or legal penalties	Private information that is often voluntarily shared by crowd members (e.g., medical information) gets compromised and can be used to carry out online fraud e.g., unauthorized credit card payments or hacking of online bank accounts
I1. Placement of false information (e.g., rerouting of the traffic) – perpetrator gains, victim is exposed to potential harm or might not be aware that has been victimized	Website becomes unreliable, users might not be willing to use the service any more	Perpetrator achieves intended tangible goal, e.g., the traffic gets rerouted from perpetrator's neighborhood,
I2. Placement of false information to make others lose or to cause harm to others (e.g., competitions)	Website becomes unreliable, users might not be willing to use the service anymore; Financial losses are likely to follow	-Victim is worse off than the offender, e.g., victim loses a contest while offender wins the same contest - Victim encounters tangible damage, e.g., financial losses, damage of personal reputation
I3. Botnet attack to bring false results, e.g. placement of false traffic information	Website becomes unreliable, users might not be willing to use the service anymore; Financial losses are likely to follow	Perpetrator achieves intended tangible goal, e.g., the traffic gets rerouted from perpetrator's neighborhood,
I4. Prank activity in crowdsourcing contests	The crowd that places wrong or erroneous information 'for fun' puts the organizer at risk of needing to retract the contest. Financial losses and damage of the organizer's credibility are likely to occur	Offender gains satisfaction from disrupting others' work; as a result of a prank attack, most crowdsourced campains/ contests get shut down
A1. Botnet attack (DDoS)	DDoS attacks negatively impact availability and performance of crowdsourcing sites and can lead to negative financial consequences as well as destroy the image of the site	Victim's crowdsourced initiative is put on hold until the platform is back and running (by this perpetrator can win competitive advantage)

Confidentiality Risks and Controls

A further analysis of the incidents that are related to confidentiality resulted in two types of malicious crowdsourcing risks. The first concerns the hacking of crowdsourcing sites. Crowdsourcing sites appear to get hacked for the same reasons as other online services, e.g., theft of sensitive data such as user names, email addresses, and shipping addresses. For example, criminals hacked Kickstarter to collect sensitive data including passwords, phone numbers, email addresses, and credit card details. The crowdfunding site Patreon was hacked for user names and their addresses. When considering the risks related to hacking crowdsourcing sites, there are at least two consequences to the disclosure of sensitive and private data. First, there may be financial implications due to penalties that the site owner might need to pay if the information gets hacked. Second, there will be reputational damage, as the hack will cause a loss of trust among existing and future crowd members and problem owners. Controls for this risk should aim to prevent successful hacking attempts and, if a hack has taken place, limit its impact. To mitigate hacking-related risks, the crowdsourcing field should focus on technological measures (e.g.

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Table 2. Identified risks types and controls objectives: Victim's view

Type	Risk Description	Control Objective	Control Examples
C1. Hacking crowdsourcing site (e.g., theft of private information)	Loss of trust among stakeholders; financial loss; reputational loss impacting future investors decisions; penalties if the information gets stolen	Reduction of successful hacking attempts. Reduction of hacking impact/recovery planning effort	Regular patching of platform software and user applications that support the crowdsourced service; strong password policy; continuous education of all stakeholders on avoiding hacker attacks; recovery plans/ communication plans, regularly reviewed; encryption of private information; reduce amount of PII data collected
C2. Privacy violation	Legal privacy violation due to sharing of unverified or sensitive information between the crowd members; reputational loss; regulatory or legal penalties	Prevention of privacy violation cases	Verification of information sourced from non-official channels; prevention of sensitive data sharing; providing forms to report inappropriate data; regular user education on sensitive data protection
I1. Placement of false information (e.g., rerouting of the traffic) – perpetrator gains, victim is exposed to potential harm or might not be aware that has been victimized	Website becomes unreliable, users might not be willing to use the service any more	Preventing the spread of false information; Minimization of the damage brought by false information Keeping the data consistent and accurate – in case the issues are found the data is rectified	Analysis of recurring patterns for data input; analysis of outliers/ inconsistent data; identification of instances where the entry of false data is possible; monitoring and assessment of crowd behavior; flagging type of controls – people can report false information; cross referencing of entered information with other data sources, e.g., traffic reports; introduction of policies that allow the removal of users who were caught with entering false data; introduction of delay between collecting the information and posting it on the website; limiting the number of entries from a single user/ single area and reviewing the information that comes from the same source
I2. Placement of false information to make others lose or to cause harm to others (e.g., competitions)	Website becomes unreliable, users might not be willing to use the service anymore; Financial losses are likely to follow	Preventing the input and/or the dissemination of false information; minimization of disinformation efforts; keeping the data consistent and accurate	Monitoring and assessment of crowd behavior; monitoring of inconsistencies in information inputs; online monitoring – statistical sampling techniques; allowing participants to raise concerns in case they spot problems on a webpage; introduction of immediate action that follows false information entry, e.g., perpetrators are banned and their profiles are removed from the system; verification of identity before users post information or take part in competition
I3. Botnet attack to bring false results, e.g. placement of false traffic information	Website becomes unreliable, users might not be willing to use the service anymore; Financial losses are likely to follow	Keeping the data consistent and accurate	Continuous automated data checks, recognition of suspicious patterns; implementation of technological solutions that identify or prevent automatic scripting; use of analytics to recognize patterns, to analyze where the site is approached from and to monitor Internet traffic
I4. Prank activity in crowdsourcing contests	The crowd that places wrong or erroneous information 'for fun' puts the organizer at risk of needing to retract the contest. Financial losses and damage of the organizer's credibility are likely to occur	Keeping the data consistent and accurate	Monitoring and assessing crowd behavior; verification of user's identity before they can post information on a website or take part in an online competition; remove false information; banning people; enabling of possibility to flag suspicious content by users
A1. Botnet attack (DDoS)	DDoS attacks negatively impact availability and performance of crowdsourcing sites and can lead to negative financial consequences as well as destroy the image of the site	Prevention of DDoS attacks; early detection of DDoS attacks; reduction of impact of DDoS attacks	Reactive: Event monitoring of hosting infrastructure, rerouting of unwanted internet traffic, continuous automated data checks, recognition of suspicious network flow patterns; Proactive: installation of firewalls, monitoring the history of network flows, deployment of multiple Internet Service Providers, recovery plan in place in case the attacks cannot be prevented

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regular platform patching, encryption of information stored on website servers), behavioral measures (e.g. implement strong password policies), and governance measures (e.g. recovery plans, communication plans, and limited collection of personal information).

The second type of Confidentiality risks is related to privacy violations through voluntary sharing of personal data. For example, Netflix released anonymized user records as part of its "Netflix Prize" Contest. The PatientsLikeMe website users' personal data on taken medications and illness symptoms was scraped by Nielsen and used for further business analysis. Both incidents refer to the disclosure of sensitive data, which can cause risks such as the violation of privacy of crowd members, harm the site's reputation, and result in penalties imposed on website owners.

Examples of controls to prevent privacy violation cases include the verification of information that is sourced from non-official channels, regular education of users on ways to protect sensitive data or enabling corrective forms on the site so that users who spot inappropriate data can flag it accordingly.

Integrity Risks and Controls

Our analysis of the integrity-related incidents revealed four distinct types. The first type concerns the intentional placement of false information with the goal to increase the perpetrator's gains and expose victims to potential harm. In this situation, victims are often unaware that they have been wronged. For example, when someone enters false information on a traffic site to move traffic away from their neighborhood, others' trips may be rerouted causing unnecessary delays that they are unaware of. Risks related to this type include the crowdsourcing site being perceived unreliable over time causing users to cease contributing to it. Controls should primarily focus on preventing false information being submitted and minimizing the consequence of false information. Examples of such controls include the analysis of recurring patterns for data input, analysis of outliers or inconsistent data, cross referencing of entered information with other data sources, and policies focus on swift removal of user profiles who were caught entering false information.

The second type concerns the placement of false information to make other crowd members lose or to cause harm. This type occurred several times at DARPA crowdsourced competitions. The competition results were affected as perpetrators entered false information to frustrate other competitors' work on the crowdsourced tasks. The key risk related to such action concerns crowdsourcing efforts becoming unreliable so that users become reluctant to use the service. Controls to mitigate this risk focus on preventing the dissemination of false information, minimizing disinformation efforts, and maintaining consistency and accuracy of information that has already been uploaded. Control activities include monitoring and assessing crowd behavior, monitoring for inconsistencies in contributions, and assessing selected contributions using statistical sampling techniques. Also, controls could be considered that allow crowd members to raise concerns when they spot problems. Individuals making false contributions should be banned immediately and their profiles and contributions should be removed from the system. Another control concerns identity verification before users are allowed to post information or enter in a competition.

The third type concerns the placement of false information on a crowdsourcing site through botnet attacks. This type is different from the previous two because of the technological nature of this type of threat. Waze was hit by a botnet attack when students created false automated profiles to influence traffic information and reroute the traffic. The main risk related to malicious automated behavior is that websites

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become unreliable so that users no longer use the services anymore. Possible controls to mitigate botnet attacks include analytics to recognize patterns in registration and data input and technological solutions that identify or prevent automatic scripting.

The last Integrity-type concerns prank activities. Crowd members may contribute wrong, erroneous, or even objectionable information "for fun". This may force the problem owner to retract the contest. Consequently, financial losses and damages to the organizer's credibility are likely to occur. The following controls can assist in keeping data consistent and accurate: monitoring and assessment of crowd behavior, user identity verification before allowing participation in the contest or making contributions, swift removal of false information, and enabling users to flag suspicious content by other users.

Availability Risks and Controls

The only availability type that emerged from our collection of incidents concerns DDoS attacks caused by botnets. An example is project on Crowdsourced Satellite Imagery, which was taken down by a botnet DDoS attack. Risks related to DDoS botnet attacks include limited availability and performance of the crowdsourcing site resulting in financial and reputational loss. Reactive controls include event monitoring of the hosting infrastructure, rerouting unwanted Internet traffic, continuous automated data checks, and monito-ring suspicious network flow patterns. Proactive control examples include firewalls, monitoring the history of network flows, deploying multiple ISPs, and creating recovery plans in case of successful attacks.

DISCUSSION AND CONCLUSION

The purpose of this study was to identify emerging risks related to disruptive and deceptive behavior in crowdsourcing contexts. Through an extensive search of academic and online sources, we gathered recent examples of incidents where crowdsourcing sites were attacked or abused. We identified the CIA element at risk for each incident. We observed that most unique real-life incidents were related to intentional deceptive actions such as placement of prank information, placement of false information, unauthorized disclosure of sensitive information or disruption of the secure flow of information. Based on the collected incidents, we derived an organizing framework of distinct risk types concerning disruptive and deceptive crowdsourcing. The framework consists of two risk types for Confidentiality issues, four risk types for Integrity issues, and one type for Availability issues. The framework further outlines possible controls to mitigate the risk types in terms of preventing the risks or containing the damage once the risks materialize.

Our findings have implications for research in crowdsourcing deception and cybersecurity. Crowdsourcing threats appear to be predominantly related to social engineering attacks. Descriptions of deceptive activities dominated in our collection of incidents. This shows a need for more in-depth research on human factors related to the motivations and behaviors of cybercriminals and cyber perpetrators that target crowdsourcing. For this purpose, the framework that we developed provides an initial outline for a structured research program into the nature and effects of malicious and deceptive crowdsourcing activities. The framework can assist categorizing past research and identifying gaps to be addressed in future studies. Furthermore, it can be used as a starting point for researchers theorizing about anteced-

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ents to malicious and deceptive behavior in crowdsourcing. Furthermore, through the future collection of crowdsourcing incidents, the framework can help identify commonalities between certain types of incidents in terms of behavioral and contextual factors.

Furthermore, in this paper we identified breaches that can be attributed to unethical behavior. Ethical or unethical decisions are influenced by factors tied to individual attributes and cognitive abilities of a decision maker (Bommer et al., 1987). Therefore, what is ethical in one context can be perceived as unethical in other contexts. Following Kim and Werbach's (2016) research on gamification, the implementation of crowdsourcing initiatives should also focus on an objective evaluation of their ethical dimension. Therefore, although we do not prescribe the ethical guidelines or criteria in this paper, our findings could contribute to the evaluation of ethical boundaries in the crowdsourcing environment.

From a practical perspective, the incident examples and organizing framework can provide guidance for organizations that are considering using crowdsourcing for their business needs and for crowdsourcing providers to assess and strengthen their control framework to mitigate deception threats. For instance, results indicate that risks are predominantly linked to reputational and/or financial loss. Both Confidentiality risk types refer to privacy violation risks that are likely to damage a crowdsourcing platform's reputation and result in fines. The Integrity risk types are related to the loss of reliability and reputation that crowdsourcing platforms face when their sites are flooded with false information. This will ultimately cause users to abandon them. The Availability risk type impacts platform performance and directly leads to loss of profits due to the unavailability of a crowdsourcing site. Another practical implication relates to the need for the crowdsourcing industry to consider setting up a mechanism through which they can (anonymously) share cyber and deception incidents. An organized library of incidents will support learning about potential risks and will ultimately strengthen the security of the industry as a whole. For instance, a secured platform to collect crowdsourcing deception incidents would assist businesses to learn to recognize and avert deceptive actions.

LIMITATIONS AND FUTURE RESEARCH

A key limitation of our study is that we likely were not able to collect an exhaustive set of incidents. First, crowdsourcing is still a relatively new phenomenon so additional risk types may emerge in the near future. Second, organizations may be aware of the occurrence of deceptive actions so incidents go unreported. Finally, some organizations are likely to be reluctant in sharing detailed information on incidents out of competitive and reputational considerations.

Future research directions include addressing the limitations of this study by expanding the collection of incidents through interviews with crowdsourcing service providers. Also, future research may focus on issues such as the extent to which risk awareness deters organizations from employing crowdsourcing, whether certain tasks are more vulnerable to deception than others, and whether crowdsourcing efforts are more vulnerable to deception in certain cultures than others. The analysis of the problem from a perpetrator's stance could lead future research towards exploring offenders' motivations for committing deceptive and disruptive actions. Structured surveys or qualitative interviews could be particularly helpful to gather the information about motivations of the offenders. What is more, further investigation of the problem with the use of Routine Activities Theory could be used to increase guardianship through e.g., proposing new governance structures or policies, since crowdsourcing has very few capable guard-

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ians at the moment. Finally, theoretical research could investigate the underlying cognitive mechanisms why people who aim to deceive others online, e.g., why do people post false information and what are the reasons for choosing crowdsourcing crowds as target victims? Such research could be informed by criminology theories (Holt & Bossler, 2016), for example, Social Learning Theory could be used to explain how prank activities' or Sybil attacks' offenders are motivated by other crowd members to commit described violations. General Theory of Crime could be well applied in the analysis of self-control levels of individuals who get involved in prank activities.

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APPENDIX

Table 3. Disruption and deception incidents in crowdsourcing

Type and Task Description	Crowd	Crowdsourcing Platform	Problem Owner	Governance	Crowd Contributions	CIA Triad	Source
I1. Sybil attack – people posting false data on crowdsourced map system Waze	Users posted false reports of a wreck, speed trap or other blockage in their neighborhoods to deflect some of the traffic flow	The app detected a saboteur only after two weeks of daily false information posts				Integrity – wrong data was put into the system to redirect the traffic away from the local neighborhood	Hendrix, 2016
I2. DARPA Red Balloon Challenge – false locations of balloon placements were submitted across teams	False locations were submitted across the teams				False locations' goal was to confuse other participants	Integrity – wrong data strongly influenced the quality of information	Chen et al., 2016
I2. DARPA Shredder Challenge required participants to put shredded documents together. Some of the crowd workers sabotaged the initiative by repeatedly undoing the work delivered by other crowd workers	A crowd of attackers piled up the pieces of the jigsaw and sabotaged genuine users' work making it much more complex, as they had first to unstack the pieces and then search for correct matches				Inserted input contributed to creation of a wrong result, long term impact of the attacks resulted in decrease in participation	Integrity violation – provided data computed false results	Stefanovich et al., 2014
I4. Prank designs submitted to Henkel challenge – the designs got voted to the top ranks and consequently the company had to retract public voting	Intentionally pranked designs confused the voting crowd		Henkel decided to sort out some suggestions		Users had maliciously influenced the vote; wrong input was placed on site	Integrity – data provided resulted in the cancellation of the voting	Fuller, 2012
C2. Netflix released hundred million anonymized user records as part of its "Netflix Prize" Contest. User records became known after they were combined with other information to find the identities of the users in the dataset				Data, when combined with external information disclosed user identities		Confidentiality – data containing identities of the contest participants was disclosed after being combined with publicly accessible information	Wolfson & Lease, 2011
C1. Hacking attack on crowdsourcing page to collect sensitive data incl. passwords, phone numbers, email addresses and credit card numbers (Kickstarter)				Lack of sufficient security measures to hacking attempt		Confidentiality – Kickstarter user data was hacked	BBC News, 2015 Linesh, 2014
I4. Mountain Dew Campaign poll was bombarded with unusable names proposals	The crowd started posting offensive proposals in the contest for a green-apple infused soft drink name				Offensive campaign results shut initiative down	Integrity – provided prank data forced the organizers to close the campaign	Rosenfeld, 2012

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Table 3. Continued

Type and Task Description	Crowd	Crowdsourcing Platform	Problem Owner	Governance	Crowd Contributions	CIA Triad	Source
C1. Crowdfunding site Patreon was hacked for users' names, email, posts, and shipping addresses				Site's user database got hacked		Confidentiality - hackers accessed users' names, email, posts, and shipping addresses	Franceschi-Bicchierai,2015 BBC News, 2015
I2. Police officers flooding Waze app with false information on their activity to make the app's information less useful to drivers	The crowd (police) entering fake data on Waze app					Integrity – false information provided aiming to spread disinformation	Bode, 2015
I3. Botnet attack on Waze	Two students created fake Waze accounts to create fake traffic jams					Integrity – false information provided aiming to spread disinformation	Tufnell, 2014
I4. Internet polls steered off track by the voting crowd into outrageous results	E.g. prank responses on polls related to naming ships, bridges, products, planets or voting for concert spots for musicians					Integrity – prank poll responses aiming to spread disinformation	Rheenen, 2016 Watts, 2017
I3. Robo-voting that skewed public polls, e.g. Time 100 Most Influential People		Polls sabotaged by automated scripts (bots) that submit-ted multiple votes				Integrity – voting results were skewed	Roberts, n.d. Lamere, 2009
A1. DDoS attack on PopVote, Hong Kong Democracy voting website in June 2014		PopVote hosted by Amazon Web Services, Cloud-flare and UDomain. All hosting services hit by large scale DDoS attacks				Availability – the goal was to take the website down	Paganini, 2014
A1. Project on Crowdsourced Satellite Imagery taken down by DDoS attack		Site sourcing images of sensitive geographical sites taken down by a DDoS attack				Availability – the website stopped working	Niller, 2016
A1. Reddit site became unavailable because of DDoS attacks		The website was hit with DDoS attack				Availability - Reddit site experienced an outage	Kaplan, 2013

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Table 3. Continued

Type and Task Description	Crowd	Crowdsourcing Platform	Problem Owner	Governance	Crowd Contributions	CIA Triad	Source
I2. Failed hunt for the Boston Bomber	After Boston bombing attack, the crowd attempted and failed to accurately identify the offenders				Wrong information on suspects on Reddit and Twitter resulted in crowd searching for innocent people	Integrity – wrong input data created wrong output and resulted for the chase of innocent people	Buchanan, 2011
I2. SketchFactor application crowdsourced crime and public safety reporting perceptions, not facts		Platform for users to browse reports of "sketchy" behavior and crowdsource their own stories was accused of racism and profiling				Integrity - the data available on SketchFactor compared with actual crime data revealed few clear overlaps	Dewey, 2014
C2. PatientsLikeMe users' personal data on taken medications and illness symptoms was gathered by Nielsen	Nielsen opened personal accounts on the app and copied personal data from chatrooms and on bulletin boards.					Confidentiality – although there was no privacy violation, Nielsen found a way to extract app's users' data	Edwards, 2010
A1. Reddit and Kickstarter sites became unavailable because of DDoS attacks		The websites were hit with DDoS attack				Availability - Reddit & Kickstarter experienced an outage	Crosbie, 20170
I4. Crowdsourced promotional McDonald's campaign gets negative customer reviews	Former employees and customers shared their personal horror stories and jokes related to their McDonald's experience.					Integrity – data provided resulted in the cancellation of the campaign within two hours of the start.	Usitalo, 2015
I4. NYPD crowdsourced online campaign attracts police critique	Instead as asked by NYPD to share images of positive interactions with local officers, users uploaded images of citizens being forcefully searched, beaten, handcuffed or killed					Integrity – failed PR campaign instead of expected positive online crowd reactions	Oh, 2014 Shelly, 2016

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Chapter 38
Social Entrepreneurship and Social Inclusion in Peru: A Case Study

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ABSTRACT

The objective of this chapter is to explore social inclusion in Peru from a case of social entrepreneurship located in Peru. The main factor associated with social exclusion in Peru is poverty, while the factors associated with social inclusion are advances reached in education, job creation, creation of social enterprises and consolidation of an ecosystem for the creation of companies. The main characteristics of the entrepreneur are the ability to identify context and opportunities, perceived self-efficacy, not fear of achieving their visions and goals, the need to generate social change, the ability to participate in networks and a high level of training. The main characteristics of social entrepreneurship are the creation of social value and innovation, provide a quality service and the benefits granted to its clients, facilitate access to a decent job or the creation of their own company; the access to social security through an employment contract; and salary that may allow them to access the necessary resources to achieve their well-being.

INTRODUCTION

In Latin America and the Caribbean, from 25 to 30 million people are in danger of falling into poverty by income, which is equivalent to more than a third of the population that left poverty since 2003. Therefore, the main priority is to protect the population in a situation of vulnerability and to address the exclusions faced by millions of people who never left the poverty-income situation or multidimensional poverty (NUDP, 2016).

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Peru is described as a country in a situation of consolidation of democratic governance, where more than half of the population was in poverty, highlighting the historical persistence of a marked Inequality and exclusion. Therefore, it was understood that only with a great joint effort of state, private sector, civil society and international cooperation, some of the goals of the Millennium Development Goals, drawed for 2015, could be achieved.

Thus, during the decade of 2000, Peru experienced improvements in economic and social development, with annual economic growth of 5% (becoming the second fastest growing economy in Latin America, according to the World Bank). In December 2012, the economy had grown during 40 consecutive months (an unprecedented milestone in national history that makes it the leader of the region), and even the global economic and financial crisis that began in 2008 had a relatively minor impact on Peru (NUDP, 2013).

The lack of employment opportunities in the 1990s in Peru pushed people to seek their own jobs and create their own business, motivated by necessity, without resources or public policies to support entrepreneurship. Therefore, some changes were implemented in Peruvian legislation that contributed to the consolidation of the ecosystem for entrepreneurship, giving rise to social entrepreneurs who seek to solve the problems that most afflict society, especially related to education, transportation, hygiene and health (Gestion, Economy and Business Journal of Peru, 2015).

However, this growth has not been enough to close the various social and economic gaps (infrastructure, productivity, education, health and decent employment) and benefit equally all regions and populations in the country (NUDP, 2013). And there is still a lot to progress in supporting entrepreneurship in Peru, considering that, according to the National Institute of Statistics and Informatics (INEI), an average of 853 companies are created and 469 are closed per day, without considering the informal sector (Gestion, the newspaper of economy and business of Peru, 2015).

In this context, some authors agree that social entrepreneurship has always existed, taking into account historical personalities such as San Francisco or Gandhi, who achieved important social changes through their work, which is analogous to that of entrepreneurs today. Thus, social entrepreneurship as a movement evolved in response to the major global forces that have changed living standards around the world in the 1990s, creating more opportunities for people to generate change.

Examples include Hull House, Boy Scouts and the Salvation Army. As pioneering social entrepreneurs, two successful examples stand out: the Grameen Bank, created by Muhammad Yumus, and the Bangladesh Rural Advanced Committee (BRAC), created by Fazle H. Abed (both organizations originated in a disaster in Bangladesh that devastated the country: a cyclone and the civil war), on the belief that their results would be more compelling if they broke with the patronizing aid pattern and followed a new method based on trial, error, and emphasis on outcomes. Academically, the first course in social entrepreneurship was initiated by Greg Dees in 1994 at Harvard University and research in education of social entrepreneurship by Debbi Brock and Ashokas, Global Academy for Social Entrepreneurship, documented by 350 professors in 35 countries. Other initiatives include scholarship programs at schools such as Harvard and New York University, social enterprise courses and social planning competitions at many leading business schools, and partnerships between universities and social organizations that allow students to interact with social entrepreneurs, such as the Reynolds Program in Social Entrepreneurship, at the University of New York (Bornstein and Davis, 2010).

Since then, the phenomenon of social entrepreneurship has generated many works, most of them conceptual and qualitative, that study and delimit the concept, reveal the main characteristics of social

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enterprises, focus on the ethical aspects of social entrepreneurs, look for theoretical frameworks, analyze the legal forms of social enterprise or deepen the differences between the social entrepreneur and the commercial entrepreneur (Martínez and Rubio, 2012).

Nevertheless, poverty persists, despite the progress made in the field of social entrepreneurship and the substantial amount of development funds allocated to meet the social needs related to it, indicating that traditional development initiatives by governments and International organizations fail to achieve their objectives (Seelos, et al., 2010).

It highlights the importance of social entrepreneurship and social inclusion since the 1990s and the need to continue research in contexts characterized by diverse social gaps, inequitable growth, the absence of a state of Welfare, and major social, economic and cultural changes (the emergence of the private sector, accelerated development of industries, urbanization and technology, as well as the increase of social problems, among others), with the aim of contributing to Vacuum identified in the existing literature in this area and generate tools that contribute to the design of public and private policies, aimed at promoting social entrepreneurship, especially in those societies eager for solutions to their economic, social and environmental problems.

OBJECTIVES

Explore social inclusion in Peru from a case of social entrepreneurship located in Trujillo, Peru, which provides training and certification services for operators of heavy machinery for agroindustry, mining and construction. Specifically, to describe the organizational characteristics of the social enterprise analyzed, characterize the social entrepreneur studied, and describe the characteristics of the clients of the social enterprise analyzed and their social inclusion through the perceived benefits of the social enterprise analyzed.

BACKGROUND

Social Exclusion

There is a wide range of definitions that exist on poverty. Ravallion (2004), for example, argues that poverty exists in a society when one or more people do not have an economic level of well-being that allows them to have reasonable minimum standards regarding society. However, Atkinson and Bourguignon (1999) indicate that the problem of poverty can be seen as inadequate availability of resources. For its part, the World Bank's World Development Report (2008) states that poverty is a pronounced loss of well-being, while Sen (1985) gives a qualitative definition of poverty, pointing out that it is the lack of capacity and rights.

Some authors, such as Dollar and Kray (2000), argue that growth reduces poverty. And Ravallion (2001) expresses the link between the number of poor people and growth, given that the higher the number of poor people the lower the rate of growth.

On the other hand, Alkire and Binat (2009) present five approaches to poverty, which have been adopted by different countries and authors to identify the challenges they face in order to combat it:

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- **Physical Quality of Life Index (PQLI):** Measures the quality of life in a country, by combining the average of three statistics (basic literacy rate, infant mortality and life expectancy at the age of one year), all of them equally weighted on a scale of 0 to 100.
- **Human Development Index (HDI):** Defined by the United Nations Development Program (UNDP, 1990), it measures the quality of life as a weighted combination of three domains (life expectancy/health, literacy/ educational level and GDP per capita), taking into account the variables that allow the appreciation of a dimension of well-being related to: the number of literate adults and combined matriculation ratios as indicators of the knowledge dimensión, the life expectancy at birth as an indicator of a healthy life and the Gross Domestic Product (GDP) as an indicator of the standard of livin.
- **Basic Needs Approach (BNA):** Expands the needs included in the poverty measure as a multidimensional way of measuring welfare, considering a household living in extreme poverty if one or two of these indicators are present: 1) Homes in Inadequate Housing: housing deficiencies expressed in relation to the physical conditions of housing; 2) Homes in Homes Without Basic Services; 3) Households with Critical Overcrowding (groups living in households with more than three persons per room; 4) Households with High Economic Dependence: this is an indirect indicator of income levels; and 5) Homes with School Truancy (includes households with at least one child between the ages of 7 and 11, who do not attend formal school). However, the approach does not specify a priori how to choose or how these indicators should be weighted.
- **Integrated Rural Development (IRD):** Focused on small and medium farmers, it seeks to take them beyond subsistence agriculture through the implementation of a comprehensive set of interventions. It was implemented mainly in developing countries.
- **Integrated Development Programs/Planning (IDP):** It was mainly an area-based approach. It was implemented to decentralize decision-making and spending at the local level to fight poverty at the local level.

As can be seen, these definitions and indices focus on the problem of lack of access to basic material goods, and it is possible to affirm that the multidimensional study of poverty or well-being is far from the one-dimensional approach, since the latter does not allow appreciation the interaction between variables, contexts, people, political limitations and the role of the public sector, among others.

In fact, the capacity argument, endorsed by Sen (1985), has taken place in most countries today, not only because of the criticism of income as a welfare proxy and the multidimensional approach offered by this concept, but rather due to the interest of creating conditions that help to generate the self-realization of the people. However, the multidimensional approach also fails to provide a perfect perspective of development because of the difficulty of involving many variables and exploring them in detail, the latter being important for policy implications. Finally, Noorbakhsh (1998) stresses that development is not only about expanding people's choices but about expanding them in a fair, national and international way and exercising them wisely.

In order to overcome the one-dimensional analysis of poverty, from the purely economic perspective, the concept of social exclusion arises, whose advantages are summarized in: 1. It is framed within a paradigm of social interpretation, including the relational dimension; 2. It is an integral and multidimensional perspective, which includes, besides the material dimension of poverty, the socio-cultural and political dimensions; 3. Recognizes the heterogeneity of the phenomenon of poverty; and 4. Presents a dynamic

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approach focused on processes and factors leading to exclusion. From this perspective, the phenomena of poverty and exclusion are not analogous, because they present different foundations. Poverty implies the dissatisfaction of certain basic needs, that is, it identifies a condition of life of deprivation according to what is considered necessary for the human being and in accordance with the current patterns in the society in which the human being lives. While exclusion does not refer primarily to the individual, it is a fundamentally social phenomenon, which indicates the impossibility of society to integrate all people and, therefore, the existence of a conglomerate that materially and symbolically is outside (Uribe - Echavarría ECLAC, 1998).

The concept of social exclusion thus emerged in Europe in 1974, when the then Secrétaire d'Etat a l'Action Sociale de la République Française, René Lenoir, referred to 10% of the marginal and "socially disadvantaged" that, at that time, had been excluded from the Benefactor State. Subsequently, the concept of social exclusion began to be used in academic and public discussion to refer to a wide range of situations from which people can be "excluded", such as: "a livelihood; safe and permanent employment; income; property, credit and land; minimum levels of consumption; education, skills and cultural capital; Welfare State; citizenship and legal equity; democratic participation; public goods; nation or dominant race; family and sociability; humanity, respect, personal fulfillment and understanding "(Sen, 2000).

Therefore, this stigmatizing and narrowly social perspective of social exclusion was overcome in the 1980s because the term became the center of French debates about the nature of the "new poverty" associated with technological change and economic restructuring (Rodgers et al., 1995). For, in these societies of the new modernity, social exclusion is a concept that best describes the metamorphosis undergone by the social question, as Castel (1997) points out, because the traditional poverty becomes a form of exclusion, due to the the changing economic and social context that characterizes advanced technological societies, emerging threats to social integration and, therefore, new areas of social exclusion.

According to Claassens and Zelic (2011), this nature of the new poverty gives rise to other types of social exclusion such as economic exclusion, exclusion from social services, and social exclusion from life and civic and social networks. The European Commission, for example, defines social exclusion as a process by which it ensures that those at risk of poverty and social exclusion access the opportunities and resources necessary to participate fully in economic, social and cultural life, and enjoy a standard of living and well-being considered normal in the society in which they live.

Social exclusion does not equal poverty. Rather, it refers to the process of social disintegration, in the sense of a progressive disruption of relations between the individual and society, as a consequence of the increase in long-term unemployment –particularly unskilled workers and immigrants–, the inability of young people to enter the labor market for the first time, family instability and isolated single-family households, the growing number of homeless people and the increasing tensions and periodic violence in low-cost housing settlements on the periphery of cities. As a consequence, the European Commission adopted social exclusion as a central theme in the formulation of social policy, linking it with the idea that this is the inadequate realization of social rights, making it visible in the work of the Observatory on National Policies to Combat Social Exclusion, which defined social exclusion in relation to the social rights of citizens... to achieve a basic standard of living and participation in greater social and occupational opportunities in society (Rodgers et al., 1995).

In Latin America, the concept began to be used quite forcefully in the 1990s, in the context of the return of democracy and the launching of a new generation of social policies for overcoming poverty (Duhart, 2006).

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According to the above, the definitions of social exclusion are framed in different perspectives, such as: economic social exclusion, exclusion of social services, social exclusion of life and civic and social networks (Claassens and Zelic, 2011).

Economic exclusion marginalizes individuals in the distribution of economic resources, hinders the development of people's opportunities, skills and competences, which help them to respond to their needs and exercise their rights, allowing them to make decisions to reach the standards Of life and the quality of life they value. In addition, economic exclusion limits the population's access to the labor, financial, housing, and goods and services markets, leading not only to income poverty, but also to reducing access to services such as education, health care and social security, which often results in social exclusion and degradation or loss of skills and competencies. However, participation in economic life does not always lead directly to economic inclusion, rather, access to decent work is one of the most important conditions because it can lead to improvements in other areas of life.

The social exclusion of social services refers not only to the availability of services and the quality of services, but also to the accessibility and affordability of different population groups to social protection systems, including social assistance, social security benefits, social services, social work and counseling services as key sources of support of last resort. Therefore, social services can help to deal with the consequences of exclusion and can also work against some of the factors of exclusion, such as extreme poverty and exclusion from the labor market or poor working conditions.

The social exclusion of life and civic and social networks refers to the denial of participation in different aspects of political, cultural and civic activity, as well as participation in the electoral process, freedom of expression and association and access To justice and information.

Similarly, Rodgers et al. (1995) has adapted the analysis of social exclusion to the realities of developing economies, emphasizing three forms of exclusion:

- **Exclusion of Goods and Services, Which Affects Living Standards:** Usually being a problem of location, knowledge, connections and ability to pay.
- **Exclusion From Subsistence:** Being threatened by the exclusion of land or other productive assets or goods markets.
- **Exclusion of Security and Human Rights:** A precondition for overcoming economic exclusion.

Also, when applying the analysis of social exclusion to contexts of developing countries, several important issues arise (Rodgers et al., 1995):

- The deeply hierarchical nature of many countries, which reinforces the historical conditions of exclusion.
- The influence of modernization as a dominant development strategy in many countries since the 1960s, which resulted in clear patterns of socio-economic differentiation and exclusion of entire regions and social groups.
- The endemic exclusion, in many cases, of both the basic needs and the basic rights, suffered by the majority of populations.
- The ingrained exclusion of certain socio-economic and ethnic groups, such as women, illiterates and indigenous peoples.
- The geographical exclusion of regions that historically, for ethnic or political reasons, have never been the center of national development.

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Therefore, Buvinic et al. (2004) point out that indicators for measuring social exclusion and inclusion can be grouped into seven general categories:

- Measures of poverty, which include the depth of poverty and inequality measurements.
- Access to quality social services (including health, education and housing) and productive resources (land, capital, technology).
- Access to physical infrastructure (water, sanitation and transport, for example).
- Access to and participation in labor markets.
- Indicators of social participation and social capital.
- Indicators of justice and political participation.
- Indicators of violence (including homicide) and victimization.

Thus, the common characteristics of excluded populations are usually (Buvinic et al., 2004):

- **Invisibility:** Socially excluded groups are invisible in official statistics (censuses and government surveys).
- **Poverty:** The poverty of socially excluded groups is permanent rather than transitory and - unless specifically addressed through a wide range of social investments - persists for generations, condemning individuals to poverty.
- **Stigma and Discrimination:** Produced by the poverty and disadvantages that result from social exclusion. Stigmatization associates the human differences shared by a group with negative attributes that separate them from other individuals and significantly influences the distribution of life opportunities. Discrimination is a frequent consequence of stigma and may be the result of social imposition or "self-discrimination," in which the heritage of past discrimination discourages individuals from applying for certain jobs, attending health centers or defending their rights.
- **Cumulative Disadvantages:** When people have two or more of the characteristics that lead to the exclusion of groups.

According to the above, many authors agree that education and social entrepreneurship are determinants of social inclusion. Education, because it contributes to growth and economic development, and the improvement of well-being in an economy, because it facilitates the absorption of technology, based on the accumulation of human capital; determines growth and convergence between countries; reduces the poverty rate; increases participation in civil society; reduces income inequity; and facilitates social mobility through job opportunities and wage increases (Benhabib and Spiegel, 1994; Pedreño, 2008). And social entrepreneurship, because it contributes to the solution of the social problems that afflict society, as discussed below.

Social Entrepreneurship

Social entrepreneurship emerges as a trend in which civil society, community and social capital have entered high politics, since in the 1970s the European Welfare States adopted a different orientation to the universal, implicit in the model Institutional redistribution of welfare, reintroducing individual responsibility and belonging, rather than public responsibility and citizenship, as the foundation of modern Welfare States. The reorientation of Welfare States in the direction of privatization and accession is not

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only favoring private and individual responsibility. It is also generating a new role for civil society and creating a new and improved space for collective and solidarity movements that influence the future evolution of the Welfare State. The paradox is that social enterprise and social entrepreneurship can be seen not only as elements of a privatization process but rather as a manifestation of the power of civil society (Hulgard, 2010).

In this sense, Mair and Martí (2006) consider social entrepreneurship as a process of creating value through new combinations of resources, mainly aimed at exploring and exploiting opportunities to create social value, stimulate social change or meet new social needs.

Similarly, the GEM Special Topic Report Social Entrepreneurship (2015) defines the Social Entrepreneurial Activity (SEA) as any kind of activity, organization or initiative that has a particularly social, environmental or community objective, which could include the provision of services or Training for socially disadvantaged or disabled people, activities to reduce pollution or food waste, and the organization of self-help groups for community action, among others.

Likewise, Hulgard (2010) argues that social entrepreneurship can be defined as the creation of a social value that is produced in collaboration with individuals and organizations of civil society, that participate in social innovations that usually involve an economic activity. This definition is based on four criteria: social value, civil society, innovation and economic activity.

Social value establishes that social entrepreneurship is linked to the creation of value, which can be, for example:

- **Broad and Global:** It works with a global mission to improve access to basic education, health, drinking water and social justice.
- **Narrow and Global:** Whose goal is to end global poverty.
- **Narrow and Local:** As the goal of creating better schemes for ethnic inclusion in specific local communities; and
- **Broad and Local:** As the goal of improving participatory citizenship and institutional capacity through the use of bridging and linking social capital in disadvantaged areas.

The criterion of civil society is important to distinguish social entrepreneurship from social activities in the commercial private sector and in the public sector. It can be located at the intersection of the public sector, the private sector and civil society. The innovation criterion is included because the social entrepreneurship activities imply the development of a new approach to solve a social problem, generating an economic impact, and not for the ambition to create a company. Finally, the notion of economy is relevant for all actors in the activity: for the entrepreneur, who assumes an economic risk; and for the participants, who can benefit from better health, social services production, community development, and access to work, etc.

According to the above, Choi and Majumdar (2014) propose the conceptualization of social entrepreneurship as a cluster due to the multiple subconcepts identified as (1) creation of social value, (2) social entrepreneur, (3) organization Of social entrepreneurship, (4) market orientation, and (5) social innovation.

On the other hand, Alonso, González and Nieto (2015) indicate that the main aspects in which the authors agree, when defining social entrepreneurship are:

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- Its main mission is to contribute to the welfare of society.
- It addresses social problems and pressing social needs.
- It has the potential to produce significant changes in perceptions, policy formulation, or implementation of social changes in the public sector.

However, the conceptual confusion state that some authors attribute social entrepreneurship only to non-profit organizations, while others describe it as lucrative enterprises run by non-profit organizations, organizations with permanent financial losses, philanthropic type, or those business activities with a social objective (Alonso, González and Nieto, 2015). Or they classify social enterprises into three types: nonprofit social enterprise, hybrid social enterprise and for-profit social enterprise (Martínez and Rubio, 2012).

Characteristics of the Social Entrepreneur

Social entrepreneurs are people who have vision, creativity and determination, but their motivation lies in the generation of deep and lasting social change, and not for personal benefit. Outstanding entrepreneurs have innovative solutions and have the potential to make a significant positive change in society. Also, social entrepreneurs innovate in a product or service that in use becomes a social reality (Contreras and González, 2010).

Some authors consider that –irrespective of whether they adopt a legal form for profit or not for profit– social entrepreneurs' organizations are unique, because they imply a hierarchical ordering of social and economic value, by which social value takes precedence over the generation of economic income (Seelos et al., 2010).

Similarly, the GEM Special Topic Report Social Entrepreneurship (2015) defines the social entrepreneur as an individual who initiates or directs any type of activity, organization or initiative that has a particularly social, environmental or community objective.

In this way, social entrepreneurs share certain qualities (Bornstein and Davis, 2010):

- The ability to overcome apathy, habit, misunderstanding and disbelief, while facing a heated resistance.
- The ability to change behavior, mobilize political will and continuously improve their ideas.
- The ability to listen, recruit and persuade.
- They foster a sense of responsibility and a sense of ownership of change among those with whom they work.
- They are comfortable with uncertainty and have a high need for autonomy.
- The ability to gain joy and celebrate small successes, when they will face adversity along the way.
- Successful social entrepreneurship involves well-established behaviors that can be acquired.

Martinez and Rubio (2012), meanwhile, indicate that the literature highlights the importance of taking into account, when analyzing this phenomenon, a series of objective variables, such as gender, age and educational level. And cognitive, such as perceived opportunities, perceived efficacy and fear of failure. In this way, social entrepreneurship is an activity of young men, in which there is a natural

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predisposition of the female group towards this type of activity, the training level is usually not high, it emphasizes the perceived self-efficacy or feeling of possessing the necessary skills to carry out a business initiative, and feel the ability to do more with less, preventing fear from keeping you from achieving your visions and goals.

Finally, from the perspective of the GEM Special Topic Report Social Entrepreneurship (2015) the following characteristics of the social entrepreneur are presented:

- Social mission, creation of value and capture of value.
- The commercial side of operating in the market: offering a product or service among the leaders of social enterprises.
- Innovation.
- Reinvestment of benefits.
- Measures impact among leaders of social enterprises.
- It combines key elements in a narrow definition of social entrepreneurship.

Research Method

The methodology used in this research is the case study, given the state of conceptual confusion detected in the existing literature on social entrepreneurship and social exclusion, and the scarcity of research on this phenomenon. For the case study is appropriate for contemporary issues, because it has the following distinctive features (Yin, 1989: 23):

- Examines or inquires about a contemporary phenomenon in its real environment;
- The boundaries between the phenomenon and its context are not clearly evident;
- Multiple data sources are used; Y
- A single case can be studied as well as multiple cases.

Similarly, Chetty (1996) indicates that the case study method is a rigorous methodology:

- Suitable for investigating phenomena that seek to respond to how and why they occur.
- Allows you to study a specific topic.
- Ideal for the study of research topics in which the existing theories are inadequate.
- It allows to study the phenomena from multiple perspectives, rather than the influence of a single variable.
- It allows to explore in a deeper way and to gain a wider knowledge on each phenomenon, allowing the appearance of new signals on the emerging themes; and
- It plays an important role in the investigation, so it should not be used merely as the initial exploration of a given phenomenon.

The case studies can be simple or multiple, depending on the number of cases to be studied, for which Yin (1989: 28) proposes a typology that establishes four basic types, depending on the number of cases and the different levels of analysis:

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- The single case or unit of analysis.
- The single case with main unit and one or more sub-units.
- Multiple cases with main unit of analysis.
- Multiple cases with main unit and one or more sub-units within main.

In this study we selected a single case and several units of analysis, that is, the World Trainer social enterprise as a single case, the company as the main unit of analysis, the entrepreneur as the second unit of analysis and the clients as the third unit of analysis.

Taking into account that "the objective of the theoretical sample is to choose cases that can probably replicate or extend the emergent theory... and the number of cases must be added until the saturation of the theory" (Eisenhardt, 1989), the following criteria were established for the selection of the sample:

- Be a social enterprise.
- Directed to vulnerable populations.
- Satisfying the assumptions of the theories addressed.

The World Trainer case is a social enterprise aimed at vulnerable populations located in Trujillo, Peru, and satisfies the assumptions of the social entrepreneurship approach and social exclusion.

Considering that Yin (1989, p. 29) recommends the use of multiple sources of data and compliance with the principle of triangulation to guarantee the internal validity of the investigation, allowing to verify the data obtained through different sources of information, sources and information instruments used are the following:

- Structured interview applied to the entrepreneur.
- Survey applied to clients.
- Structured interview applied to allied companies.
- Survey applied to graduates.
- Observation of the Company.

SOCIAL ENTREPRENEURSHIP WORLD TRAINER (WT)

Context Characteristics

Peru is described as a country in a situation of consolidation of democratic governance, where more than half of the population was in poverty in the 1990s, highlighting the historical persistence of a marked inequality and exclusion. Therefore, it was understood that only with a great joint effort of state, private sector, civil society and international cooperation could some of the goals of the Millennium Development Goals, set for 2015 (NUDP, 2013) be met.

Thus, during the decade of 2000, improvements in economic and social development were made, which led to significant progress in the reduction of total poverty to 36%, significant reductions in chronic child malnutrition and infant mortality, a high presence of women in Parliament and job creation. In

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fact, between 2000 and 2012, there was a notable growth in production, allowing for positive changes, such as greater access to basic social services and reduction of monetary poverty. Between 2000 and 2010, it achieved an average annual economic growth of 5% (the second fastest growing economy in Latin America, according to the World Bank). In December 2012, the economy had grown 40 consecutive months (a milestone unprecedented in national history that makes it the leader of the region). And even the global economic and financial crisis that began in 2008 had a relatively minor impact in Peru (NUDP, 2013).

According to the National Institute of Statistics and Informatics (INEI), in the year 2015, Peru has a population of 31'151,643 inhabitants, revealing the following social indicators, according to the main indicators of Exposed in the theoretical framework (PQLI, HDI, BNA, QLI):

- **Monetary Poverty:** 22.7%.
- **Extreme Poverty or Misery:** 4.3%.
- **Human Development Index (HDI):** 0.734 below the global average (0.744) and the Latin American and Caribbean countries (0.748), ranking 84th out of a total of 187 nations evaluated.
- **Unsatisfied Basic Needs (NBI):** 19.4% of households have at least one NBI; 6.5% of the population lives in houses with inadequate physical characteristics, 7.4% in overcrowded housing, and 8% in homes without sanitary facilities; 13% of households are without public water supply, 27.3% do not have a public water service, and 5.8% do not have electricity by public network.
- **Households with Children Who Do Not Attend School:** 0.6%, this indicator has improved, considering that in 2004 and 2005 it stood at 3.8% and 3.7%, respectively.
- **Net Enrollment Rate of the Population Aged 3 to 5 Years:** 80.1%.
- **Net Enrollment Rate of the Population Aged 6 to 11 Years:** 91.4%.
- **Net Enrollment Rate of the Population From 12 to 16:** 94.4%.
- **Illiteracy Rate of 15 Years and Over:** 6.3%.

From the economic and social dimension, Peru's growth has been based on the richness of the country's natural resources and the export of raw materials (especially minerals) in a global context of favorable prices; the significant development of economic sectors, such as agro-export and tourism, among others; the responsible macroeconomic and fiscal management that has characterized the economy in the last two decades; low inflation rates (2.65% in 2012); the largest budgets for public investment; the accumulation of international reserves; significant flows of foreign investment; reduction of external debt; improvements in public policies and social programs; important innovations in terms of public management and social programs to improve the quality of public investment and prioritize care for vulnerable groups, including children; and greater involvement of civil society organizations and communities in the implementation and monitoring of public policies.

However, in the 1990s, the lack of a policy to support entrepreneurship, coupled with the lack of employment opportunities, pushed people to seek their own jobs and create their own business, motivated by the need, giving rise to some successful entrepreneurs who have become good referents for other entrepreneurs. In this way, some changes were implemented in Peruvian legislation that have been consolidating the ecosystem for entrepreneurship, identifying many profiles of social entrepreneurs that seek to solve the problems that most afflict society, especially related to education, transportation, hygiene and health (Gestión, Journal of Economy and Business of Peru, 2015).

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Characteristics of the Entrepreneur

Luis Francisco Salazar Montoya was born in Trujillo, Peru on March 27, 1974 (currently, he is 42 years old). He studied primary and secondary in the school Perpetuo Socorro and obtained the degree in Business Administration in the Universidad César Vallejo.

At the age of 21, before finishing college, he felt the need to earn and save money in a short time to create his own company, making the decision to go to work in the United States for a year, where he found employment in the salad processing area of a restaurant and in the maintenance area of a golf course.

After completing his university studies in 2000, he found work at the AT & T company dedicated to telecommunications, where he worked for only six months because he wanted to start his own business and decided to dedicate himself to the cultivation of asparagus for two years, taking advantage of the opportunity that at that time it was a very profitable business.

In 2000, Luis married Gamin Gamarra Marinés, with whom he dedicated himself to the production of milk for four years. They started the business with three cows, until reaching about 100 cows, but later, when the business stopped being profitable they decided to sell it. With the money obtained from the sale of the milk business and the financial support of the father of Marinés, they bought the construction company VILBOD S.A.C., which belonged to Marinés' cousins, who gave them payment facilities.

The fixed assets of VILBOD S.A.C. were a backhoe and a van, which they leased to companies belonging to the construction industry. In this business, Luis Salazar began to build his network of contacts with entrepreneurs of the region, through the purchase of spare parts and necessary tools for the company. He continually asked them what they needed, until they realized that the companies in this industry needed to hire certified heavy machinery operators, and that is when they came up with the idea of creating a heavy equipment operator training company.

Therefore, the experience acquired by Luis in the construction company VILBOD SAC, the low profitability that this company generated, as well as the established network of contacts with family, friends and entrepreneurs in the construction, agroindustry and mining sector, prompted him to take the decision to sell the company VILBOD SAC and found WT.

WT Organizational Characteristics

WT was born in 2012, with the aim of increasing the availability of skilled labor for the mining, agroindustrial and construction industry, providing short-term technical training to young people from vulnerable populations who can not access higher education and a formal employment with a good salary, that allows them to improve their economic status, their well-being and that of their families.

Given the lack of technicians in Peru and the need for these industries to hire skilled labor, a hundred thousand foreign technicians have been admitted to Peru, mostly from Spain, Chile and Argentina, while about one million young professionals from Country are out of work because, in this case, they require more technicians than engineers, for example. Therefore, technical training has emerged as an opportunity for industries that demand skilled labor, and for young people belonging to vulnerable populations who can access the labor market in the short time.

WT began its training activities on January 27, 2013, with a group of 35 students, showing good reception from the outset, despite the few but strong competitors on the market.

At first, WT only had a backhoe and a 4x4 truck. The rest of the machinery used in the practices were rented (front loader, crawler excavator, hoist), as well as the quarry where the practices were performed.

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The latter, located in a distant site of Trujillo, so the company had to bear the costs of transporting the students by taxi.

Transportation and rent costs diminished the profitability of the business, but little by little Luis acquired the machines with resources from the company and a loan from his father-in-law, of whom Luis comments: "He was the one who supported me unconditionally, from the beginning I believe in myself and In my projects, he was with me in the good and the bad, that's how we started with the company, and he stayed with us giving us his support during the growth of it."

Luis's wife is a business administrator, and comments: "Now together we manage the company, we could say that we achieve a good balance, in the sense that Luis is the dreamer, he gets excited by opportunities because he is enthusiastic about projects or business fast (which is very good, because it is the first step), but I put the pinch of reality and analysis. I think that balance makes us take good decisions so far. For his part, Luis comments: "we work as a team, she is more dedicated to administrative activities and I to the operational activities of the business."

In 2014, WT bought a vehicle to transport the students and in 2015 they acquired a quarry for rent located in Trujillo, just 10 minutes from the company, allowing them to save time and transportation costs. Likewise, at the end of 2014, he acquired the necessary machinery for the practices, with capital from savings, small bank loans (especially for the maintenance of the machinery) and help from a family member.

In 2014, WT expanded geographically through a project in the municipalities of HUAMACHUCO and TAYABAMBA, both located in La Sierra Liberteña, with the aim of providing the people of La Sierra with the opportunity to train as operators of heavy machinery, without having to move to Trujillo, except to develop the practices. The teachers had to move to these municipalities for the development of the classes, during a year that lasted the project, managing to train approximately 150 students. In addition, they have a project in the city of JAGUEY, located two hours from Trujillo, to train a group of young people in heavy machinery. However, the company has a wide coverage, since the majority of the students come from the valleys of CHAO, VIRU, CASA GRANDE and CASCAS, among others, as well as the environs of Trujillo and La Sierra Liberteña, characterized by having a large vulnerable population, due to the difficulty in accessing higher education and developing skills that enable them to develop in society.

The mission of WT is to contribute to the socio-economic development of the region of La Libertad, through training in Safety, Maintenance and Operation of Heavy Machinery for the mining, construction and agribusiness sector and department stores in the public and Private, with suitable professionals, learning by doing methodology, and specialized machinery.

Its vision for 2020 is geared towards being recognized at the national level as a leader in the training in Safety, Maintenance and Operation of Heavy Machinery for the mining, construction, agriculture and transport logistics sector, in the public and private sector, with professionals Training, information and communication technology (ICT) mediation, specialized machinery, and state-of-the-art technology.

In this regard, says the entrepreneur: "We are the institution that best practice practice before the competition, since we own our own machines, while other companies have to rent, increasing the cost of training."

On the other hand, WT promotes its services through the local radio, with publicity during the weekend, every half hour, and flayers in the office and where the radial coverage does not have reach.

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When a group finishes the courses, WT makes a closing in a country restaurant near the city, offers a dinner and they realize a championship of soccer, with the objective of to strengthen the bonds of brotherhood with its graduates.

WT has a small and functional organizational structure, composed of the manager, the academic-administrative coordinator, a secretary, teachers, and instructors.

Incomes from WT indicates that these have doubled over the four years of existence due to (Table 1):

- Responding to the needs of the sector.
- Quality and differentiation of your services.
- Low prices on the market.
- Satisfaction of its customers.

The programs and services offered by the company WT are:

- Technical training in heavy machinery.
- Supply of heavy machinery operators to companies in the mining, agroindustrial, construction and government sectors.

The technical training of heavy machinery has a duration of one year and comprises four courses of four different machineries, with a duration of three months each:

- Backhoe Loader.
- Mounting load.
- Front loader.
- Backhoe Crawler.

The classes take place on Sundays from 8:00 a.m. to 2:00 p.m., but because some students work or live in other municipalities, the classes are theoretical-practical, virtual.

The theoretical classes include the modules presented in Table 2 and are guided by professional engineers from the Universidad Nacional de Trujillo and the Instituto SENATI - Trujillo. These are

Table 1. WT incomes 2012-2016

2013 (New Soles)	2014 (New Soles)	2015 (New Soles)	2016 (New Soles)
120,000	144,000	240,000	240,000

Source: World Trainer

Table 2. Modules of theoretical classes

Week 1	Week 2	Week 3	Week 4	Week 5	Week 6
Industrial Security and Occupational Health	Diesel Motors	Hydraulic system and transmission system	Preventive maintenance and corrective maintenance	Techniques of operation	Operational equipment productivity

Source: World Trainer.

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developed in the Instituto de Educación Superior Pedagógico Público INDOAMÉRICA, through a collaboration agreement.

The practical classes are carried out in the quarry located in Trujillo, with each of the machines, in a personalized way (student by machine), most are guided by experienced graduates, who are given the opportunity to work as Instructors.

Once they finish their studies, WT performs the intermediation between the companies of the mining sector, agroindustrial, construction and governmental and its graduates, articulating the necessity that they have to hire operators of certified and productive heavy machinery, with the necessity that the graduates have of access to decent employment. A service that does not have cost, since its purpose is to support the graduates to their insertion in the labor market. Each year about 300 young people are trained and certified, which corresponds to seven promotions a year, approximately, which are working on agroindustry projects in La Sierra, the mines of LA ARENA, LA BARRIK, LA PODEROSA, MARZA, MINEROS HORIZONTE, GOLFI, CASA MARCA, among others, road infrastructure works of the municipalities, and construction companies.

Today WT has a database of clients that frequently request young people with capacity to operate heavy machinery and within its main allied companies they stand out: CORPORATION STAURUS SAC (CS), HUANCHACO ALCALDÍA AND CONCESIONES JCV.

CORPORACIÓN STAURUS SAC (CS) is one of WT's main customers and allies. He has 30 years of experience in the purchase, sale and repair of heavy machinery. It currently has three business units:

- Commercialization of machinery and industrial, heavy and transport equipment of the most globally recognized brands. It offers rental services, integral maintenance and repairs for the same type of equipment.
- Projects for the design and construction of civil works, such as roads, bridges, buildings and industrial plants, electrical, hydraulic, pneumatic and engineering structures.
- And marketing of parts, spare parts and components for machinery and industrial equipment, heavy and transport, as well as tires, filters and lubricants throughout the national territory.

The mission of CORPORACIÓN STAURUS S.A.C. Is to meet the integral needs of its internal and external customers, based on sustainable development and continuous improvement in all its processes; Working constantly to develop a warm, motivating environment and promote staff development; And taking care of and respecting the environment in all operations and generate profit to its shareholders.

Its vision is to be recognized as one of the best companies that operates in the sectors of heavy machinery, construction and related services, in the national territory. It has a qualified and multidisciplinary team of professionals with high talent, extensive skills and experience in civil and industrial projects; Dedicated to the design, planning and execution of works, protecting the environment, with permanent qualification as a strategy of competitiveness in the sector.

CS has its own fleet of trucks of the brands Volvo, Scania, Iveco; Water and fuel tanks of the Mercedes Benz and Freightliner brands; as well as yellow line machinery such as crawler tractors, front loaders, crawler excavators, backhoes, Caterpillar, John Deere, Komatsu, Volvo. All, properly equipped and with support and maintenance of the marks, complying with standards of work in mines, construction and earthmoving. It owns own mechanical workshops with ample facilities and has the close and permanent collaboration of the representatives and technical experts of the marks, to achieve high standards of operative availability and security in the maintenance of equipment park.

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Its main customers are: Pesquera Hayduk S.A. Agroindustria El Rocio S.A., Cerro Prieto Agricultural S.A., Provincial Municipality of Faustino Sánchez Carrión Operations, and Logistics SAC, belonging to the sectors of mining, agroindustry and construction.

According to the manager of CS, there is a need in the market for operators of heavy machinery and WT is positioned as an academy, along with two or three more in the country, distinguished by the guarantees and seriousness offered by providing them with the appropriate personnel for the Handling of heavy machinery, because they receive good training, respond in all fields of action, safety and management of machinery, and obtain a very good level of customer satisfaction.

The employment relationship of the heavy machinery operators graduated from WT is done through contracts with each company. The proposal of salary is presented to the operators, who is generally very good and, if they are interested, they sign a contract between 1 and 1,5 years, plus social security, due to the Peruvian mining legislation requires regulation of Security and hygiene mining: safety of workers in case of accidents, as well as waste management.

Contracts vary depending on the work. If the operator shows good results, the contracts continue. For each contract two or three operators are required. If outside the city, they also provide security and housing for the duration of the contract, which vary from 1 month to 1 year, but are recommended for another job.

CS contributes to the country's growth, since many young people do not have the opportunity to enter higher education and employment, and these courses allow them to generate income for their well-being. Therefore, both companies (WT and CS) contribute to social inclusion through employment and training, contributing to the well-being of young people and local communities.

Regarding the future of the training sector for heavy machinery operators, the manager of CS believes that "there are several that have appeared in the market, but the company that provides a better service remains." The best advertising is the image. WT is located in very satisfactory place. There are two to three companies that belong to the sector of training of heavy machinery operators and in this region there is another academy in Huanchaco, but the young people formed by WT are characterized by their positive attitude towards work, their values and desires to work.

Government of Huanchaco

Huanchaco is a 20% beachside district. 80% of the population lives in the rural area; a vulnerable area of poverty and extreme poverty in which many young people who do not have access to education live, which increases their vulnerability.

There is an institution that provides services for the heavy machinery owned by the Mayor and WT is a solid company, the second in the district, which offers a technical career in three years, giving the municipality the possibility of having skilled labor for their works. The City Hall uses all kinds of machinery, for example, the excavator to do the works of water sanitation and sewerage. At the moment, they are in the bidding process to change the sewage networks, to make a pumping chamber with 12 meters of depth, and to install the pipe, with the use of the excavator. For this, operators, assistants, a work and maintenance team for the machinery are required.

The municipality has its own machinery for these works, but is insufficient, and sometimes must contract through various modalities. For example, contracts at all costs, in which the contractor puts the machinery, personnel, and fuel. And direct management contracts, in which the Mayor puts the pipeline

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and the contractor puts the machinery, depending on the work. However, they do not dredge beaches because it requires special machinery and they are not qualified for it.

Poverty rates in Huanchaco are the main cause of vulnerability of the population, but there is a need for skilled labor and the use of heavy machinery, so that WT has been able to contribute to improving such poverty by offering young people the opportunity to train in a shorter time (3 to 12 months), without having to wait three years to operate a machine, since it requires practice and theory. WT offers training in three, six and twelve months. That is to say, it is the shortest race, faster, economic, and generates immediate labor inclusion. Well, a university requires 5 or 6 years of training to be able to enter the labor market. Thus, for example, a teacher leaves the university with a salary of 1,500 nuevos soles and study between 5 or 6 years, while a heavy machinery operator is better paid, with approximately 2000 nuevos soles, on average. "Since they come into practice are very good and supervision is constant."

The productivity and performance of operators is very good and measured through the progress of the work. To date, there have been no cases of poor performance evaluation. However, there are no programs from the municipality and central government that promote technical training through scholarships, which would be a good strategy. In this sense, the Mayor's Office supports young people who do not have the resources to study, with a discount that directly grants WT as consideration, through the existing partnership between both companies. For 80% of the population living in rural areas, 40% of the families are dedicated to recycling under precarious conditions, in the sanitary landfill of the entire province, called Centro Poblado El Milagro. Another part of the population is dedicated to raising pigs, farms and crops of corn, papaya, passion fruit, cacao, and watermelon. Those who are engaged in the cultivation of corn also use heavy machinery and WT has contributed to the training of some young people in this area who are engaged in agriculture.

Most of the works carried out by the Mayor's Office in Huanchaco are road infrastructure and rehabilitation projects in rural areas (such as irrigation channels for crops and aqueducts, for example), financed by their own budget and some by the Ministry of Finance. In these works, WT offers the technical support and the supply of operators of heavy machinery.

Concepciones JCB

This Company sells equipment to small companies that constantly request heavy machinery operators, which are supplied by WT through the cooperation alliance of both companies. In this sense, WT has filled the gap in the market, related to the training of operators that small companies can contract for their operations and constitutes an opportunity for training and salary for young people with limited economic resources, as well as for the economy Of its municipality.

The level of satisfaction of Concepcion JCB customers regarding the performance of heavy machinery operators supplied by WT is very good, indicating that they receive good training, without this requiring a high investment in education. They also receive a good salary, sufficient for their needs and above the minimum wage (800 nuevos soles), despite the low investment made in their training, be so young and have such a short career.

In addition to the mining sector, young people trained in WT can work in the agricultural industry for export. In the same way, they can access employment in other industries that use the backhoe machine that has high fungibility, since it allows to perform multiple jobs.

Other World Trainer clients:

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- MAC MACHINERY.
- CONTECH S.R.L.
- BAARQ E.I.R.L.
- SMF PERUANA S.A.C.
- NAOKE MAQUINARIA S.A.C.
- MAKYDIPE S.A.C.
- MUNICIPALITY OF JAGUEY CONTUMAZÁ - CAJAMARCA.
- HERMAT CONTRATISTAS E INVERSIONES S.R.L.
- VIRGIN OF THE HIGH GRACE.

Customer Characteristics and Social Inclusion

The main clients of the WT company are:

- Young people between 16 and 35 years of age who require training as operators of heavy machinery; Y
- Workers with experience in operation of heavy machinery that require certification.
- WT students are mostly young people with an average age of 25 years, 91% are men and 9% are women, 75% are single, 5.6% are married, 16.7% live in free union, 2.8% are separated from their partners and 69% do not have children.
- The follow poverty indicators were found:
- **Housing:** only 13.9% have their own home, 8% in rented housing, and most live with a relative (78%).
- **Social Security:** 56% do not have any type of social security, because only 26% have a formal contract with a company and the rest, works through a verbal and occasional contract, having to resort to the financing of the enrollment By the company WT through a direct credit that allows them to pay through monthly installments.
- **Education:** 53% have completed high school, 25% have completed technological studies, 5.6% have incomplete secondary schools, 11% complete primary schools, 2.8% have incomplete primary schools and only 2.8% have studied University students.
- **Employment and Wages:** 78% worked before starting their studies in WT, increasing to 89% when they start the internship period because it allows them to find a job. In this way, 55% have a monthly salary of less than 800 nuevos soles, 26% earn 850 nuevos soles and only 19% have salaries between 851 and 1,700 nuevos soles.

At the end of their studies in WT, 59% of these young people aspire to work in companies belonging to any sector (public or private), 15% in the public sector and 27% in the private sector, preferably in the mining sector because Wages are among the highest in the market. Therefore, the salary expectations of 77% of these young people are between 851 and more than 1,700 nuevos soles, taking into account the opportunities of employment relationship that WT offers them, through the intermediation with the companies of the sector construction, mining and agribusiness.

A similar situation arises with the income of their parents, being that of the 78% that works, 50% obtain a salary of less than 800 nuevos soles, 18% has a salary of 850 nuevos soles, 22,7% 851 and 1,700

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nuevos soles, only 9% obtain monthly between 1,701 and 3,400 and more than 3,400 nuevos soles. This is due to the fact that 48% of their parents only attended high school and 31% did technical studies. Fifty per cent of the mothers work, but 67 per cent receive a monthly salary of less than 800 nuevos soles and the rest receive a salary of 850 nuevos soles. Only 2.8% of parents own businesses.

On the other hand, 49% of the graduates are men and 51% are women, 73% are single, 12% are married, 9.8 are union members and 5% are separated. 66% have children and 34% do not have children.

Regarding poverty indicators, according to the theoretical framework, the following were obtained:

- **Education:** 56% finished high school and only 7% have higher education. The rest have incomplete primary education (2.4%), complete primary (7%), incomplete secondary (4.9%), technical (2.4%) and incomplete secondary education (2.4%). 63% studied in WT with direct credit and the rest with financial institutions and other sources.
- **Housing:** 50% of the young graduates live with a family member, 28% have their own homes and 22% are rented. An improvement in these results can be detected, since they can access decent employment and a good salary.
- **Employment and Wages:** 90% of the graduates found employment at the end of the studies in WT, of which 34% have a verbal contract, 17% have a work contract, and only 17% have an indefinite contract. The others have a verbal contract, for 1 year, indefinite.

Taking into account that 59% of the parents of these young people do not work, 33% of their parents have a salary of 800 nuevos soles, 50% have a salary of 850 nuevos soles, and only 5% have their own business. The salary aspirations of the majority of graduates are to obtain a salary between 851 and 1,700 nuevos soles. In this way, 100% indicate that they met their expectations with the studies studied in WT and 81% said that their living conditions and those of their family improved after completing their studies in WT.

Some testimonies from the graduates confirm the contribution of WT to social inclusion, through training and certification of skills in the operation of heavy machinery. One of them, only 21 years old, has been able to create his own business consisting of the production of asparagus for export, cultivating a 7-hectare plot of land owned by his parents and with machinery that he rents to an uncle. This business has allowed him to improve his income and his well-being.

Another graduate says that before studying at WT he worked as an agricultural technician and when he saw his friends who operated heavy machinery, he proposed that one day he would learn to have his own company. He entered to study WT and when he finished he created his own business of agricultural inputs for the cultivation of maize and other products. In addition, he works in a condominium construction company, called TBC.

Ana Cristina is a young graduate who was motivated to study in WT for reference of some friends who studied in WT and listening to the publicity in the radio. Although at the moment he works in another activity, he aspires to dedicate himself to the operation of heavy machinery and to have his own company, once his current employment contract is completed.

In the opinion of the graduates, the experience demonstrated through the years of work experience, is a fundamental factor to obtain a contract of work, since this allows them to continue developing the skills acquired in WT.

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ISSUES, CONTROVERSIES, PROBLEMS

The context in which WT is embedded is characterized by diverse social gaps and the absence of a welfare state (as evidenced by poverty indicators), inequitable growth (as indicated by the HDI), and Great social, economic, and cultural changes in Peru (accelerated growth of the economy and the reduction of poverty), confirm the arguments of Rodgers et al. (1995) when referring to social exclusion from the realities of developing economies, where the emphasis is on the exclusion of goods and services, exclusion from subsistence, and exclusion from security and human rights.

Peru has a deeply hierarchical nature that reinforces the historical conditions of exclusion and the endemic exclusion of both the basic needs and basic rights suffered by the majority of the population, which hinder their development, preventing the growth achieved during the (Infrastructure, productivity, education, health and decent employment) and benefit all regions and populations of the country (NUDP, 2013).

On the other hand, the GEM special report social entrepreneurship (2015) indicates that the average prevalence rate of entrepreneurship among entrepreneurs currently trying to start a social enterprise in the 58 GEM economies is 3.2%, Ranging from 0.3% (South Korea) to 10.1% (Peru). Nevertheless, much remains to be done to support entrepreneurship in Peru, taking into account that according to the INEI, an average of 853 companies are created and 469 are closed per day, without considering the informal sector (Management, the economy and business journal Of Peru, 2015).

In addition, there are advances in education that allow us to glimpse the achievement of Peru's goals in inclusion, growth, economic development and welfare improvement, given the instrumental nature of education, because it facilitates the absorption of technology, Based on the accumulation of human capital; Determines growth and convergence between countries; Reduces the poverty rate; Increases participation in civil society; Reduces income inequity; And facilitates social mobility through job opportunities and wage increases, according to Benhabib and Spiegel (1994) and Pedreño (2008).

Within this context, the WT entrepreneur has created an innovative solution that seeks to solve immediate social problems and mobilizes their ideas, capacities, resources and social agreements necessary to achieve a sustainable social transformation, according to Alvord et al. (2004). Therefore, Luis has achieved: 1) identifying the current context 2) identifying an opportunity and developing a new proposal of social value to challenge the balance, and 3) establishing a new balance that alleviates the needs Of the most disadvantaged groups through the creation of a stable ecosystem that ensures a better future for the group and society, as indicated by Martin and Osberg (2007).

Therefore, the characteristics of the WT entrepreneur, especially his ability to explore new job opportunities and start-ups in different industries and contexts, confirm some of the theoretical assumptions, such as: the influence of some cognitive variables, such as Perceived self-efficacy or feeling of possessing skills to carry out a business initiative, as it happens with the commercial entrepreneur; to be aware of the social importance of their work and to feel able to do more with less, preventing fear from preventing them from achieving their visions and goals; their ability to detect an opportunity and satisfy some need not met by the state, gathering the necessary resources (usually people, often volunteers, money and other assets) and using them to generate social change; and to seek sustainable large-scale change through the application of new ideas other than those applied by governments, non-profit organizations, and businesses to address social problems as expressed by Martínez and Rubio (2012) and GEM (2015).

However, Luis's professional training does not allow to corroborate the assumption that the training level of social entrepreneurs is not usually high (Dess, 2001).

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Therefore, WT is instituted as a social enterprise that emerges as an opportunity to respond to the needs of young people who lack a level of economic well-being that allows them to adequately access certain resources, causing them a pronounced loss of well-being, and (1994), Atkinson and Bourguignon (1999), the World Development Report World Bank (2008), and Sen (2000).

Similarly, WT emerges as an opportunity detected in the need for skilled labor in the construction industry, mining and agribusiness, both in the private sector and in the public sector; And the need for short-term and low-cost training of young people belonging to vulnerable communities. These findings confirm the arguments of Gatica et al. (2012) that social entrepreneurship is a process and the opportunity to create value for society, generating a change or impact in the community, either through the creation of products and services, or through new business models or new organizations, driven by the actions of an individual, a collective or various organizations that operate in a given context.

The characteristics of WT coincide with those identified by authors such as Mair and Martí (2006), GEM (2015), Hulgard (2010), and Alonso, González and Nieto (2015) who highlight value creation and social innovation, through new combinations of resources to explore and exploit opportunities, stimulate social change or meet new needs Social or socially disadvantaged individuals or organizations, through an economic activity which may be the provision of services or even training.

Likewise, WT's institutional philosophy is in line with the principles of social inclusion outlined by the European Commission that this is a process by which it is ensured that people who are at risk of poverty and social exclusion, Access to the opportunities and resources necessary to participate fully in economic, social and cultural life and enjoy a standard of living and well-being considered normal in the society in which they live.

Within the strengths of WT are identified the leadership in costs, because it has its own machinery and a quarry for lease near the city, while similar companies must resort to the rent of the same, The quality of the training of operators of heavy machinery, due to custom practices, which has generated confidence and satisfaction among companies in the construction, mining and agribusiness sector; The network of entrepreneurs, family and friends that the entrepreneur has built has facilitated the financing of his company and the employment relationship of his graduates. And one of the main strategies adopted by WT is to expand coverage to other regions of the country through projects and the hiring of skilled labor (university teachers and experienced instructors).

The characteristics of WT clients reflect that they belong to vulnerable populations, taking into account the indicators defined by different agencies and authors to measure poverty (IPQL, HDI, BNA, QLI), which are factors associated with exclusion Social. Especially when they can not access safe and permanent employment; income; Property, credit and land; Education, skills and cultural capital; Family and sociability; Parent education; Health services; And housing, distribution of resources; The development of opportunities, skills and competences, which help them to respond to their needs and exercise their rights, allowing them to make decisions to reach the standards of life and quality of life they value, as well as expand their options in a fair, Nationally and internationally and exercise them wisely, according to Sen (2000), Claassens and Zelic (2011), Rodgers et al. (1995), Buvinic et al. (2004) and Noorbakhsh (1998).

In this way, WT's contribution to social inclusion in Peru is shaped by the benefits obtained by young people who access their training, training and certification services as operators of heavy machinery, allowing them to acquire skills in the short term and at low cost To access a decent job or to create their own company, to access social security through a work contract and a salary that allows them to access the necessary resources to achieve their well-being.

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SOLUTIONS AND RECOMMENDATIONS

The education indicators denote the challenge that Peú must face in order to overcome the illiteracy rate of 15 and over, through literacy programs aimed at the population that could not access education before the year 2000. As the net rate of school enrollment of children and young people are at acceptable levels, and still need to improve schooling of children from 3 to 5 years of age.

From the different regions of the country, private and public policies are required to promote the creation of commercial and social enterprises aimed at solving the needs of society, such as special lines of credit, entrepreneurship training, agility of procedures for the creation of companies, among others.

The country also needs to make progress in the design and supply of technical and technological training programs for the labor market, covering the demand for skilled labor in the different industries in the country.

It also recommends the creation of scholarships for young people belonging to vulnerable populations to study technical and technological programs in those fields of training of skilled labor required by companies belonging to the strategic industries of the country.

FUTURE RESEARCH DIRECTIONS

- Effects of education on social inclusion.
- Quantitative studies on the influence of social entrepreneurship on social inclusion.
- Identify the types of social entrepreneurship in Peru.
- Factors that determine social exclusion in Peru.
- Identify the types of social exclusion that exist in Peru.
- Characterize vulnerable and socially excluded populations in Peru.

CONCLUSION

Poverty and unsatisfied basic needs determine define vulnerable communities in Peru that are socially excluded. Nevertheless, education ratios are promising in terms of achieving goals related with inclusion, growth, economic development and improved wellbeing.

It was confirmed that WT customers belong to vulnerable communities, taking into account variables used to measure poverty such as: permanent employment; income; property, credit and land; education, attitudes and cultural capital; family and parents´education, health services and shelter, among others. Services offered by WT aim to help young people from vulnerable communities to access decent employment to improve their quality of life and hence to overcome social exclusion that results in less resources available to them. WT also contributes to develop opportunities, skills and competences of individuals and hence fulfill their needs and exercise their rights.

The main features of the social entrepreneur analyzed in this chapter include: education level, the ability to create innovative solutions to social problems through the identification of in-context opportunities; perceived self-efficacy; consciouness about the social relevance of his/her work; being able to do more with less; avoiding fear as a barrier to reach their visión and goals; being able to cover a social need

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unsatisfied by the Government; gathering required resources and using them to generate social change; aiming for sustainable social change at a greater scale through the application of new and different ideas to those applied by governments, charities and companies, to address social problems.

The main features of a social entrepreneurship like WT are value creation and social innovation through new combinations of resources designed to exploit opportunities and stimulate social change. This is achieved through strategies such as cost leadership, location advantages, quality of services, participation in networks, geographical and offer diversification and trained personnel to provide services.

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KEY TERMS AND DEFINITIONS

Graduates: Students who completed their studies in an educational institution.

Huanchaco: Historic spa, world surfing reserve, world famous for the legendary caballitos de totora and Peruvian city located on the Pacific Ocean in the District of Huanchaco, which integrates the metropolitan area of Trujillo in La Libertad Region and forms part of the Moche route.

Quarry: It is a mining operation, generally open pit, in which are obtained industrial, ornamental or arid rocks. They are usually small farms.

Sierra Liberteña: Region where two of the poorest districts of Peru are located: Curgos, in the province of Sánchez Carrión, and Condormarca, in the province of Bolivar. It reaffirms itself as one of the most convulsed areas of the country due to the coexistence of illegal drug trafficking and mining, levels of extreme poverty and physical disconnection.

Trujillo: The capital of the Peruvian department of La Libertad, the most populated city in northern Peru and the third most populous city in the country.

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Chapter 39
Value Creation in Business-to-Business Crowd Sourcing

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ABSTRACT

In knowledge society the utilization of social media as a communication channel between people, groups and even companies is increasing. Current innovation and social media research has already shown the potential of crowdsourcing in the business-to-consumer (B2C) markets. The authors argue in this paper, however, that crowdsourcing has a great and yet partly undiscovered potential also in the context of business-to-business (B2B) markets. In order to get the full potential, a more detailed understanding of the logic of value creation in crowdsourcing activities between multiple stakeholders in B2B context is needed. This paper presents an exploratory study that is carried out as an empirical netnography-based multiple case study. The study opens up potential future research avenues by starting the discussion of value creation logic in B2B crowdsourcing. Practical implications are created through cases revealing what kind of value companies have already been able to gain from crowdsourcing in B2B context.

INTRODUCTION

The increasingly important managerial paradigm, "open innovation", emphasizes the importance of the efficient use of all available resources, knowledge and information. Besides the resources and knowledge inside the company borders, it emphasizes the significance of utilizing particularly the resources and knowledge residing outside the company borders. This is because valuable innovation-related knowledge is being increasingly widely distributed to different actors, organizations (e.g. companies, customers, suppliers, universities etc.) and communities.

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Crowdsourcing (Howe, 2008) is relatively novel, but increasingly important ways to involve customers, end users and their expertise and knowledge in innovation. Crowdsourcing can be broadly defined, according to Howe (2008) as an "act of taking a job traditionally performed by a designated agent (usually an employee) and outsourcing it to an undefined, generally large group of people in the form of an open call". Crowdsourcing can be utilized for instance to identify new business opportunities and new product ideas, to deepen relationships with consumers and customers, and to enhance collaboration not only inside but also between companies and other parties (Burmann, 2010; Chesborough, 2011; Whitla, 2009). However, in order to achieve novel, but useful ways of working together in business-to-business (B2B) relationships, companies should understand carefully the value created in crowdsourcing activities from different perspectives of engaged actors, such as direct customers and suppliers. According to Gillin and Schwartzman (2011) the best operating B2B relationships are symbiotic in terms of e.g. mutual engagements and alignment, which are rooted by aspiration, needs, and challenges of both parties. We also highlight the role of social media in creating new potential for crowdsourcing: crowdsourcing can be carried out in many ways, but nevertheless crowdsourcing has gained novel interest due to new possibilities and value creation options created by various approaches provided by the social media.

The current lack of organized and analyzed case evidence and examples for companies operating in B2B markets, and developing products for other companies in particular, makes it difficult for managers to estimate the possibilities of crowdsourcing in B2B relationships. Some characteristics of the B2B sector, such as B2B's having typically far fewer customers than business-to-consumer's (B2C's) (Gillin & Schwartzman, 2011; Geehan, 2011), often make it difficult to locate sufficiently large crowds of customers for crowdsourcing purposes. Due to the differences between B2B and B2C markets, the currently available academic studies that almost merely present crowdsourcing examples and analysis results from companies operating fully or mainly in B2C markets, are useful as examples only in a limited way to B2B markets and relationships.

Based on earlier studies (Jussila et al., 2012; Kärkkäinen et al., 2011; Kärkkäinen et al., 2012; Simula & Vuori, 2012) we argue, however, that there is a great potential related to crowdsourcing use in the context of B2B markets and relationships. In order to get the full potential, there is a need for a more detailed understanding of the logic of value creation in crowdsourcing activities between multiple stakeholders in business-to-business context. We argue that crowdsourcing- related value creating networks can be better designed to provide significant value for the suppliers, customers and other network members on the basis of increased understanding of crowdsourcing- related value creation.

In the recent marketing literature, the conceptualization of value has divided to two differentiated main streams: the other deals with the value of products and services, while the other focuses on the value of buyer-seller relationships (Lindgreen & Wynstra, 2005). Our perspective of value creation is based on the latter stream as we utilize the function viewpoint presented by Walter et al. (2001) as an analysis tool for the value creation. We are particularly interested to analyze the value the supplier company gets from crowdsourcing, not so much to the motivation of the single individuals to participate in the innovation process nor to the value from the customer organization's viewpoint, which is already more covered viewpoint in most of the recent value creation analyses (see e.g. Möller & Törrönen, 2003).

Thus, the goal of this exploratory study is to understand how crowdsourcing has been used and can be used in business-to-business relationships to create value for the focal supplier company. We will carry out an empirical netnography-based multiple case study, in which we examine crowdsourcing use and value creation in the context of business-to-business relationships. We analyze the empirical data

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through a theoretical framework that is based on Walter et al.'s (2001) value function analysis framework, which can be used to understand especially the value created by different value functions. The research seeks answers to the following research question: what kind of value is crowdsourcing able to create in B2B relationships in regard to value functions, particularly from supplier's perspective?

The structure of the paper is as following. After the introduction we will define crowdsourcing and its role in B2B relationships, as well as some of the major challenges related to B2B use of crowdsourcing. We thereafter define our value creation viewpoint, as well as the framework of value functions used in the analysis. These theoretical considerations are then applied in an empirical study, which consists of six different types of crowdsourcing cases in B2B relationships. Before opening up the findings from the empirical study, we introduce our netnography- based research approach. The paper is concluded by discussing the results and the contributions of the study as well as presenting the potential further research avenues.

LITERATURE REVIEW

In this section the essentials of crowdsourcing from the business-to-business viewpoint are firstly discussed. Then the theoretical bases of value creation are shortly opened up and followed by the presentation of the value function framework.

Crowd Sourcing in Business-to-Business Context

In current crowdsourcing literature the crowdsourcing definitions have varied from very specific notions to broad generalist concepts depending on the subjects or the scopes of research projects. To unify the vague group of definitions Estellés-Arolas and González (2012) studied over two hundred documents, related to crowdsourcing, and found 40 different crowdsourcing definitions which they used to form one universal interpretation to act as a theoretical base: "Crowdsourcing is a type of participative online activity in which an individual, an institution, a non-profit organization, or company proposes to a group of individuals of varying knowledge, heterogeneity, and number, via a flexible open call, the voluntary undertaking of a task."

We adopt Penin and Burger-Helmchen's (2011) concept of open call as a call in which everybody can (at least in principle) answer the call - individuals can participate in addition to restricting the call within firms only, as well as non-profit organizations, or communities of individuals. We will further specify the 'B2B crowdsourcing', drawing from commonly cited crowdsourcing definitions, rather extensively as "companies operating in B2B markets, using crowdsourcing in any way to their business benefit", thus not necessarily the B2B's starting or making the actual crowdsourcing call themselves, or only between companies (as name "business-to-business" might refer). Thus we will follow in this study the generic format of B2B crowdsourcing provided by Kärkkäinen et al. (2011) as "participatory online activity, carried out via an open call, in which companies operating in business-to-business markets propose themselves or aim to benefit in some other way from voluntary provision of A from B in C purpose, benefiting from this in D sense" in which: A = concepts, ideas, information, knowledge, funding or other resources; B = a group of individuals of varying knowledge, heterogeneity and number, consisting from individuals from any companies, organizations, non-profits, intermediaries, communities or individual

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professionals, C = new product development (NPD), innovation process, marketing, sales, new business development, etc.; and lastly, D = cost reduction, quality increase, increased customer orientation and customer understanding, time-to-market time reduction, sales / profit increase.

The markets, the customers, the products and product development have several differences between the business-to-business and consumer product sectors (Hanna et al., 1995; Von Hippel, 1988; Holt et al., 1984; Geehan, 2011; Urban & Hansen, 1993) that have an effect on utilization of crowdsourcing, too. Firstly, since the amount of customers is generally much smaller in B2B´s (Geehan, 2011), the use of crowdsourcing in B2B relationships and in the development of B2B products is quite rare and in many ways more limited, compared to the use in B2C´s. Second, in the context of innovations and B2B´s, legal contracts and IPR –issues can become challenges in the free revealing of product or business ideas in the inter-organizational innovation collaboration (Marjanovic et al., 2012; Nordlund et al., 2011) and may thus seriously limit the usability of crowdsourcing between B2B companies and their business customers. Third, concerning closely the theme of value creation, the ways to motivate and engage business customers and partners is very different from motivating and engaging consumers (Tickle et al., 2011) for crowdsourcing purposes.

Due to the above characteristics, the currently available academic studies that almost merely present B2C crowdsourcing examples are useful only in a very limited sense to B2B's. For the same reasons, many companies and managers have serious doubts against the usefulness of crowdsourcing in the B2B sector. Taking the above B2B and B2C differences into consideration, it is fair to presume that also the various types of crowdsourcing approaches, such as the ones that are carried out by means of social media and Web 2.0, should take these differences carefully into account when planning and implementing approaches for the business-to-business sector companies.

Value Creation and Value Functions

In order to analyze the usefulness of an innovation, such as crowdsourcing in business-to-business context can be understood, we need to be able to identify and measure the value created by the utilization of the innovation. However, measurement and even the identification of "value" is not an easy task. This is due to the multifaceted and complex nature of value; it is a concept that is commonly used by both academics and actors in the field, but it is often rather unclear what is actually meant by it in different contexts (Ford & McDowell, 1999; Helander, 2004).

As already stated in the introduction part of this paper, marketing literature has made a division in value discussion to two main streams: the value of products and services, and the value of buyer-seller relationships (Lindgreen & Wynstra, 2005). In this paper, we will apply the latter one with the chosen viewpoint of value functions (Walter et al., 2001). However, another interesting distinction that has been made within the value creation literature is the division between value creation processes and value outcomes (Gummerus, 2013). When focusing on the value creation process perspective, it is important to understand that the process of value creation will differ based on whether value is created by an individual, an organization, or society (Lepak et al., 2007). In the current study, the first two levels, an individual and an organization are present, as use of social media based crowdsourcing is studied in B2B context (organizational level) but is in the end realized through individuals that participate in the crowdsourcing. Referring to the perspective of value as an outcome, a commonly presented view of

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value is to understand it as the trade-off between benefits and sacrifices (Lapierre, 2000; Parolini, 1999; Ravalad & Grönroos, 1996; Slater, 1997; Yadav & Berry, 1996) which can be both monetary and non-monetary (Walter et al., 2001). The use of crowdsourcing in B2B context strives mostly for monetary value, as the ultimate objective for companies is to create profit for their owners. Nevertheless, there is also a great non-monetary value potential included in crowdsourcing for companies, such as gaining new ideas, concepts, information, knowledge, or other resources (Kärkkäinen et al., 2012). These kinds of non-monetary values may be in the long run even more important, because in the end, they may create the biggest value and turn also into direct monetary value e.g. in the form of new market areas, new product/service innovations or even as the key enabler of company growth.

Walter et al. (2001) have conceptualized value creation as a set of direct and indirect functions of customer relationships from the supplier's perspective. Direct functions bring value that is easier to measure financially and to realize in the relationship between the company and its relationship party, e.g. the customer or the supplier. Indirect functions, on the other hand, also include the third parties, and the outcomes are not as straightforward to measure financially. The functions of a customer relationship refer to performed activities and employed resources of the customer that the customer is contributing to the relationship and as such also to the wider network (Walter et al., 2001).

The value functions introduced by Walter et al. (2001) introduced are the following:

Direct-Value Functions

- **Profit Function:** Refers to the profit gained from selling product(s) to a customer.
- **Volume Function:** Refers to selling volume of products to customers, which help to exceed necessary minimum utilization of the supplier's capacities.
- **Safeguard Function:** Refers to the possibility of 'guaranteeing' a level of business that serve as insurance against crises or difficulties with other customers.

Indirect-Value Functions

- **Innovation Function:** Refers to the possibility of product and process innovation with a particular customer.
- **Market Function:** Refers to the possibility of acquiring information about potential new customers, initiation of contacts with new customers and receiving referrals and/or recommendations to potential new customers from a particular customer.
- **Scout Function:** Refers to the market, competitor and other information that can be acquired through a particular customer.
- **Access Function:** Refers to gaining access to relevant other actors through a particular customer.

The direct and indirect value functions have been used either completely or in part for example to study the impact of information technology deployment on trust, commitment and value creation in business relationships (Ryssel et al., 2004), information technology competence and value creation in supplier-customer relationships (Walter & Ritter, 2005), and the practices and functions of customer reference marketing (Jalkala & Salminen, 2010). We found no previous studies that have studied value functions in the context of B2B crowdsourcing.

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EMPIRICAL STUDY

In this section we will firstly present the research methods and the case selection, and then discuss the findings from the empirical study.

Research Approach

We applied netnographic research principles, designed for studying online communities (Kozinets, 2002), on the observation of textual discourse in selected social media- based crowdsourcing platforms, and the media (platforms) themselves related to our research goal. The subject area of observation of textual discourse was specifically value creation functions and the role of social media in crowdsourcing in B2B customer relationships, and the media studied were the identified and selected crowdsourcing platforms, where the conversation that produced the studied textual discourses took place.

Netnography was chosen as a research method as it is specifically designed for online community studies (Kozinets, 2002). Netnography is a qualitative, interpretative research approach that adapts the traditional, in-person ethnographic research techniques of anthropology to the study of online communities and cultures created through computer-mediated social interaction (Bowler, 2010; Jupp, 2006; Kozinets, 201; Kozinets, 2002; Kozinets, 1998). Netnography extends the traditional notion of field and ethnographic study, as well as ethnographic cultural analysis and representation, from the observation of co-located, face-to-face interactions to technologically mediated interactions in online networks and communities, and the culture shared between and among them (Bowler, 2010; Kozinets, 2010). However, netnography as a research method is simpler, faster and timelier than traditional ethnography, and it is also more naturalistic and unobtrusive than for example surveys or interviews (Kozinets, 1998). Netnography provides procedures for participant observation in the online environment, that include investigating appropriate online communities for a study, and entering the online community and culture; collecting and analysing the data; ensuring trustworthy interpretations; conducting ethical research; and providing opportunities for the feedback of community members (Bowler, 2010; Jupp, 2006; Kozinets, 201; Kozinets, 2002; Kozinets, 1998).

According to Kozinets (2010) the simplified flow of a netnographic research project includes the following five steps: 1) definition of research questions, social sites or topics to investigate; 2) community identification and selection, 3) community participant-observation and data collection (ensure ethical procedures); 4) data analysis and iterative interpretation of findings; 5) write, present and report findings and/or theoretical and/or policy indications. These steps were also followed in the present study. Firstly, we formulated our research questions and identified suitable crowdsourcing platforms that can be studied from B2B supplier perspective. Secondly, to collect data and to sample related crowdsourcing platforms with the specific subject area (cf. Rokka, 2010), a participant observation (Lewis et al., 2009) was used as a part of our netnographic approach to identify the concrete company cases of supplier crowdsourcing in B2B context. The observation included registrations to several online crowdsourcing platforms, browsing through the available textual discourses, and identifying, observing and analyzing the role of social media and the value functions of crowdsourcing in customer relationships from the supplier's perspective. The approach included also following various links to secondary sources (e.g. company websites and online discussion forums) in order to gain comprehensive knowledge about the crowdsourcing platforms. During the observation we adapted Gill and Johnson's (2002) role of "complete

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observer" with some characteristics from "observer as participant", as we did not take part in the actual crowdsourcing tasks, but did not deliberately hide our presence on the platforms, either.

The studied supplier's utilizing these six crowdsourcing platforms in value creation in B2B customer relationships were Intuit, SAP, Formlabs, Dell, Bombardier and Lürssen Werft (See Table 1).

The gathered observation data was interpreted by following content analysis principles and the results of the empirical study are presented in the following section.

Results of the Empirical Study

In this section, the empirical results concerning value functions of crowdsourcing within the selected cases are discussed. Firstly key results of each of the cases is opened up and in the end of the section the results are summarized through each value function according to the model of Walter et al. (2001).

Firstly, in the case of Intuit the *profit* function played a key role. In Intuit, the integration of social media based customer support crowdsourcing platform Live Community into TurboTax software product not only enabled reduced costs of customer support (Hinchcliffe & Kim, 2012), but also enabled the company to *scout* tax knowledge of its customers in terms of providing answers to questions posed by the community. Furthermore, by providing the customer a tool to crowdsource solutions to their tax problems, Intuit was able to *safeguard* its business by retaining customer relationships and preventing product abandonment. The crowdsourcing platform and the new way of doing customer support can also be considered as a process *innovation* reducing e.g. the need for increasing staffing in traditional telephone and email –based customer support. In Intuit Turbotax Live Community communicating through social media had significant role in value creation in terms of scouting tax information from customers. For example the TurboTax for Business had 219 answered questions about income-related issues in the Live Community. Not only asking questions, but answering and completing others answers on the problems was enabled by the social media -based platform. Completing in terms of commenting, giving helpful votes to answers and subscribing to updates are valuable social media roles for scouting relevant tax information from the supplier's perspective.

In the case of Formlabs, the Kickstarter crowdsourcing platform specialized in crowdfunding enabled the supplier of 3D printers to ensure necessary *volume* of orders and funding from customers in order to set up full-scale manufacturing. The go-ahead decision for the supplier to setup full-scale manufacturing was based on threshold of $100,000 funding from customers (Kickstarter, 2012). From the supplier's

Table 1. Selected cases representing social media-based online crowdsourcing platforms

Company and Social Media- Based Online Crowdsourcing Platform	The Observed B2B Product Related to Customer-Supplier Relationship	Industry
Intuit TurboTax Live Community	TurboTax for Business tax software	Software and professional services
Formlabs Kickstarter	3D printer	Manufacturing
Dell IdeaStorm platform	Developer laptop	Computer hardware
SAP Community Network	Enterprise resource planning software	Software (B2B)
Bombardier YouRail	Interior design for trains	Rail-equipment manufacturing
Lürssen Werft GrabCAD	Dampening device for wind breaker doors	Shipbuilding

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perspective the role of crowdsourcing was to enable both *volume* and *safeguard* value functions at the same time in the customer relationships. Furthermore, in the Formlabs case the new kind of communication channel enabled by social media played the most important part in crowdsourcing funding from the Kickstarter platform. The platform enabled to communicate the funding project to a wide audience (e.g. more than 600 000 followers in Twitter) and to observe in realtime how much funding and related product orders were placed by the customers (Kickstarter, 2012).

In Dell's case the *innovation* function was the primary value function in crowdsourcing; through their Dell IdeaStorm crowdsourcing platform, they received a great number of innovative product and process ideas of which a rather large amount has already been implemented (Dell, 2012). Related to the observed Storm Session event organized in IdeaStorm platform Dell received 153 product development ideas from direct customers. Furthermore, in the Dell case, the *scout* function was also significant when crowdsourcing the customer needs and requirements for the developer laptop. As a supplier of computer hardware and software Dell received 88 well documented needs of the customers, some which were commented by other customers, and also rated. For Dell the connecting role of social media provided an opportunity to learn more from potential customers and also as means to contact the contributors in further phases of the development of the product.

In the case of SAP through the *scout* function was enabled huge amount of contributions to knowledge base of SAP Community Network, SAP receiving more than 100 000 contributions to knowledge base by community members including customers, end-users, and partners (SAP, 2013; Yolton, 2011). For SAP, the communication possibilities offered by social media had significant role in creating value by scouting the market, and product knowledge of SAP's customers, end-users and partners. Social media played also a key role in the creating value by more easier and faster *access* to finding the right experts for a given business situation.

Similarly in Bombardier's and Lürssen Werft's case the role of crowdsourcing was primarily to create value through *innovation* function. Bombardier received 4298 new interior design concepts for product innovation to their innovation competition in YouRail crowdsourcing platform (Bombardier, 2012; Haller et al., 2011) and Lürssen Werft received 62 models for product innovation of windbreaker doors in challenge organized in GrabCAD intermediary crowdsourcing platform together with GrabCAD experts (GrapCAD, 2012). Through GrabCAD Lürssen Werft was able to communicate the product innovation challenge to more than 500 000 mechanical engineers in the GrabCAD community, all potential supplier's for the company. The 62 models submitted by the engineers, received a number of comments and likes from the community to support decision making of ideas. Social media was also used to combine content, e.g. from YouTube, to more clearly illustrate the function of product innovation ideas and models for the supplier. For Bombardier, social media can be seen to have a valuable role on both to the quality of the crowdsourced concepts and for the evaluation of the crowdsourced concepts. Commenting of the concepts for new interior designs for trains was active, with a total of 8582 comments received to 4298 designs. Even more active was the rating of the concepts, Bombardier having received 26617 ratings to the concepts helping the jury to evaluate the winning designs.

The Table 2 that illustrates crowdsourcing value functions is by no means exhaustive, but rather aims to point out few examples of each value function by case examples. It is noteworthy, that by utilizing crowdsourcing business-to-business companies have been able to create value simultaneously by several direct and indirect value functions.

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Table 2. Case examples of crowdsourcing value functions from supplier perspective

Value Function	Description of the Function	Case Example of Received Supplier Value
DIRECT		
Profit	The financial value of profits a relationship generates	Intuit TurboTax biggest increases in sales taking place after the launch of Live Community, which in part indicates the benefits of social media based customer support crowdsourcing platform in increasing profit of TurboTax product.
Volume	Relationships guaranteeing a certain operating volume	Formlabs achieved its volume goals for production of different price category 3D printer kits and for minimum required funding ($100,000) from customers, e.g. $2,299 for basic 3D printer kit and $8,000 for personalized kit.
Safeguard	Reliability and continuity of a relationship	Intuit used the customer support crowdsourcing platform to safeguard its business and to prevent product abandonment by proving platform for the customers to ask questions and receive replies from Intuit or other customers as needed.
INDIRECT		
Innovation	Creating innovative development ideas through relationships	• Dell received 153 product development ideas from direct customers to their developer laptop in directed Storm Session event organized in IdeaStorm platform lasting from May 6 – Sep 16 2012. • Bombardier received 4298 designs and also 26617 ratings and 8582 comments on competing submissions in their innovation competition organized in YouRail crowdsourcing platform. • Lürssen Werft received 62 models (STEP files or AutoCAD compatible drawings) for new dampening device for wind breaker doors for large mega yachts in challenge organized in GrabCAD crowdsourcing platform in approximately one month.
Market	Accessing new areas and getting contacts to new partners through existing relationships	SAP gained information about potential new customers from SAP Community Network; more than 100 000 individuals joined the SAP Community Network with the first two years, and eight years after its founding the network consists of over 2.5 million registered users (including customers, prospects, partners and independent experts); with 1.5 million unique visitors / month.
Scout	Creating value through information	Intuit tapped into its customers tax knowledge by integrating customer support crowdsourcing platform Live Community into its TurboTax product, enabling users to solve users problems that often were more knowledgeable than company's own agents; for example the TurboTax for Business has 219 answered questions about income-related issues, 412 answered questions about deductions and 142 answered questions about balance sheet.
Access	Creating value through partner contacts	SAP has used an internal people finder application that takes advantage of social analytics aimed at both external social media and internal tools to find the right expert for a given business situation, thus making it possible to crowdsource contacts to important persons

DISCUSSION

We were able to find a number of different types of interesting and useful applications of crowdsourcing in a large variety of different application areas in B2B relationships, which demonstrate the usability of crowdsourcing in the very scarcely studied and understood context of business-to-business sector. In general, the tasks that the studied B2B suppliers had crowdsourced were quite complex, which, much in contrast to common B2C crowdsourcing tasks, were very demanding in regards to the needed variety and depth of competences (e.g. mechanical engineering expertise in Lürssen Werft case).

When answering our research question, what kind of value is crowdsourcing able to create in B2B customer relationships from supplier's perspective, our explorative study showed that the suppliers of B2B's that were involved in crowdsourcing activities have been able to make use of crowdsourcing in many ways in creating value in their B2B business interrelationships. The analysis (see Table 2) demonstrated that in the discovered B2B crowdsourcing approaches we found impacts to both all the direct

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value functions as well as all indirect value functions. The studied crowdsourcing platforms and related crowdsourcing approaches have been used to create value for the focal crowdsourcing supplier simultaneously by several direct and indirect value functions. For example, in the case of Intuit, the company was able to innovate its customer support process by enabling the customers to crowdsource tax advice from each other. Crowdsourcing lead to several benefits for Intuit that were related to direct and indirect value functions. The direct value functions of crowdsourcing included profit in terms of increased profits from product and service offerings, and safeguards in terms of avoiding product abandonment and retaining customer relationships. The indirect value functions of crowdsourcing included scout function, in terms of receiving tax knowledge from customers, and innovation in terms of process innovation of customer support, that also reduces the amount of traditional support needed.

CONCLUSION

This study explored value creation logic of crowdsourcing in B2B relationships. Based on our study we can conclude that the benefits of crowdsourcing in the context of B2B relationships are evident. Value is created through the more easily measured direct functions, but what is notable, especially through the more indirect functions, such as innovation or market function. This dominance of indirect value functions may in part explain why to this date the value of crowdsourcing in B2B context has not yet been realized enough well among companies. In general, indirect value is something that is hardly measurable or even identifiable, and thus this kind of value and benefits are not usually as visible as the direct functions are. However, due to the netnographic research approach and observation methods of the current study, we were able to identify especially the indirect value created by crowdsourcing in B2B relationships.

On the other hand, partly due to the selected methodology of netnographic observation, first, we were not able to make conclusive observations about potential value creation trade-offs, sacrifices or negative impacts to value creation, but some preliminary potential negative impacts to sustainable value that we came up with in the analysis included for instance that in certain cases, competitors may gain the same information and use it in their own product development and business development. Since the central aims of our study did not focus on the negative impacts of social media, we will leave this analysis to be done in the future research. Second, we could not directly observe the direct value function impacts of social media, except for the Formlabs case. This does not, however, mean that such impacts would not exist in the studied or other cases, but instead these could be reached by use of other research methods. The challenge in this kind of analysis is to find the appropriate methods to measure which financial impacts are created by crowdsourcing and which are related to other actions of the company. Thus, further research is needed to complement our study with other methods, such as direct interviews of companies that are practicing B2B crowdsourcing through social media- based crowdsourcing platforms.

Future research should complement these results by interviews of case companies to uncover the value functions that were not possible to observe by means of netnography, as well as for instance the potential negative impacts of crowdsourcing and social media to value functions. Due to the exploratory nature of this research and research methods, further studies should be carried out to further confirm the preliminary case-based results. Especially longitudinal studies to discover the long-term benefits and impacts of crowdsourced products on the profitability, compared to internally developed products, should be carried out. In addition, based on the finding of this exploratory study, we see as one central further research area to be covered in more detailed level the potential negative impacts/costs of crowdsourc-

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ing, such as e.g. IPR risks. This kind of analysis would enable evaluation of the total tradeoff between benefits and sacrifices brought by crowdsourcing in B2B contexts. In addition, based on the increased understanding of the value creation logic of crowdsourcing in B2B relationships, analysis of the business models of B2B supplier crowdsourcing could also be achieved in future studies.

Although a lot remains still to be studied around the theme of crowdsourcing and social media, some practical implications has already been achieved in this paper. The managers of companies that operate in B2B markets and produce B2B products can utilize the recognized and analyzed social media- based crowdsourcing approaches as useful models for facilitating their own open innovation activities and experiments. They can for instance pinpoint examples of crowdsourcing use in B2B relationships, which support best the strategies of their own companies, for instance increasing the profitability, related to direct value functions, or innovation, related to indirect value functions.

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Chapter 40
Applying Business Solutions to Social Problems:
Social Co-Operative and Its Business Model – Evidence From Poland

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ABSTRACT

Although research on social entrepreneurship has been expanding in recent years, the literature regarding business models in the context of social enterprises is still limited. This chapter explores the issues of business models in both profit and nonprofit contexts and discusses how value, being both the foundation and the overall outcome of the business model employed, is created. It begins with the background on the characteristics of social enterprises. This is followed by the conceptualization of business models and their components designed to account for their unique. Then a case to illustrate it is presented. The objective of the chapter is twofold. First, it is to analyse how nonprofit business models are different from its for profit counterparts (at the conceptual level) and to introduce relevant analytical framework. Secondly, the chapter aims at providing a case based on the particular model of a social enterprise in Poland (social co-operative) in order to investigate whatever the business models for profit firms could be applied in the social enterprises.

INTRODUCTION

Starting from the 1990s, a process of reorientation of social policy in the direction of activating support recipients might be observed in Europe. The new approach is referred to as active (or activating) social policy (APS) (Rymsza, 2007, p. 178). Such a shift is occurring both at the level of individual countries and in the structures of the European Union (Van Berkel & Hornemann Møller, pp. 15-44). The basic principles of APS comprise: (1) the preference towards the principle of public participation, i.e. the incorporation of beneficiaries of social programmes into active social life, even at the cost of limiting the level of social security; (2) the activation of the recipients of support through dissemination of vari-

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ous forms of supported employment, especially social entrepreneurship; (3) concentrating the support on the unemployed who are able to work (or likely to regain such an ability); (4) the change in the type of delimited goods rather than the reduction of the scale of social transfers: the redistribution of work instead of the redistribution of benefits; (5) going beyond the traditional ideological divisions between supporters and opponents of the welfare state; (6) the cooperation with non-governmental organisations, in particular with nonprofit entities and organisations operating in the social economy sector (Szarfenberg, 2007, p. 412; Vis, van Kersbergen & Hylands, 2011, pp. 346-350; Rymsza, 2013, pp. 125-135). In addition, Europe's reorientation toward supporting programmes aimed at activating beneficiaries has led to the rediscovery of social entrepreneurship, and, together with it, of the achievements of the social economy movement of the late 19th and early 20th century and the interwar period. Currently, we are witnessing the second wave of interest in the social economy.

In the 1990s, both in the literature and public discourse, two concepts of the emergence of social economy entities appeared. The literature frequently refers to such a mechanism as social entrepreneurship. The entities of social economy, that is social enterprises, are defined as institutions and organisations that primarily wish to pursue a social mission and achieve social objectives (Shaw & Carter, 2007, p. 423). The concepts of social entrepreneurship in Europe were shaped under the influence of an intensive development of the third sector, its professionalization and the development of the so-called new social economy, focused on integration with labour market. In the U.S., the development of these ideas was subject to the influence of economic universities, such as Harvard Business School, and the theory of social change (Nicholls, 2006, p. 3). In the case of the American concept, entities of social economy are shaped by the market, as innovative solutions aiming at sustainable social change. The European concept focuses on a group, the collective process of creating social economy entities, in which an important role is played by democracy, and it is evident in the choice of leadership, management, and the participatory role of each member. An important issue that makes both approaches distinct is the role of a leader, or an initiator of a social enterprise. The American concept assumes utmost importance of an individual, a charismatic leader, the so-called social entrepreneur, who has solid, measurable characteristics and predispositions that increase the probability of success of such an undertaking in the future (Defourny & Nyssens, 2010, pp. 43-48).

The need for social economy and social entrepreneurship arises also from the fact that traditional political and economic solutions are no longer good enough to guarantee a minimal quality of life to a rising number of people. Therefore, social economy appears as an answer to the increasing disproportions between the rich and the poor and a response to the exclusion of large social groups from mainstream social life. Its goal is to create social enterprises, as well as new social entrepreneurship culture, oriented primarily at inclusion of marginalized groups through active participation in it. The specificity of this sector of the economy stems from the fact that it associates economic activities with social objectives (Perrini &Vurro, 2006; Rymsza, 2007; Thompson, Alvy & Lees, 2000). One of the objectives of social entrepreneurship is job creation, which, as well as being a key component of economic growth, is an essential tool for poverty alleviation. Social entrepreneurship can thus address two important aspects of the UN Millennium Development Goals: economic development and poverty alleviation. It also refers to the objectives of the Europe 2020 strategy, which sets out a vision of Europe's social market economy for the 21st century and puts forward three mutually reinforcing priorities:

- Smart growth: developing an economy based on knowledge and innovation;
- Sustainable growth: promoting a more resource efficient, greener and more competitive economy;

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- Inclusive growth: fostering a high-employment economy delivering social and territorial cohesion (European Commission [EC], 2010).

The growing importance and recognition of social enterprise in recent years puts pressure on their success and efficiency in their governance. This in turn encourages taking a closer look at business model for social enterprises, as they not only may explain competitive advantage and performance, but also are the logic of the organisation, the way it operates and how it creates value for its stakeholders (Demil & Lecocq, 2010). Taking the above-mentioned facts into consideration, the purpose of this chapter to identify and explore the components of a business model for social enterprises. This will be done by: (1) analysing how nonprofit business models are different from its for profit counterparts at the conceptual level, (2) introducing relevant analytical framework, and (3) providing a case based on the particular model of a social enterprise in Poland (social co-operative) in order to investigate whatever the business models for profit firms could be applied in the social enterprises.

THEORETICAL PERSPECTIVE ON SOCIAL ENTERPRISE

According to Perrini and Vurro (2006, p. 74), the literature on social entrepreneurship might be divided into two main streams: one positions social entrepreneurship in the nonprofit theory, while the other characterizes it as a new interdisciplinary phenomenon. What connects these two points of view is that they both stress the aspect of tackling important social problems (Austin, Stevenson & Wei-Skillern, 2006, p. 13). And so, on the one edge, there are authors such as Boschee (1998), Boschee and McClurg (2003) or Dart (2004). They include social entrepreneurship within the scope of research on nonprofit organisations, arguing that this concept might be explained as "the latest innovation" in the functioning of social enterprises, and then justified by the interest of nonprofit entities in managerial competence and in the market-based approach, taken in order to improve their operational efficiency and productivity. In this perspective, a social enterprise and social entrepreneurship are treated as "a set of strategic answers to turbulence of environment and to situational challenges that nonprofit organisations face nowadays" (Dacin, Dacin & Tracey, 2011, p. 1206). Therefore, social entrepreneurship is seen as the third sector's response to an altered situation which might seem dangerous at the macro level: a predicted collapse of the welfare system, increasing financial pressures on organisations working for social goals, rising costs in many areas of the social sector, and the reduction of public and private grants and subsidies (Dees & Elias, 1998, pp. 165-178). At the other extreme, one might enumerate the advocates of extended theories of social entrepreneurship, such as Thompson, Alvy and Lees (2000), Hockerts (2005), and Mair and Martí (2009), who believe that the phenomenon may be regarded as a new, independent and largely interdisciplinary field of research. They highlight the quality of social entrepreneurial initiatives, treating it as the basis for the field. In this spirit, they define a social entrepreneur as an innovator, capable of making an active contribution to social change, through creativity and attitude towards innovation – that is, typical features of the classical entrepreneurial process (Perrini & Vurro, 2006, p. 76).

All researchers, however, seem to agree on the fact that the key to understanding this concept lies in the field of business entrepreneurship and in J. Schumpeter's theory, which forms the basis of social entrepreneurship (Mort, Weerawardena & Carnegie, 2003, p. 80). What social and business entrepreneurship have in common is a strong inclination for innovation and change, as well as the ability to perceive unmet needs and the resulting opportunities for entrepreneurial activities (Short, Moss & Lumpkin,

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2009, pp. 172-176). In other words, projects in the field of social entrepreneurship are often innovative and – like purely business-like venture – they become agents of change, as well as the driving force of social and economic progress (Leadbeater, 1998, 58).

Considerable discrepancies exist as to the meaning of a social enterprise, which might be said to be the result of historical circumstances of the creation of this type of phenomena in different countries, as well as its economic nature. A social enterprise is a common example of a hybrid organisation (Battilana & Lee, 2014; Haigh & Hoffman, 2014; Michelini & Fiorentino, 2012). Battilana and Lee (2014, p. 400) define 'hybridity' as "the state of being composed through the mixture of disparate parts". According to Haigh and Hoffman (2014), social enterprises combine elements from for-profit and non profit fields as well as mixing market- and mission-oriented beliefs to address social issues. Based on the proposal included in the UK government document, social enterprise can be defined as an institution that runs business activity, sets primarily social goals, reinvests the earned surplus for those purposes in the business or in the community, rather than being driven by the need to maximize profits for shareholders and owners (DTI, 2002). According to Leś (2004, p. 7), it combines the characteristics of a non-governmental organisation and a market entity, creating new jobs and setting additional goals of sustaining these jobs and providing services to local communities. Pearce defines it as "all the economic entities that have a social objective, are not oriented towards the generation and distribution of capital, and have a democratic and measurable structure based on joint governance" (Pearce, 2003, p. 190). Haugh also sees a social enterprise as a collective term defining organisations acting for social objectives. They share the commitment to finding solutions, based on commercial experiences, which will allow them to pursue social goals and reinvest profits from the operations with the benefit for the community (Haugh, 2006, p. 5). Thompson and Doherty (2006, p. 403) define them as organisations that apply business solutions to address social problems, while Deloitte (2014, p. i) proposes a wide definition describing a social enterprise as "a corporate entity that exists primarily to promote public benefits using business strategies, and financial capital, and offering innovative ways of operating for social and/or environmental purposes". According to Yunus, Moingeon and Lehmann-Ortega (2010, p. 311), a social enterprise is a new organisational form, originating from somewhere between a for-profit and a nonprofit organisation, designed and operated just like a 'regular' business enterprise, with products, services, customers, markets, expenses and revenues (p. 311). The main difference, however, is the fact that social enterprises attempt to create social value instead of delivering a dividend to shareholders.

Given the complexity of the phenomenon and the numerous interpretative disputes throughout the world, the EMES network provides nine guiding criteria that an organisation should meet to be closer to 'an ideal' type of social enterprise (Defourny & Nyssens, 2013). These are: continuous provision of goods or services, undertaking economic risk, hiring paid employees, a clear goal oriented towards the benefits of a local community, bottom up initiative, high level of independence from other organisations, nonprofit distribution, participative nature of the enterprise and decision making not based on share in ownership (rule: one man-one vote). Generally, the characteristic organisational forms that social enterprises adopt depend on the existing legal frameworks, on the political economy of welfare provision, and on both cultural and historical traditions of nonprofit development in each country. As a consequence, the social enterprise sector nowadays may comprise both new typologies of organisations, as well as traditional third sector organisations. What is more, various different terms are used interchangeably such as social businesses (Molyneaux, 2004), social-purpose businesses (Cooney, 2011), community enterprises (Tracey, Phillips & Haugh, 2005), and social ventures (Sharir & Lerner, 2006). All that makes social enterprises difficult to define and categorize. However, regardless of the legal form, their

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principal purpose is not to generate commercial profit, but above all, to create workplaces for people at risk of social exclusion and professional marginalization and engage in delivery of social services and work integration services for disadvantaged groups (such as people with disabilities) and communities (Wronka-Pośpiech & Frączkiewicz-Wronka, 2014). As a key actor undertaking efforts to address many complex issues that the world faces today, it also focuses on providing a benefit to society as a whole rather than just the owners of the enterprise. Such an agenda makes the social enterprise an ideal vehicle for addressing the global concerns of the environment, healthcare, education, culture, economic growth, and poverty alleviation.

SOCIAL ENTERPRISES IN POLAND

In Poland, despite eight years of legislative effort, social enterprise is still an umbrella concept and neither official definition of social enterprise exists, nor a legal construct has been introduced into the system (Ciepielewska-Kowalik, Pieliński, Starnawska & Szymańska, 2014). An attempt to provide a definition of a social enterprise has been recently made in the draft National Programme of Social Economy Development (KPRES, 2014), which defines social enterprise as an entity demonstrating the following characteristics:

- Carrying out business activity with clear organisational boundaries and own financial reporting.
- The objective of business activity is either:
  - Social and employment integration of people at the risk of social exclusion (operationalized as employing a minimum of 50 per cent of staff from among those at risk of social exclusion or at least 30 per cent of disabled); or
  - Providing public benefit services while at the same time fulfilling pro-employment objectives.
- No distribution of profit or financial surplus among shareholders/partners; using profits or financial surplus to increase company capital, and in a certain share for:
  - Social and employment integration, in case of enterprises with pro-employment objectives; or
  - Providing public benefit services for the local community where an enterprise operates.
- Democratic governance or at least consultative role of employees and other stakeholders; and a salary cap for managers.

As highlighted in "A map of social enterprises and their eco-systems in Europe, Country Report: Poland" (EC, 2014, p. 2), The National Programme (KPRES, 2014) assumes the adoption of an Act on Social Enterprise which would introduce a social enterprise status enabling organisations to register as social enterprises on condition that they fulfil certain conditions. Nowadays in Poland a number of organisations with diverse institutional forms have many of the distinctive features of social enterprises and are often referred to as such in the public discourse. The broad spectrum of social enterprises consists of the following types of organisations (EC, 2014, p. 1):

- Non-profit organisations, including foundations, established in order to implement socially or economically beneficial activities and self-governing non-profit voluntary associations that perform revenue-generating activities.

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- Co-operatives for the disabled and blind (being a specific subgroup of labour cooperatives) and social cooperatives established to promote the social and professional reintegration of their members into the labour market.
- Vocational enterprises for the handicapped (ZAZ), objective of which is carrying out rehabilitation activities (rehabilitation of disabled, especially with severe disabilities) along with economic activities.
- Vocational therapy workshops (WTZ), which can be established by associations, foundations and other organisations and its primary objective is therapy and rehabilitation of disabled.
- Social integration centres (CIS) and social integration clubs (KIS), which organise educational programmes for people at risk of social exclusion and support individuals and their families in re-establishing and maintaining their ability to participate in the life of the local communities.
- Limited liability companies or corporations that pursue a public benefit mission (so-called non-profit companies).

These legal and organisational forms, as the authors of "The first ICSEM Working Paper" remark, can be grouped in the three models of social enterprise (Ciepielewska-Kowalik, Pieliński, Starnawska & Szymańska, 2014, p. 8-9). Each of them derives from a different pillar of organisations that stay close to a set of EMES classical social and economic criteria for a social enterprise. These models of social enterprise are model 1 (traditional cooperatives and social cooperatives), model 2 (entrepreneurial non-profit organisations such as foundations, associations and other voluntary organisations), and model 3 (work and social integration social enterprises such as social enterprises for the disabled or social enterprises for wider group of persons threatened by social and economic exclusion). It should however be born in mind that, in spite of corresponding to the notion of social enterprise, most of existing in Poland legal and organisational forms do not fulfil all the EMES criteria. For instance many associations and foundations in Poland do not employ paid staff (relying on volunteers) and hardly do they conduct economic activity in a strict sense. Other entities such as ZAZ, CIS, KIS or WTZ do fulfil EMES criteria but they have no legal form and usually exist within third sector organisations, mainly associations and foundations (Ciepielewska-Kowalik, Pieliński, Starnawska & Szymańska, 2014, p. 8). They are also mostly relying on public funding instead of generating sufficient income being a result of collective efforts of their members and workers in the market. Therefore, in the light of EMES classical definition, only polish social co-operatives fulfil the criteria of a social enterprise. A social cooperative is an adaptation of the cooperative legal form and is characterized by the features of a social enterprise recognized at the European level:

- Combination of social and economic functions in their operation;
- Non-profit distribution constraint;
- The principle of democratic, shared management, based on a general rule of cooperative movement, stating that a cooperative is an association of people and not capital;
- High degree of autonomy. (EC, 2014)

In Poland, specific legal framework for social cooperatives exists that is Act on Social Co-operatives dated 27 April 2006. Polish social cooperatives are based on the models of social cooperatives in Italy, referred to as work integration social cooperatives and aiming at social and economic integration of individuals who are exposed to social and economic exclusion (such as long-term unemployed or the

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ones with low employability, the physically or mentally disabled, and other marginalized groups such as the homeless, alcohol and drug addicts, ex-convicts, refugees) (Starnawska, 2014). Many existing social cooperatives dedicate themselves to inner-city community renewal by providing sustainable employment – including living wages, job training, and benefits – to hard-to-employ individuals. Therefore, they work towards social and work reintegration of their members, via creation of new jobs to help the disadvantaged return to the labor market (Act, 2006). According to polish legislation, the minimum number of founding members is five in case these are natural people, and two in case these are legal persons (NGOs, public authorities, church units) (Starnawska, 2015, p. 83). Social cooperatives can benefit from state subsidies, particularly from the employment fund when created by or for socially excluded people. According to the most recent data, there are about 1312 social cooperatives in Poland. What can be observed is a significant growth in their number as in 2009 there were 187 social cooperatives, in 2010 – 276, in 2011 – 425, and in 2015 – 1266. This significant growth is the result of the support granted to setting up social enterprises with the investment of public money, mainly European funds. These funds, aimed to fund jobs for newly established social enterprises, have proven to be a great incentive for socially or economically excluded individuals.

SOCIAL ENTERPRISES AND VALUE CREATION

Nowadays the concept of value, which is of particular importance to business organisations, is also slowly gaining recognition among researchers of nonprofit organisations, because the ability to generate value, such as educational or cultural value, is the measure of an organisation's social utility, and, ultimately, it translates into support which the organisation obtains from its environment (Koźminski & Jemielniak, 2008, p. 430). Furthermore, this ability might be described as the energy driving a nonprofit organisation to take action. For this type of organisations, the original idea of value had to be modified, because of the need to characterize the activities of these entities by means of not only economic, but also social issues. The economic aspects belong to the classical canon of the basics of microeconomics and macroeconomics, and combining them with the social side of business is difficult, might be considered in various ways, and generates controversy; hence the need for research in that field. As a result, various attempts were made to answer the question of how to assess the results of the operation of nonprofit entities, not only financial, but also in the broader sense, including results hard to quantify, expressed by the value that they have for their clients, e.g. social cohesion or reducing marginalization, as well as how to configure the business model as a consequence of this assessment. It is clear that in the course of the development of society, the preferences regarding value alter; hence the need to keep re-determining what the genuine priority is at the time. With the knowledge of what is defined as value at a given time, organisations can plan their activities so as to obtain the support of stakeholders, and thus valuable resources. For organisations, this results in the need to correctly identify the needs of their stakeholders, and internal antecedents of the business model, in order to formulate it properly. Moore and Khagram (2004, p. 3) indicate that the identification of value is closely related to the task environment, because this is where the evaluation whether the value delivered to society is indeed significant actually happens.

Social enterprises, public organisations or non-governmental organisations often emphasize that they do not operate for profit, which means that the rules that govern typical businesses are not applicable. It is hard to fully agree with this statement, because if an organisation has a well-tried way to create, deliver and use value, it must also have a business model. Social enterprises do not generate financial returns for

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investors or owners, yet they do need to create value in order to finance their goals by means of donations, grants and revenue from services. In turn, public organisations receive financing from taxes, fees and income from services, but they are also responsible for creating value for citizens. Non-governmental organisations pursue their mission by focusing on generating social good rather than financial return on investment, but they also need a stable business model to achieve economies of scale. In the case of social enterprises it can be assumed that their primary goal is to create social value through the performance of tasks and the fulfilment of a social mission. Since they are different than commercial enterprises in, among others, their desire to support social change, the framework of organisational effectiveness will vary (Herman & Renz, 2008, 344). Performing the tasks of an organisation and completing its mission should result from the creation of fundamental decisions and actions that shape and indicate what an organisation does and why it does it. A social enterprise must be able to fulfil its mission and to have such legitimacy in the community that will enable it to reach a size sufficient for having a significant impact on society. Inevitably, the proper management of relationships with stakeholders plays a crucial role in the legitimacy and the settlement of obligations imposed (Ospina, Diaz & O'Sullivan, 2002, p. 9). Achieving financial stability, although important, is only a means to the ultimate objective, which is to achieve a positive impact on the current situation.

Therefore, in order to recognise how social enterprises build and use their resources to offer their customers and/or beneficiaries better value, it is necessary to focus on employed business models. Understanding how it determines the tactics available to the enterprise to cooperate with or compete against others derives from proper describing of the value offer to a group or groups of customers, including the definition of basic resources, processes (activities), as well as the external relations of the enterprise. Of course, dualism of the objectives of social enterprises must be reflected in the business model. Only by proper designing and employing business models can social enterprises achieve a competitive advantage position relative to their business, make the most of opportunities, be able to solve social problems, and contribute to the welfare of the people.

BUSINESS MODEL AND ITS CONCEPTUALIZATION FOR SOCIAL ENTERPRISE: DETERMINANTS AND COMPONENTS

The concept of 'a business model' – due to globalization, the use of information technology in activities, and the increasing complexity and turbulence of the world – permanently entered the practice and theory of management in the last decade of the 20th century. The concept itself is young and, because of its interdisciplinary nature, frequently challenged. Academics have started to study business models more scrupulously in the last 15 years. However, it is worth mentioning that in the fifties Drucker (1954) already emphasised the importance of a business model that could answer the following question: who is your customer? What does the customer value? How do you deliver value at an appropriate cost?

Several definitions of business models have been proposed in the literature. Firstly, taking into consideration its semantic meaning, model is the simplification of reality, and business is the activity related to value creation (Palo & Tähtinen, 2011, p. 378). According to Timmers (1998, p. 4), a business model stands for "an architecture of the product, service and information flows, including a description of the various business actors and their roles; a description of the potential benefits for the various business actors; a description of the sources of revenues". Chesbrough and Rosenbloom (2002, p. 529) speak of "the heuristic logic that connects technical potential with the realization of economic value". Amit and

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Zott (2012, p. 42) define a business model as "a system of interconnected and interdependent activities that determine the way the company does business with its customers, partners, and vendors". Afuah and Tucci (2001, p. 3) propose the business model as unifying construct for explaining competitive advantage and firm performance and define it as "the method by which a firm builds and uses its resources to offer its customer better value and to make money by doing so". Casadesus-Masanell and Zhu (2013, p. 464) see business models as the "search for new logics of the firm, new ways to create and capture value for its stakeholders, and focusing, primarily, on finding new ways to generate revenues and to define value propositions for customers, suppliers, and partners". Markides (2006, p. 20) speaks of the discovery of fundamentally different business models in existing businesses: "to qualify as an innovation, the new business model must enlarge the existing economic pie, either by attracting new customers into the market or by encouraging existing customers to consume more." Teece (2010, p. 172) mentions "the essence of a business model is in defining the manner by which the enterprise delivers value to customers, entices customers to pay for value, and converts those payments to profit." Most scholars agree that the business model emphasizes a system-level, holistic approach to explaining how firms do business, that is how value is created and captured (Zott, Amit & Massa, 2011). It has also been stated that a well-tailored and successfully implemented business model can generate large amounts of money, while the wrong kind can lead to a business failure (Gibson & Jetter, 2014). In summary, the author follows Demil and Lecocq (2010) and define business model as the logic of the firm, the way it operates and how it creates value for its stakeholders.

Many researchers when defining a business model focus on specifying it main components. For example, Timmers (1998) points to:

- An architecture for the product, service, information flows, including a description of various business actors and their roles;
- A description of potential benefits for the various business actors;
- A description of the sources of revenues.

According to Afuah and Tucci (2001) components of the business model include customer value, customer segments, scope of products and services, pricing, revenue sources, connected activities, implementation, capabilities, and sustainability. Hedman and Kalling (2003) propose "causality related components" of a business model being: 1) customers, 2) competitors, 3) offering, 4) activities and organisation, 5) resources, 6) supply of factor and production inputs, and 7) the scope of management. The last component is supposed to cover the dynamics of the business model over time and the cognitive and cultural constraints that managers have to cope with. Newth (2013) suggests diversifying between qualitative and quantitative components of business model. In the first group she lists a value proposition, strategic resources, and dynamic processes, while in the second group – revenue sources, cost structure, and profitability. According to Johnson (2010), a business model consists of four elements: the customer value proposition, the profit formula, the key resources, and processes. One widely used framework for mapping business models is the Business Model Canvas (BMC) presented in 2004 (Osterwalder & Pigneur, 2004). Osterwalder and Pigneur (2010, p. 14) define a business model as "the rationale of how an organisation creates, delivers and captures value". In their conceptualization, a business model focuses on four major areas for consideration: infrastructure, offering, customers, and finances with nine sub-areas, which are in line with the process of making money by a company. These are:

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1. Target customers, which include the segments of customers to whom a company wants to offer value;
2. Value proposition, which presents a general view of a company's products and services that create value for a specific customer segment.
3. Distribution channel, which explains the diverse means through which the company communicates with and reaches its customer segments to deliver a value proposition.
4. Customer relationship, which describes the type of links a company forms between itself and its different customer segments;
5. Key Resources, that allow an enterprise to create and offer a value proposition, reach markets, maintain relationships with customer segments, and earn revenues.
6. Key Activities, which explains what actions are required to create and offer a value proposition, reach markets, maintain customer relationships and earn revenues.
7. Key Partnerships, which outlines the network of cooperative agreements with other organisations that are essential to efficiently offer and distribute value;
8. Revenue streams, which portrays the way a company makes money through a variety of revenue flows.
9. Cost structure, which sums up the monetary consequences of the company's means employed in the business model (Osterwalder & Pigneur, 2010).

Each sub-area of the BMC template describes relevant activities. Infrastructure embraces key activities (i.e., value chain), key resources and the partner network. Similarly, the offering comprises the value proposition as proposed by the organisation. Customers include the description of the segments, channels, and type of customer relationship being used. Lastly, finances cover the cost structure and revenue streams. All of the above-mentioned elements compose a business model.

Although knowledge on business modelling in the profit sector is still at its early development stage, one can say it has recently gained ground. At the same time, the social enterprise business model was not given its well-justified attention. The business models of social enterprises are in the first place oriented to resolving social and environmental issues. In this vein, profit generation is not always the predominant concern of social entrepreneurs. Therefore, one of the fundamental questions every manager must ask: "How do we make money in this business?" (Magretta, 2002, p. 87) should be rethought and revisited. A variety of concepts relating to the notion of the business model indicate the need for understanding how value – which is both the foundation and the overall outcome of the business model employed – is created in organisations. In social enterprises, the equivalent of value may be social value, defined as "the degree to which a social enterprise is socially useful" (Głowacki & Jelonek, 2013, p. 11). Social usefulness, in turn, is the degree to which these entities accomplish the goals that are assigned to them. Wilson and Post (2011) acknowledge that understanding the business model of a social enterprise is what makes the achievement of the social mission possible. Although social enterprises create value and earn money at the same time, the goals might be prioritised differently compared to classic for-profit business models (Wronka-Pośpiech & Frączkiewicz-Wronka, 2014). Even though how social entrepreneurs manage to create value without always generating profit in their enterprises raises interest among researchers, the literature regarding business models in the context of social enterprises is still limited. Similarly, the experiences that can be set as good practices and used to create sustainable, positive action patterns for social enterprise are also limited. The matters of social enterprise business models, with their unique nature particularly highlighted, were presented by Czemiel-Grzybowska (2010, pp.

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120-121), according to whom this nature results from: (1) the formulated social goals; (2) economic objectives expressed outright (understood as an attempt to obtain a certain level of revenue from sales of products and services, as well as bearing economic risk); (3) democratic management; and (4) social property. One of the few propositions is the one by Yunus, Moingeon and Lehmann-Ortega (2010), who identify four components of a social business model: (1) the value proposition (the stakeholders and the product/service), (2) the social profit equation (the social profit and the environmental profit), (3) the value constellation (the internal value chain and the external value chain), and (4) the economic profit equation (the sales revenues, the cost structure, and the capital employed). However, Wilson and Post (2011) criticize this approach and claim that this idea lacks the direct mechanism for organisations to be able to properly address social issues. Another approach is suggested by Lee (2015, p. 285), according to whom a social enterprise business model is "a decision-making framework for developing logically coherent activities to support social mission- driven value creation and formulating strategies to sustain competitive advantage". In his paper, he describes six logical business model components, which interact in order to generate social and economic value. These are: (1) Value Proposition, (2) Legal and Governance Structure, (3) Market Scope, (4) Networked Activities, (5) Resources, and (6) Sustainability (Lee, 2015, p. 286). The components are divided into two levels: the foundation level (value proposition, legal and governance structure, market scope, and networked activities) and the performance level (resources and sustainability). There are also several variants of the Business Model Canvas for social enterprise, one advantage of which is the fact that, due to its flexibility, it can be modified for specific applications or new types of business forms, such as nonprofit and social enterprises (Gibson & Jetter, 2014). Obviously, the BMC cannot completely capture the specificity of social enterprise business model. Both researchers and practitioners point out to the necessity of adding other components in order to understand how social enterprise creates, delivers and captures value. There are several variants of the Business Model Canvas for social enterprise, such as GoGreen Portland, which proposes adding Problem and Impact and Measurements. Problem component focuses on the specific problem the enterprise wants to solve, while Impact and Measurements addresses the social/environmental impact that social enterprise wants to achieve (GoGreen Portland). Smith (2012) suggests that in order to avoid confusion in having Donors and Beneficiaries in one canvas, a social enterprise should create two different variants of BMC. The first one bases on Osterwalder's Canvas but has specific focus on Donor's perspective, while in the second one Value Proposition is replaced by Impact Metrics. Another modification is the one by Social Innovation Lab (2013), in the proposition of which Value proposition is altered into Social and Customer Value Proposition, Impact Measures is added in Value Proposition component, Customer Relationship is replaced with Type of Intervention, and Surplus component is added to the BMC framework. The latter focuses on how surpluses have to be reinvested into the mission, addressing on of the specific features of social enterprise. Also, Michelini and Fiorentino (2012), in order to identify the main difference between the social and inclusive business models, propose to broaden BMC framework with the ecosystem (such as governance, the value chain, skills, and the network partners), the market (the customers and the distribution) and the economic features (revenue management). Another proposition of components by Brzóska and Jerzok (2014) who points out to (1) the generated social value, (2) human resources (employees), and – if applicable – (3) supporting the activities by social franchise (Brzóska & Jerzok, 2014, pp. 68-69). The latter might be treated as external resources available for use, but also as an offer to other businesses, constituting new social value. In Polish conditions, adopting the franchise model to social enterprises might be seen as an innovative approach. The proposition developed by these authors is presented in the figure below.

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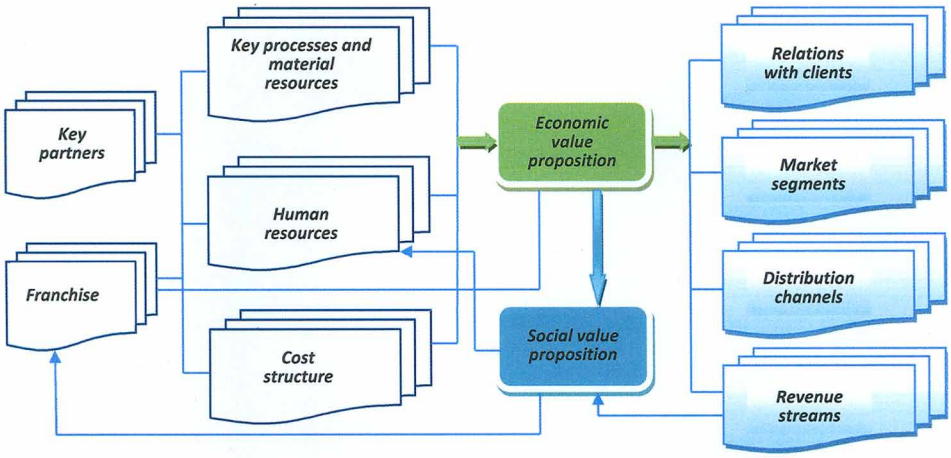
Figure 1. Social enterprise business model
Source: Brzóska & Jerzok, 2014



Even though Osterwalder and Pigneur (2010) claim that the Business Model Canvas includes all important elements of a business, one may argue that in the case of social enterprises one important aspect is overlooked, namely a social mission. In the model of Brzóska and Jerzok (2014), this issue is partly addressed by including a social value proposition as one of the components. This is a significant alteration, as many earlier studies have proved that a social mission is incorporated inside the entire value chain of a social enterprise, and that it creates the DNA of the enterprise (Austin, Stevenson & Wei-Skillern, 2006; Doherty, Haugh & Lyon, 2014; Wilson & Post, 2011). The following section illustrates the application of proposition by Brzóska and Jerzok (2014) using the example of a business model of the existing social enterprise.

THE IDENTIFICATION OF THE BUSINESS MODEL FOR A SOCIAL COOPERATIVE OPERATING IN POLAND

As noted previously, in the light of EMES classical definition, only social cooperatives fulfil the criteria of a social enterprise in Poland. Therefore, the author decided to provide a case to illustrate how the business models for profit enterprises could be applied for social enterprises. Due to the fact that specific features of social cooperatives (such as social and economic integration of its members) are taken into consideration it is reflected in the presented business model. As the topic of the business models for social enterprises generally lacks empirical research, the presented data could enrich existing research with a wider perspective.

The social enterprise that is the subject of this case operates as a social cooperative in one of the major Polish cities with the population over 300,000. The cooperative presently employs 7 people with a severe or moderate level of disability, those aged over 50 and/or possessing substantial life experience. They look after the elderly and disabled (but not bedridden due to carers' own limitations) and win contracts for distributing leaflets (by public tender), however the latter activity is treated as marginal. It is important to note, that the author has a good working relationship with the organisation having

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served there as an external strategy consultant for social cooperatives. Additionally, author's hands-on experience in empowering trainees working in the non profit sector through counselling, consulting, coaching and strategy development has equipped her with a perspective relevant to this study, allowing for successful data collection, on one hand, and facilitating communication with the cooperative, on the other hand. This approach is in line with Van de Ven's (2013) engaged scholarship, which emphasizes the co-production and co-ownership of the research process and challenges visions of academics as the sole knowledge producers and drivers of academic inquiry (Dempsey & Barge, 2013, p. 671). In addition to the data collected in the course of the study the author also used her own experiences and personal notes from the period of time when she had been working with the social cooperative. This is in line with Eisenhardt (1989) and Yin (2003), who value the possibility of the joint use of different data collection techniques. To sum up, in order to gather data for the case two semi-structured interviews with the management were conducted between March and April 2016 (one face-to-face, the other on the phone). In order to complement primary data, secondary data were used as well (the social cooperative website, newspaper articles, and annual reports).

The following section contains description and analysis of the social cooperative business model broken down into components. The author have used proposition of components presented by Brzóska and Jerzok (2014) basing on the Business Model Canvas template.

Customer Segment

Who is the social co-operative customer and for whom value is created?

The main ordering parties of care services are local government of the district (*powiat*) and the commune (*gmina*) as well as individual persons. In the case of the local government, the basic forms of concluding contracts are competitions and tenders, the completion of which provides social cooperative with regular orders (contracts are signed by communal social welfare centres for a year or two). Unfortunately, in this case, the price obtained for an hour of service is much lower than in the open market, as a result of the limitations of communal budgets, as they have to provide welfare services to a increasing number of clients. In the case of individuals, obtaining a direct request for a service from clients requires prior „reaching out" to them but at the same time it guarantees higher payment received for the same type of service. These are the most important clients, particularly because they are in most cases acquaintances (a neighbour's mother, a husband's aunt, etc.). The weight of caring for people in need of others' help permanently or temporarily is placed upon their family, and when the family cannot provide proper care, it is placed on entities prepared for this, including social cooperatives. An increase in demand for care services is also associated with the change of the family model, aging population, prolonged retirement age, and the migration of the younger generation.

Economic Value Proposition

What specific Value proposition does the social cooperative address to its customer segment?

Help and support in the form of care services is organised in the homes of ill, elderly or disabled people. In this way, the clients' basic physiological (biological) and psychosocial needs are fulfilled. By providing daily hygiene and care as well as preparing meals, social cooperative employees assist in meeting everyday needs. The offer of care and assistance services for people with disabilities alleviates the problems of old age, or visual, auditory and kinaesthetic deficits. A vast majority of other entities

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operating in the market of care services are individuals. Since social cooperatives write out bills for services they perform, expenditures on care for people with disabilities provided at their home may be partially refunded, as granted by the law.

Social Value Proposition

What specific public/social value does the social cooperative address to local community where it operates?

Initiatives taken by social enterprises are assessed positively as long as an organisation pursues values shared by a given community. This ensures the fulfilment of the needs that the community perceives as significantly improving the quality of life. Through the presence at and around clients' home, social cooperative employees respond to their need for security and stability, as well as the vital psychosocial need of social contact and feelings. They also provide contact with the outer world to people suffering from loneliness, who require assistance due to elderly age, illness or other reasons. Moreover, activities performed by social cooperative sometimes positively influence the changes in a family in the case of an illness of one of its members. However, the most important social value created involves providing employment to people with a severe or moderate level of disability, those having life experiences and/or 50+.

Key Resources

What resources the social cooperative needs to make sure their business model works effectively?

The provision of care services requires no additional equipment, other than client's personal objects. Anti-pressure sore mattresses, grab bars, booms, climbing frames, toiletries and household equipment composes a client's equipment. Social cooperative employees do not need special means of transport to provide this kind of services, and if some matters have to be settled at the office or a medical facility, public transportation is used. Office work, accounting, and managing require the equipment present in most households, i.e. a computer, a printer, a phone.

Human Resources (Employees)

What competences and personality traits should the social cooperative's employees possess to make sure their business model works effectively?

The fundamental and indispensable resource is people with great empathy. No one knows more about the needs of the elderly or the disabled than these people themselves, or people in a similar situation. For each client, one caretaker is required. Therefore, there need to be at least 5 caretakers (in Poland the legal status of a social cooperative requires that at least 5 people join it as members at its inception), however currently the cooperative gives employment to 7 people. The ladies who had had other occupations so far or had not had the appropriate qualifications to become a professional caretaker or a disabled person's assistant all volunteered at a local social care institution. Many free trainings are available on caring for persons permanently immobile or assistance to a disabled person. Social welfare centres, projects with ESF, Red Cross and other professional training institutions organise such courses. As it was already mentioned, the social cooperative employs people with a severe or moderate level of disability. Thus, this business model can be used to activate the disabled, and those aged over 50 and possessing substantial life experience.

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Key Activities

What activities the social cooperative has to undertake to make sure their business model works effectively?

The basic premise of the cooperative's activity is „self-sufficiency". Accounting is performed within a part-time employment contract (1/2 FTE). The cooperative's manager is employed part-time (1/2 FTE). The establishment of the board consisting of 3 members might be seen as almost direct management, when considering 7 people on the staff. No activity is outsourced. One could say that key activities are connected with management, organisation and promotion of the cooperative. The key process in the operations of the cooperative are the monthly meetings of all members of the cooperative, which might also be seen as the board meetings extended to comprise other staff members. It is the time to speak their minds, discuss their concerns, analyse a monthly financial situation of the cooperative, exchange information on current and future potential clients, etc. It is important that these meetings take place outside the cooperative's premises. Independent public space (facilities made available particularly for non-governmental organisations) and the time of appointments (beyond service hours) make the meetings effective, integrating, and facilitative in solving emerging conflicts but also in fostering mutual trust.

Key Partners

Who are the social cooperative's key partners and suppliers who enable to create value for their customers?

Both partners and stakeholders of the cooperative are set within the local environment, as the co-operative originates from it. This local community provides the cooperative with potential customers. Municipal authorities and local administration are one of the most important stakeholders, as has already been proven in the past – it was the local administrator who has announced a competition for the provision of services related to the distribution of advertising materials for tourist information centers, airports, etc. The cooperative won the competition and we have been providing these services for 5 years. Therefore, good relationships with the local government might make the municipality the cooperative's key ordering party in the future.

Relations With Clients

How does the social cooperative has to build relations with clients to make sure their business model works effectively?

Relationships with major clients are based on trust and emotional bond. Clients once acquired become attached to „their" caretakers, resistant to the activities of the cooperative's competition, and less motivated by price in their choices. Loyalty and empathy are the only price paid by the cooperative's employees.

Channels

What channels can the social cooperative use to deliver their product or services to customers?

Buzz marketing and the reputation that the cooperative has earned for itself work well in care services. They are the most effective and do not require any financial outlay. In the first year of activity, in order to secure a continuity of services, the cooperative submitted a tender in response to a competition announced by the local authorities. This way, they obtained clients from a list provided by Municipal

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Social Welfare Center. The business approach adopted by the cooperative involved conducting the price calculation that allowed them to provide care services both through the municipal welfare centre and in the open market.

Revenue Streams

In return for what, how much and in what way does the social cooperative receive financial means from customers?

The cooperative's clients, i.e. individuals using care services, give their payments in cash to the caretaker, and she submits the money to the cooperative's teller desk. The rate per hour charged for care services in the open market in the city where the cooperative operates is now at the level of PLN 10-15. Payment due dates depend on when clients receive their disability/retirement pensions. The Municipality Office pays for distribution services via a bank transfer within 14 days from service provision, as agreed in the contract. Public funding, i.e. the State Fund for Rehabilitation of Disabled Persons, is an important revenue source for the cooperative. This is a partial refund of salaries, as the cooperative employs people with a severe or moderate level of disability. The funding results from the regulations of the Law on Social and Vocational Rehabilitation and Employment of Disabled, and will continue until the law remains in force. This is ca. 40% of the cooperative's revenue. If treated as a reimbursement of salaries or increased costs of employment of persons with disabilities, this has an impact on the level of prices for care services the cooperative provides. This supports them in being competitive and enables financial independence.

Cost Structure

What are the fixed and variable costs of the social cooperative's business model?

Due to the service nature of activities, 80% of the costs are salaries and benefits associated with them (social security contributions). It is the work of caretakers and disabled people assistants that generates the highest costs, but these are direct costs (salary for 1 hour is 10-15 PLN). It is the positive side of this business model because the funding is not allocated in stock, frozen in misguided investments, or in products for which there is no demand.

The presented social cooperative is aimed at social integration of people with a severe or moderate level of disability (aged 50+) through work. It pursues its objectives by creating employment and providing care services as well as distributing leaflets. Apart from creating *economic value* for customers such as high quality service, it also creates *social value* (creates employment for hard-to-employ individuals) and positively influences changes in customers' families. The social cooperative's model is targeted both at individual persons and ordering parties of care services such as local government and the commune. Given the fact that nowadays aging, the migration of the younger generation and prolonged retirement age are not fads but reality, such clear and definite *customer segments* seems to be reasonably set out. With respect to *key resources*, apart from tangible resources and equipment present at clients' houses, the cooperative relies heavily on knowledge to deliver value proposition. The primary sources of knowledge for the analysed social cooperative are life experiences of its members, practise gained during volunteering at a local social care institution, and free trainings (such as i.e. assistance to a disabled person) provided by social welfare centres, Red Cross and other professional training institutions. In terms of *human resources* the ultimate and imperative resource is people with great empathy

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who constitute the social cooperative. To separate the functions of a manager and an accountant, and to ensure the proper functioning of the cooperative, part-time employment (1/2 FTE) is devoted for each function. The additional 1/2 of working time is dedicated to the substantive work as an assistant to a disabled person. Such a model, i.e. combining the work of a manager and a disabled person's assistant, an accountant and a caretaker works very well, and reduces unnecessary administrative costs. A part-time manager and a part-time accountant (1/2 FTE per each) support 6 FTEs of caretakers/assistants. The number of staff devoted to care/assistance only could still be increased. *The key activities* in the social cooperative are management, organisation and promotion. These activities can be divided further into supervision of financial resources, setting work schedules for employees, organization of work in the cooperative, promotion and managing relationships with stakeholders. No activity is outsourced. *The key partners* strongly influence proper functioning of the social cooperative. Therefore, it is necessary to manage relationships with stakeholders such as municipal authorities, local administration, social welfare centres and customers themselves. Trust and competence are the key *customer relationship* features characterising analysed social cooperative. As the local government might be perceived as key ordering party in the future, good working relations are also of crucial importance. *The channels* of value delivery differ depending on the customer segments. Face to face contact or conversations over the phone are used as a channel to reach or update families of clients to whom social cooperative provides care services. In terms of providing care services through the municipal welfare centre more formal channels of communication are requisite, resulting from the fact that as at first public entities are required to issue requests for proposals. Generally, marketing is based on customer recommendations and promotion by befriended organisations, housing cooperatives, parishes, family members and friends, which makes maintaining professional relations with these actors vital. Social cooperative has various *streams of revenues* and financial support. Firstly, individuals using care services or their families pay caretakers in cash. The second stream of revenue comes from Municipality Office who pays for distribution services after the service is provided. In order to balance revenues it is necessary to ascertain that arrangements concluded with social welfare centre are secured, making sure to verify which price per hour of care ultimately wins the tender. An important and relatively stable source of revenue is also the State Fund for Rehabilitation of Disabled Persons. Possibility to use this source is a consequence of the fact that social cooperative employs people with a severe or moderate level of disability. *The costs structure* of the analysed social cooperative covers the operational expenses for managing it, including remunerations. Distribution services for the city generate material costs associated with the use of a private car for business purposes, but the price calculation of the service is very favourable, and the work done by one of employees is very profitable. However, due to rather low profitability of the business model, it is necessary to minimize costs.

SOLUTIONS AND RECOMMENDATIONS

The objective of the case presented above was to illustrate how business models for profit enterprises could be applied for social enterprises, which use both customary and innovative business models to achieve a social and environmental impact and/or meet sustainability goals. Below the author deepens the subject and uses the Business Model Canvas to present the analysis of 16 business models, prepared in collaboration between managers of social enterprises and experts within PI-PWP Replikator project co-financed by the European Union (Brzóska, Durczok, Jerzok, Zarębski & Żbik, 2014). The analysis

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of the aforementioned business model leads to the conclusion that in the area of (1) *economic and social value proposition* the managers indicated what specific value is targeted at a selected customer segment. This part of the business model focuses on proving that the activities taken by a social enterprise have real significance for the local community and contribute to the achievement of social cohesion. In the area of (2) *customer segments*, a manager specified who the customer of a social enterprise is, and for whom value is created. The emphasis was on properly identifying the groups of the beneficiaries of social enterprises. What appears significant in the created models is holistic thinking, consisting of broadening the field of results, and not only relating the results to those who work in a social enterprise, but also showing how and what activities impact the quality of life of the local community in which the organisation operates. The area concerning (3) *customer relationships* enables to define how to acquire, enhance and retain the value of customers in the long term. The main activities that managers in social enterprises indicated are related to establishing prestige and trust, and contribute to the networking and cooperation in local communities and among local authorities. In the area of (4) *channels*, it was identified which channels can be used to provide customers with products or services offered by social enterprises. In this area, it is crucial to take into account the means of communication that social enterprises employ to communicate with the potential recipients of services and/or products. The proper preparation of content for the area concerning (5) *the revenue streams* allows the estimation of for what, how much and how a social enterprises will receive funds from their customers, as well as support from their stakeholders operating in the task environment. The area of (6) *key activities* allows for the instantiation of measures that should be taken by a social enterprise in order for the planned business model to operate well. It is also necessary to determine (7) *key resources* (tangible, intangible and human resources), which will contribute to this. The fact that social enterprises are unique players in the market means that it is extremely important for these entities to correctly identify (8) *partners*, i.e. all organisations that support and assist in the implementation of planned activities and proceeding towards achieving the objectives. In the area of defining the business model, a manager has to consider who are the key partners and suppliers owing to whom a social enterprise creates value for its customers. The last area in the business model specifies (9) *the cost structure*, and mainly shows the breakdown into fixed and variable costs.

The study revealed that social enterprises operating as a social cooperatives could use the concepts and elements of business models characteristic to for-profit enterprises. However, both presented case and the abovementioned analysis of 16 business models reveals the need to expand the Business Model Canvas framework with additional components, as it overlooks some aspects in the context of social enterprises. Therefore, it needs to be modified to be more adjustable to social enterprises reality such as creating social value (primarily aiming at addressing and satisfying unmet social needs). In this vein, the author suggests that the social mission – being its reason for existence – should be reflected in the business model of a social enterprise. Taking into consideration the distinctive features of social enterprises, the social mission should be the integrating driver of the business model. Furthermore, BMC framework should also be extended with component addressing the benefits for social enterprise customers, being the social/environmental impact that social enterprise wants to achieve.

FUTURE RESEARCH DIRECTIONS

Although the work accomplished by social entrepreneurs is not new, the current momentum behind the movement provides significant base and data for further observations. As theoretical consensus on the

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business model concept either in profit or in non profit contexts has not been reached yet, future research is needed. It may for example seek to empirically explore differences in the nature of business models and their components depending on the legal and organisational form of social enterprise (for instance how the components of a business model differs between work integration social enterprises and non-profit organisations, as well as the implications these differences have for managers). Given the fact that social enterprises are culture-specific, socially embedded, and community-tied, future research in other countries should also be undertaken. Conducting more empirical research such as case studies could help understand the research subject in other situations or contexts. Such studies can also offer important insights for social entrepreneurs, who consider social franchising and replicating business models of successful social enterprises. Another interesting research avenue is examining whether social franchise and replicating business models help social enterprises in achieving market success and reduces risk of market failure. Due to the special role that social enterprises play in economies, the adoption of the engaged scholarship perspective would be beneficiary as it is committed to utilizing the resources of academic inquiry for practical concerns and useful ends. As Boyer (1996, p. 21) argues, the scholarship of engagement is a mode of inquiry "connecting the rich resources of the university to our most pressing social, civil, civic and ethical problems".

CONCLUSION

The development of social entrepreneurship is exceptionally important from the point of view of every national economy because social economy subjects, including social enterprises, constitute a reservoir of resources inaccessible to other forms of activity. These resources can be used to the advantage of local communities, as they play an important role in the implementation and provision of public and social services, and they can also be used in the process of building a democratic and civil society (Hausner 2008, Wygnański 2007). It is worthwhile to invoke here Ducker's words and vision formulated far back in the 1980's, when he pointed out that in the 21st century the condition of the organisations operating in the public and social sector would determine the condition of the economy as a whole. Therefore, nowadays it is crucial to search for the rules and routines of management, which transplanted from the private sector to the public and social sectors (especially to social enterprises), will stimulate the increase in the efficiency of the latter organisation.

Social enterprises are a unique form of entrepreneurship and business, because they meet both social and economic objectives, and in such a way that the economic results are largely channelled to help the organisation's employees and achieve a social mission. In the case of self-financing of social enterprises, the fulfilment of these goals is possible only if they are competitive. In some countries, for example in Poland, only scarce external funds are available to support social entrepreneurship development (apart from public funds and some additional support given to social enterprises). This leads to the situation in which social enterprises are not only grant-dependent, but also self-insufficient. To support their social value, social enterprises should pursue their activities in a thoroughly entrepreneurial way (Chell, 2007). It can be achieved through the development and application of appropriate business models, which is especially important if an organisation operates in an open market.

Previous studies investigated business models from a rather static point of view portraying them as a set of coherent interrelated core business model components. However, Demil and Lecocq (2010) propose a more dynamic transformational approach, which portrays a business model as a tool to manage change

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and innovation in the organisation. This is in line with Teece (2010), who points out that organisations should actively seek and consider improvements to their business models constantly, which means it should be an ongoing process enabling the adaptation to the turbulent and ever-changing environment. The ability to do that may actually be crucial to creating competitive advantage in the future. The author is convinced that applying the business model perspective would also have a positive influence on stronger legitimacy of social enterprises in the society and economy. As Margretta (2002, p. 87) points out, a business model is the story of the business you tell if you are asked what your company is doing. The skillful and deliberate use of business models could help social entrepreneurs tell this story in a more engaging and convincing manner.

The business model itself could also be considered as a framework of educational nature, as it shows business activities in a clear way and facilitate effective decision making with regard to operational and strategic activities in which social entrepreneurs engage. As Lee emphasises "through the development of a business model, social enterprises will be able to understand their business better, find ways to enhance their competitive advantage, and lay a ground work for implementation-oriented business planning" (2015, p. 295). Accordingly, the participation of social enterprises' employees in the development of such models could enable them to better understand the current or planned activities, but also unleash their creativity and innovation, as reflected in the value proposition.

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KEY TERMS AND DEFINITIONS

Business Model: The logic behind the enterprise, the way it functions and how it creates value for its stakeholders.

Business Model Canvas: A common language for describing, visualizing, assessing, and changing business models.

Business Model for Social Enterprise: Decision-making framework necessary for developing consistent activities to support social mission-driven value creation and formulating strategies to sustain competitive advantage.

Social Enterprise: An operator in the social economy whose main objective is to have social impact rather than make a profit for their owners or stakeholders. It operated by providing goods and services for the market in an entrepreneurial and innovative fashion and uses profits to achieve social objectives. It is managed in an open and responsible manner and, in particular, involves employees, consumers, and stakeholders affected by its commercial activities.

Social Cooperative: A specific form of cooperative work. It is an association of people at risk of social exclusion (including: long-term unemployed, the disabled, addicts or the homeless). Within its activities it combines both economic and social functions. The main objective of social cooperative is social and professional reintegration of its members.

Stakeholders: Those groups without whose support the organization would cease to exist and who has an interest in the value created by the organisation.

Social Impact: The effects (improvements) an organization has on society.

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Chapter 41
Knowledge Creation, Management, and Dissemination in Impact Communities

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ABSTRACT

This chapter's mission is to reflect on the steps taken by knowledge (creation, management, and dissemination) in an impact community (IC). Also, it aims to analyze how this knowledge can be capitalized by the IC itself, as well as other ICs, through the replication of good practices. To this end, importance is attached to several stages of the existence of knowledge in an IC: 1) individual knowledge, which each single person carries and integrates into an IC when he/she becomes a member; 2) the combination of all the individual knowledge, which forces one to think in a knowledge management; 3) the moments of knowledge sharing; and 4) the internal and external dissemination of this knowledge. These last two dynamics—sharing and dissemination—result in a replication and multiplication of existing knowledge in an IC.

INTRODUCTION

Communities of Practice (CoPs) are aggregations of people who mobilize their energy to solve common problems through social learning processes. Among other goals, one of the most privileged of belonging to a CoP is the knowledge sharing, which takes place after its creation and is maximized with its internal and external dissemination.

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One of the areas that is currently being explored is the creation of CoP by social entrepreneurs, the so-called Impact Communities (IC), that is, groups of people whose goal is to change the territory through social problems' resolution. They are IC because the creation of value for society is their ultimate purpose, as well as the promotion of change, and this takes into account the direct, indirect beneficiaries and other stakeholders, as well as the use of local resources and / or sustainability, innovation and growth.

Nowadays, Social Innovation is an area where more and more academics and practitioners dedicate their studies and interest. The development of the area has been such that it has moved on to a new phase of creation of IC, spaces where local people gather together to contribute to the socio-economic and cultural territory development.

IC are fed by the definition of CoP with respect to its scope and form, but in material terms they present specific contents, also considering the specificities of its members: social entrepreneurs. The IC arise from the spontaneous desire of social entrepreneurs to come together as a group, to jointly discuss and try to solve problems they face in the development of their initiatives and / or present good examples of managing initiatives. What unites these people in an IC is the desire to find solutions to social problems and transform the territory where they operate. This is the particularity of IC in relation to CoP, the interest is not only self-centered (sometimes this doesn't exist at all), but often it is to solve a problem that affects the environment, someone known, a particular group, or other.

What are the strategies for creating, managing and disseminating knowledge in/of IC? What are the strategies of knowledge internal transfer? How do territories benefit from this knowledge, by becoming Smart Territories as a result? What role for Media and Information and Communication Technologies?

These questions are always an issue in an Impact Community, whether in a conscious way, with procedure manuals being prepared and distributed; or in an unconscious way, bringing some chaos to the IC (in)formality.

Considering the specificities of people belonging to an IC, some concerns have emerged that underline the importance of this chapter:

1. The small number of social entrepreneurs in Portugal (2015 numbers of the Global Entrepreneurship Monitor[1], refer to about 2.9% of the total population) may mean that integration into an IC will make social entrepreneurs' scale of action grow larger because together they are more and because the range of action becomes more embracing;
2. The large number of organizations in the third sector, according to the Cooperativa António Sérgio para a Economia Social (António Sérgio Cooperative for Social Economy)[2] are about 55,000, which implies that, in Portugal, organizations of a more caring nature are replicating more problems and needs than solutions;
3. The lack of funding for innovative social initiatives (mostly justified by the non-compliance of Social Security parameters) often means the difficulty in Social Entrepreneurship initiatives to guarantee their continuity;
4. Given the dispersion of Social Entrepreneurship initiatives, it implies that they do not communicate and are not known, so they do not share problems, solutions or good practices;
5. The lack of knowledge of sharing and communication collaborative tools results in working in niches that does not allow to leverage more and better solutions.

Considering the aforementioned concerns, the paper has four main objectives:

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1. To reflect on the creation of IC in the Portuguese context, but with a proposal of replication in countries with similar characteristics;
2. To reflect on knowledge creation in the IC, analyzing the cycle, which roles are assumed by the members and what manifestations are perceived throughout this knowledge creation;
3. To evaluate the knowledge management in the IC, if it is and how it is carried out and suggest knowledge management frameworks;
4. To reflect on the knowledge dissemination, to foster the internal and external sharing practices of the crested knowledge in an IC through the suggestion of a specific framework for this purpose, using existing technological tools.

In a period of increasing demands in terms of process flexibility and information sharing, it is important that these two dynamics - flexibility and sharing - are carried out in a thoughtful and articulated way with other dynamics. IC, being informal spaces of collaboration, need more processes' codification, so that the information transfer, when necessary, is carried out without entropy and in such a way that the knowledge creation, management and dissemination are carried out and ensure the extraction of the maximum potential of existing knowledge and allow openness for latent knowledge to be exposed.

For the accomplishment of this chapter several phases will be crossed, the first is the systematic review of literature on IC creation; on knowledge creation, management and dissemination in the specific context of IC; the role of information and communication technologies in the knowledge management and dissemination. The second phase is the analysis of the potential creation of IC in Portugal, using the Portuguese Social Entrepreneurship initiatives and social entrepreneurs' characteristics. The third phase is the analysis of the implementation of an IC pilot, from the moment of its creation, through the motivations of the social entrepreneurs for belonging to the IC, to the strategies of communication and knowledge sharing, realizing which critical success factors are important for the maintenance of an IC.

It is intended with these methodological steps to understand the emergence of an IC and its maintenance, but above all, the knowledge creation, management and dissemination, in order to answer the questions: what is the key element that triggers the creation of an IC? How knowledge sharing occurs within an IC? How are the existing knowledge and the sharing / dissemination of good practices / knowledge in an IC perceived? What importance is given to knowledge management in an IC?

BACKGROUND

Social Innovation and Entrepreneurship

The first reference to the concept of entrepreneurship was done by Jean-Baptiste Say, and defined as the transfer of economic resources from a small area to one of greater productivity and income (Say, 1841). A few years later, in the twentieth century, Schumpeter (1949) dedicated his interests to the same concept, pointing out that entrepreneurs are agents of change who explore new forms (or old, but with the application of some novelty) of production, and organization of the business or industrial sector (1949).

Central to the distinction between traditional / commercial and social entrepreneurship is the mission. In 1998, Gregory Dees explained the concept of social entrepreneurship by referring that it includes the characteristics pointed out by Say, Schumpeter and others (Peter Drucker, 1985; Howard Stevenson, 1991), but also include the adoption of a mission that contributes to the creation of social value. The

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social mission (and the search for results) is then the engine for the search for innovative processes, sustainable solutions and continuous learning (Dees, 1998).

Mort, Weerawardena and Carnegie (2003) concluded that social entrepreneurship has a multidimensional nature, since it consists of a number of interrelated attributes or dimensions and exists in multidimensional domains. The authors analyzed the concept considering the latent model of Law, Wong and Mobley (1998). Thus, social entrepreneurs are motivated by a social mission (as Dees, 1998 had already stated); have a balanced judgment when faced with moments of complexity; they always look for opportunities to increase the value created for the beneficiaries of their solutions; finally, they make decisions using innovative instruments, in a proactive way and with some degree of risk (Mort, G. S., Weerawardena, J., & Carnegie, K., 2003).

In 2004, Mair and Martí defined social entrepreneurship as:

a process involving the innovative use and combination of resources to pursue opportunities to catalyze social change and / or address social needs (Mair & Martí, 2004).

That is, they include the innovation factor, the existence of an opportunity and the promotion of social change.

A few years later, Martin and Osberg (2007) defined social entrepreneurship as having three essential components: the identification of a group of causes that creates exclusion, marginalization or suffering situations of a segment of humanity; the identification of an opportunity to act in the solution of the problem encountered; and the achievement of a new balance which would eliminate or reduce exclusion, marginalization or suffering situations of the target audience or even of a wider group of society (Martin & Osberg, 2007).

Santos (2012) wrote the definition of social entrepreneurship that IES-Social Business School[3] would use until the present moment and that gives meaning to the way the association develops its work, as well as to the evolution of its training offer. According to the author,

the process of social entrepreneurship enables the second invisible hand of the economic system, this one based on other-regarding rather than self-interest. By pursuing their regard for others and addressing opportunities for value creation in a distributed way, social entrepreneurs drive the economy closer to an efficient outcome by systematically identifying neglected problems with positive externalities and developing mechanisms to incorporate these externalities into the economic system. (Santos, 2012).

As for the concept of social innovation, Phills, Deiglmeier, and Miller (2008) describe it as a more efficient, effective and sustainable solution than existing solutions to solving a social problem, which seeks above all value creation for society (Phills, J. A., Deiglmeier, K., & Miller, D. T., 2008).

At this point, it is understood that social entrepreneurship and social innovation are two concepts easily confused in their similarities and that, for this reason, they are mentioned side by side, considering the way they complement each other, rather than the differences that separates them.

The difference between Social Entrepreneurship and Social Innovation is that the first one is considered as being more stable, lasting and sustainable, with a vision of profit making, even if it has a social mission of reinvesting in the solution to solve social problems.

Social Innovation is more dynamic, related to the constant search for new ideas, products and services. As Mulgan (2006) points out,

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Social innovation refers to innovative activities and services that are motivated by the goal of meeting a social need and that are predominantly diffused through organizations whose primary purposes are social. (Mulgan, 2006).

The similarity between the two concepts is the social mission, both have as purpose to solve problems of a specific territory or group of people. In fact, Social Entrepreneurship often seeks Innovation to bring some change to the existing balance (Phillips, Lee, Ghobadian, O'Regan, & James, 2015). And, because of the similarity, which is what most characterizes also the two concepts, they often arise associated, Social Innovation and Entrepreneurship.

IMPACT COMMUNITIES AND KNOWLEDGE

Communities of Practice (CoP) are understood as

a group of people who share a concern or a passion for something they do, and learn how to do it better as they interact regularly (Wenger-Trayner & Wenger-Trayner, 2015).

It is the authors' belief that CoP are a powerful tool for project development, as they give the agents of change the opportunity to learn and improve through the regular interaction and sharing practices.

When a group of social innovators and entrepreneurs come together, informally or formally, Impact Communities (IC) emerge. The purpose is to solve social problems in a given territory, to find answers to some problems encountered when trying to implement initiatives in the field. What Toivonen (2013) defines as Social Innovation Communities (SIC).

SIC are defined by the author as,

a perplexing entity that escapes easy categorization: it is heavily networked but not to definable simply as "a network"; practice-focused but not a community of practice (in Wenger's sense); an ecosystem-builder yet not an ecosystem; and concerned with collective processes but not with centrally coordinated "collective impact" (Toivonen, 2013).

SIC are:

an emergent collaborative organization characterized by entrepreneurial projects, loosely shared changemaking cultures as well as online/offline spaces; it continuously facilitates informal but productive interactions between relatively diverse actors, most of whom share an interest in social innovation (in a broad sense) and in open collaboration beyond the bounds of any single organization or narrowly defined issue. (Toivonen, 2016).

The article focus on the concept of IC, since the interest are SIC, but with the evidence on the impact that these produce in the territory, on the positive change produced. Thus, groups of social entrepreneurs that meet, face-to-face or virtually, with the ultimate goal of developing the territory where their initiatives are implemented. This development happens because the solution found for social problems aims to create a positive impact on people and, consequently, on the territory.

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Impact is the direct or indirect change caused by some given action. A time to learn and share those learnings it's also important for social entrepreneurs to achieve their goals.

Moreover, because of what it is the definition of IC used in this research, one understands that the way people gather and share knowledge will help create a bigger positive impact in society, result of social entrepreneurs work.

Knowledge production is the result of established connections between individuals: it makes no sense to analyze these connections - the network - or even knowledge production as if they are isolated elements, but rather as being in permanent interaction since all actors contribute to the same end.

By actors, one consider individuals, objects, institutions, technology, and all that is involved in the knowledge production network (Latour, 2010). Moreover, as Latour states,

that means that whenever you wish to define an entity (an agent, an actant, an actor) you have to deploy its attributes, that is, its network. To try to follow an actor-network is a bit like defining a wave-corpuscle in the 1930s: any entity can be seized either as an actor (a corpuscle) or as a network (a wave). It is in this complete reversibility – an actor is nothing but a network, except that a network is nothing but actors – that resides the main originality of this theory. Here again, network is the concept that helps you redistribute and reallocate action. (Latour, 2010).

The Actor-Network theory proposed by Bruno Latour (2005) and Michel Callon (1986) is, by its scope, applicable to any scientific area, namely, communities' communication processes. In this perspective, what was interesting was precisely to consider that each link is important for communication to be carried out and that the IC has the desired result - the result here being the creation of value for society through the resolution of social problems. Both IC members (internal and external - in this case IES-SBS), as well as the technological tools available, human resources, local organizations and the organizations where IC members work, the environment and the established relationships among the members are important actors in this network that allows communication and, consequently, knowledge production and Smart Territories development.

Knowledge creation, management and dissemination are processes that occur when several factors are combined. One of them, and the most important, is the existence of human critical mass capable of thinking the world and finding ways of changing it for the better, in this specific case, Social Entrepreneurship.

MAIN FOCUS OF THE CHAPTER

Knowledge Creation in Impact Communities

[…] *in a community that exhibits connectivist dynamics, knowledge is not merely distributed from one person to another, but is rather emergent from the communicative behaviour of the whole* (Downes, 2012). This citation lists structural concepts for the article development: community; Learning Theories, namely, connectivism; knowledge and communication, with several points in common and of interrelation between all of them.

The teaching-learning process requires the existence of an emitter and a receiver, since it is performed through a communication dynamic. Those emitter and receiver may not be singular, but a collective of people. Teaching-learning can happen from one to many, one to one or even many to many. Thus, it

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implies the existence of a community, an IC, where the teaching-learning process occurs, which is the knowledge creation. For this, it is considered that the process must be adaptable, not linear but interactive, with a strong dynamic component of fluid-acquisition and constant transmission.

Education and communication for/of entrepreneurship has a relevant role in established networks, through the various living environments, that promote and allow the emergence of learning collective environments, more or less structured, but always with the purpose of promoting learning, knowledge creation, the connection between people and knowledge. Education for entrepreneurship is at the same time effective in a media ecosystem, in which ICTs induce and promote the immaterial approximation of actors, generating collective learning environments.

Learning generation is the transfer of a set of data and information that gathered in a coherent and consistent way, produce knowledge. This only gains the utility that underlies it (even by the definition that is attributed to it) when transformed into moments of sharing and construction: effective learning with behavior changes.

Allied to what has just been mentioned, and the definition of Social Innovation and Entrepreneurship used in this chapter, if, on the one hand, the learning generation and sharing are important variables to generate change; on the other hand, it is necessary that this learnings generates local dynamism and territorial development.

IC are, therefore, (1) spaces for the knowledge creation, as a result of the interaction of their members and; (2) spaces for sharing such knowledge with members or others with the same interests and contribute to change. The Communities are directed towards the outside, hence their aim is to contribute to (3) revitalizing their members (solving problems that may arise in the development of their initiatives or encouraging action in the community) and the territory and, consequently; (4) territorial development, which should be the objective underlying the constitution of a Community and its action over time.

Knowledge Management in Impact Communities

Learning spaces are being perceived since late 20th century. Although original and interesting ways of learning have always existed, only in that period specialists start to think about the deep changes needed so that learning can be flexible, spreadable and shareable.

Knowledge generation exists because once existed data and information. In fact, every territory is a living space of data and information relevant to the understanding of its evolution. But the action of man is necessary for these contents to be managed and disseminated.

Furthermore, the learning generation is precisely the transformation of a set of data and information without utility in a coherent and consistent knowledge. This, in turn, it only gains utility when transformed into sharing and building moments: the effective learning.

Allied to what was mentioned and to Social Entrepreneurship, there is the felt need for local change, through the resolution of social and/or environmental problems. Thus, if on the one hand, knowledge generation and sharing is an important variable to promote change; it is also necessary that that knowledge creates local dynamics and territorial development.

And when a group of people get together with the same purpose, in this case, to produce social change, then the focus should be on the territory development where they perform their activities. Thus, it is necessary to bear in mind which goals are intended to achieve at the micro level (the IC) and at the macro level (the society), having a deep knowledge about the territory, its existent problems and solutions.

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Knowledge Dissemination in Impact Communities

The concept of Network Learning Communities was used to express the relationship created and existing between individuals belonging to a community, as well as the learning processes that are being promoted, extending in time and disseminated in space, especially with the Information and Communication Technologies (Rajagopal, Brinke, Bruggen, & Sloep, 2012).

The role of media in knowledge dissemination produced within the IC and social relations can be seen in a constructivist reading (Cole, 2003; 1996; Vygotski, 2007; 1934), since artifacts are now mediators of most human activities. Technological change supposes changes in habitus (Bourdieu, 2010; 1979), and in turn, technologies and their uses are modified by changes in the same habitus and, consequently, in individuals.

The Internet is responsible for facilitating communication, both internal and external. E-mail is now the privileged medium for exchanging ideas, responding in a labor and training contexts. But it is also with the use of the Internet that true collaborative communities are created. Crumlish and Malone (2009) agree that social experiences that have been unleashed can be a very enriching way of generating content, new products, business models or even productive processes, so companies are starting to accept the creation and use of social networks and incorporating them as another mode of production (Crumlish & Malone, 2009). According to Almeida (2012) there are three essential aspects in the existence of these networks and in the use of electronic mail: communication that exists, the fact that it is an important business tool and because it is an auxiliary of E-learning (Almeida, 2012).

Thus, among the advantages of using Web 2.0 we have the following: computers and smartphones include the emergence of more knowledgeable, critical and demanding citizens; the relevance attached to informal learning and innovation, the blurring of hierarchies and the shift to network-based heads. And among the disadvantages are: the possible weak participation of some individuals who feel less knowledgeable about the technologies, and thus excluded from the communication process, it may even be delivered to some elites, who in a way repress participation and collaboration; the lack of privacy; and the risk of poor participation. (Fernandes, Mozzicafreddo, & Cardoso, 2010).

The emphasis should not be placed on technology, but on culture, facilitating and encouraging the use of technology, but always on a logic of favoring the more flexible and less labor-intensive realization of work and training practices (Fernandes, Mozzicafreddo, & Cardoso., 2010). Collaboration, teamwork, information flows management, speed, efficiency, automation of repetitive tasks, minimization of their duration, innovation, personal and professional enrichment, are some keywords of the network communities of this millennium.

Schaffers, Brodt, Pallot, Prinz, and Instituu (2006) show that there are four types of support guaranteed in what the functions performance is related: what happens in the same time and space; what occurs in a different time and in a distributed space, but both predictable; when time and space are different and unpredictable; and, finally, the workplace in which employees are aware of time and space. The transition from one category to another takes place through a greater or lesser media usage, especially mobile technologies, through which it is possible to attend meetings at a distance, respond to emails, participate in discussions, as well as being part of collaborative work communities (Schaffers, H., Brodt, T., Pallot, M., Prinz, W., & Instituut, T., 2006).

The way in which the relationships between individuals are developed has changed over the years, making close what is distant, allowing those who are distant to participate. This is one of the great

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advantages of implementing communication processes based on communication technologies and the model of Schaffers et al. (2006) is an example of this. Technologies should be the means to facilitate communication between members, whether in the same space or not, be it synchronous or asynchronous communication, communication with the outside world or between members.

SOLUTIONS AND RECOMMENDATIONS

IC are defined as spaces where learning is generated and disseminated; are open to this dissemination, sharing and interaction; promote the development of people and the territory; are therefore a way of creating value for society. (Putz & Arnold, 2001). Thus, as tools that serve the IC, ICTs are perceived as mediators in these processes of learning and social interaction (Moreira, Costa, & Vieira, 2016); promoters of knowledge sharing; places where knowledge can be accessed, just as the recognition of territories as intelligent and sustainable is made public.

Geographical dispersion of Social Innovation and Entrepreneurship initiatives, as well as the lack of mechanisms that allow the knowledge of these initiatives to be created, has as a consequence the fact that sharing and cooperation is not always a practice among the initiatives or even the entrepreneurs. More than that, and except some cases, working alone, lack of communication and even the lack of similar solutions in close territories are the most common problems when analyzing work practices (Sacchetti & Campbell, 2014).

But how can social entrepreneurs be the creators of their own community, even with the support and knowledge of specific organizations as IES-Social Business School? The goal is to put social entrepreneurs in communication, sharing learning and knowledge disseminating, through a hybrid learning strategy, combining online and offline communication.

The solution considers the ICT tools available to this effect, since it takes into account the geographic dispersion of the Community, the location and the contact points between its members. It also takes into consideration the proficiency in the use of ICT by these same members and the time of existence of the IC itself, including the importance of maintaining face-to-face contacts at frequent intervals.

For communications that seek to bring the elements together and continuously over time, you can turn to Facebook. In fact, this is a tool that is suggested to use since the beginning of the IC existence, since it encourages the sharing of varied information and can be added and withdrawn members at any time.

For scheduling face-to-face meetings, email is an excellent tool, complemented by Facebook and event sharing. In this way, the objectives of the meeting, the location and the hours can be added, as well as sharing some important document for the meeting preparation. To enhance the presence of those who are further away geographically, it is suggested to use skype.

But there is still the issue of the IC dissemination in the territory and the work developed and it is considered that the use of newsletters is a quick way to disseminate what has been done and even to have a perception of that work by IC members.

The strategy involves combining several tools and modes of action in each one of them, being the email, a social network, a synchronous online conversation tool and the newsletters. This combination is what guarantees that the knowledge dissemination exists and sharing and the learning generation occurs.

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FUTURE RESEARCH DIRECTIONS

The IC creation are drivers of the learning process of many to many, where communication can occur face-to-face or virtually, by using sharing and online conversation tools (such as skype).

Through the IC, its participants will be able to share challenges, experiences, solutions, knowledge, learning and work together if there are synergies between initiatives. Basically, legitimacy is conferred on all those who are part of the Community, since the goal is not the transmission of knowledge but the sharing, everyone will have something to add and learn (Gilchrist, 2009).

In order to indicate future work, it is considered that the relationship between the Big Data concept, Open Data practices, Social Innovation and the development of Smart Territories would be a very relevant area, understanding how the learning Collective Environments of social entrepreneurs, combining existing information about the territory and citizens, could promote better decisions of the initiatives and, consequently, the resolution of a more sustainable way of the problem.

Engagement is an important part of an IC whether upstream or downstream. As mentioned by Elkjaer (1999), only a full participation in the community activities can guarantee a sense of belonging. And this sense of belonging guarantees the IC sustainability.

ICT support the characterization of IC as open spaces, or open learning networks (Mott, 2010) and consequently as personal learning networks (Rajagopal, K., Brinke, D. J., Bruggen, J. Van, & Sloep, P. B., 2012). ICTs are important to feed the involvement and learning in an IC today, considering the importance they assume in the lives of individuals, but also the importance they have for people who are connected 24/7, increasing the feeling of belonging.

ICTs also allow the transmission of knowledge among SIC members and, as referred by Bradbury and Middlemiss (2015).

If a participant's knowledge has been passed on to other generations, then it re-mains in the shared repertoire of the community when they leave. The passing-on of knowledge, therefore, contributes to the association being able to sustain itself in the long term (Bradbury & Middlemiss, 2015).

It is understood that established networks that promote the emergence of more or less structured IC have a preponderant role, but always with the purpose of promoting learning, knowledge ant its dissemination, and the connection between people. IC guarantee the sense of belonging and concrete and achievable action, through the pursuit of clear goals, stable and permanent in time. To this end, it is desirable that they make use of the existing ICT, which can be important aids to the achievement of all the above conditions, and also to help people who are geographically distant feeling that belong to the IC, and are not inhibited of collaborating, participating and communicating.

CONCLUSION

As said in the beginning, this article intended to:

1. To reflect on the creation of IC in the Portuguese context, but with a proposal of replication in countries with similar characteristics;

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2. To reflect on knowledge creation in the IC, analyzing the cycle, which roles are assumed by the members and what manifestations are perceived throughout this knowledge creation;
3. To evaluate the knowledge management in the IC, if it is and how it is carried out and suggest knowledge management frameworks;
4. To reflect on the knowledge dissemination, to foster the internal and external sharing practices of the crested knowledge in an IC through the suggestion of a specific framework for this purpose, using existing technological tools.

Those objectives intended to produce knowledge on how ICs can be an important tool for the development of more sustainable, efficient and effective Social Entrepreneurship initiatives. As a consequence of this and of knowledge sharing, networks and Smart Territories will arise.

Therefore, there are some important final considerations to present at this stage:

- ICs are spaces of learning and knowledge sharing;
- IC empower people to develop more efficient, effective and impactful initiatives;
- Social Entrepreneurship has the potential to create Smart Territories and improve its inhabitants quality of life;
- ICTs are important tools that, when combined, promote the three previous conclusions;
- ICTs contribute to the development of ICs, since it allows them to be spaces of communication, share and learning in a broader sense of time and space (Galbraith, B., Cleland, B., Martin, S., Wallace, J., Mulvenna, M., & McAdam, R., 2013).

There are several transformations that have taken place over the years in society. Two of them have been discussed in the chapter, intersecting each other by the potential they bring to each other: the importance attributed to the way of solving social problems, through Social Innovation and Entrepreneurship and the integration of communication technologies in labor processes.

Joining Social Innovation and Entrepreneurship (SIE) and communication technologies we have all the potential brought to the constitution of IC, with new forms of communication between people who are distant, efficiency in productive processes of social problems solving and, consequently, territorial development. These are the so-called IC.

The great motivation to belong to an IC is to learn. Learning is the engine of the constitution of an IC. But this is also a negative aspect, because being IES-SBS the bridge between the moments that made the entrepreneurs know each other and the constitution of an IC, there is a certain dependence on the search for knowledge and learning. IES-SBS, as being the promoter of the IC, is frequently called to intervene in several training moments, what was intended to be avoided.

ICs are one of the best ways to learn and disseminate knowledge, especially when taking into account its implementation the communication processes, which should be open, flexible and efficient, so that they can also promote ways of working with these three characteristics.

Furthermore, it is understood that ICs, being spaces that reflect and act on the territory through social entrepreneurs, have a preponderant role in the transformation of territories into Smart Territories. IC promote, as mentioned, reflection and action in very specific aspects, social and / or environmental

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problems, meaning that they are a point of contact between several central areas: economy; mobility; environment; people; living; governance.

IC mobilize economic agents to solve social problems related to mobility, environment, life, people, acting directly and indirectly on the governance model of all spaces, organizations and entities.

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KEY TERMS AND DEFINITIONS

Cooperation: The process through which people are open and put in practice ways of sharing data, information, and knowledge. This can include processes, privileged information regarding a territory, a person or groups of people. The goal is to share and work together, mostly to achieve a common goal.

Impact Communities (IC): Spontaneous groups of people, and what makes them arise is the sharing of common goals, be it the answer to a concrete problem, the finding of solutions, the sharing of experiences, the contribution to the improvement of a territory, the search for personal enrichment, or learning sharing, among many other factors, but always with others in the constructive sense.

Information and Communication Technologies: Information is acquired through the processing of previously created data or the joining together of several different data that, in turn, after the treatment

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of information, become knowledge. While communication has its essence in communication and not in the content. Technology is what mediates the transmission of information and communication between an artifact and the user.

Information Sharing Practices: Similar to the previous one, however, this practice does not include the necessity of working together. This is understood as a way of developing a framework that allows actors to access information in a more efficient way.

Knowledge: Exists when an amount of data is transformed (after its analysis) into information and this information is again transformed and then related to other information(s) to provide knowledge. The transformation and relation of groups of information provides knowledge. It is the sharing process that provides the knowledge existence.

Social Entrepreneurship: The path a person follows to change their society or community, increasing the positive impact of his/her actions by solving a societal problem. It is important that the initiative has a concrete and sustainable business model be as much extended in time as possible (considering the possibility of replication), but also seeking its own extinction (it means the problem is solved). Furthermore, it should enable its target population to continue that positive path (and this includes being consulted, being part of the solution, and aim to end the problem they are facing) in an innovative way (different from the main alternative solution).

Social Innovation: The process of being constantly looking for new processes, products, and ways of doing. It is different from the previous concept because it is more dynamic and does not consider the need to make money that guarantees the idea sustainability.

ENDNOTES

1 http://www.gemconsortium.org/

2 http://www.cases.pt/

3 IES-SBS stands for Social Entrepreneurship Institute and Social Business School. It is a Portuguese non-profit association, with the mission to inspire and empower for a better world through Social Entrepreneurship. It offers training courses according to the projects' life cycle and knowledge in SE.

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Chapter 42
Professional and Business Applications of Social Media Platforms

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ABSTRACT

This chapter provides an overview of the challenges and benefits of social media across various industries. The use of social media has created the highly effective communication platforms where any user, virtually anywhere in the world, can freely create the content and disseminate this information in real time to a global audience. The chapter argues that professional and business applications of social media platforms can enhance business performance toward reaching strategic goals in the digital age. What are keeping various industries awake these days? Why are social media applications important to various industries? How do social media platforms apply for professional and business perspectives across various industries?

INTRODUCTION

The diffusion of social media has opened the new possibilities for the targeted stakeholder communication (Saxton & Guo, 2014). Social media is recognized as a new platform which can be used as a competitive marketing tool by business organizations (Hassan, Nadzim, & Shiratuddin, 2015). Social media is used as an information source, including information related to risks and crises (Westerman, Spence, & van der Heide, 2014). Social media technology initiates the new ways of consumers' interactions in modern business with firms (Olsen & Christensen, 2015). Social media tools can be used by business organizations of various sizes and types as a marketing tool (Birkner, 2011). Carr et al. (2015) found that social media information is useful for marketers as they can directly track the consumer responses to marketing campaigns, product performance, and the changes in consumer sentiment toward a brand.

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This chapter aims to offer a consolidated view of the business applications of social media. The extensive literature of social media applications provides a contribution to practitioners and researchers by describing the professional and business applications of social media platforms to maximize the business impact of social media applications in terms of customer relationship management, customer retention, product marketing, cost control initiatives, public relations, and sales.

BACKGROUND

In recent years, social media has gained popularity and attracted a great deal of attention among researchers and practitioners (Gan & Wang, 2015). According to Bernabe-Moreno et al. (2015), social media started as a space where could interact with other users, share content, and express their personal views. Social media comes in various forms, such as social networking sites (Facebook), blogs, microblogs (Twitter), collaborative projects (Wikipedia), content communities (YouTube), virtual social worlds (Second Life), and virtual game worlds (World of Warcraft) (Olsen & Christensen, 2015). Social media has changed the way that people interact with each other and with companies (Hanna, Rohm, & Crittenden, 2011).

Social media is the major component of social applications in organizations (Atzmueller, 2012). As the Internet users experience the usefulness of social media, it encourages the immense adoption of the medium and enables the Internet users to gain the power over information selection, thus affecting their behavior and attitude (Durukan, Bozaci, & Hamsioglu, 2012). Internet users have many options concerning their intention to use social media, due to the availability of hundreds of social media sites with the different features and user groups (Zolkepli & Kamarulzaman, 2015). Social media space becomes a common place for communication, networking, and content sharing (Paniagua & Sapena, 2014).

SOCIAL MEDIA PLATFORMS IN BUSINESS PRACTICE

Overview of Social Media

Social media provides a participatory media environment based on the interactive Web 2.0 platform (Hwang & Kim, 2015). The application of Web 2.0 has helped in the growth and public popularity of social networks and has created a new world of collaboration and communication (Pookulangara & Koesler, 2011). The rise of Web 2.0 has enabled customers to effectively act and react on what companies are doing (O'Reilly, 2007). Web 2.0 promotes the interactive information sharing, interoperability, user-centered design, and collaboration on the World Wide Web, thus allowing users to interact with other users (Click & Petit, 2010). Berthon et al. (2012) indicated that Web 2.0 technologies have three effects: a shift in the locus of activity from the desktop to the Web, a shift in the locus of value production from the firm to the consumer, and a shift in the locus of power away from the firm to the consumer.

As social media becomes the popular news platforms, journalists and news organizations have been keen to capitalize on their potential to build and maintain audiences (Lee, 2015). Organizations need to use social media sites to communicate with their audiences and to engage in dialogue on a regular basis (Sisco & McCorkindale, 2013). Social media can serve as platforms to address sustainability issues (Nwagbara, 2013). Twitter, Facebook, and other social media sites are recognized as the platforms for the networks of friends (Auer, 2011). Talent management makes a company more competitive in

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business competition. A company that has super talented employees always produces better products or services compare to competitors that only have employees with average talent. The right use of social media can strengthen talent management programs to create social and cooperative work environments in modern organizations.

Social media includes seven resources: identity, conversations, sharing, presence, relationships, reputation, and groups (Kietzmann, Hermkens, McCarthy, & Silvestre, 2011). As people spend more time on the Internet, managing reputation on social media becomes crucial for public relations (Ott & Theunissen, 2015). The Internet of Things (IoT) is all about connecting physical objects to the Internet and enabling them to communicate with each other. The IoT in social media context can be used to bring people together based on their needs toward increasing business performance. Communication organizations (e.g., advertising and public relations agencies) try to incorporate social media into their campaigns to catch up with the new media trend (Li & Tsai, 2015). Social media has had a significant impact on human resource practices and has been the basis for employment decisions that have resulted in litigation (Drouin, O'Connor, Schmidt, & Miller, 2015).

Employers are using social media as a mechanism to screen the potential job candidates (Curran, Draus, Schrager, & Zappala, 2014). The increasing use of social media at work offers organizations new opportunities for employee learning on the job (van Puijenbroek, Poell, Kroon, & Timmerman, 2014). Social media is the new communication channel in migration networks (Dekker & Engbersen, 2014). Motivations regarding individuals' use of social media develop social relationships and gain information (Nadkarni & Hofmann, 2012). Because of the range of motivations, the diversity of social relationships, and the vast quantity of subscribers, personal social media usage has become intertwined with the workplace (Drouin et al., 2015).

Social media serves as the important tools for facilitating interpersonal communication, business, and educational activities (Ephraim, 2013). Facebook and other social media platforms have been recognized as delivering the promise of the socially educational experiences for students in undergraduate, self-directed, and other educational sectors (Friesen & Lowe, 2012). In education, web-based social media applications can be applied to knowledge management, organizational learning, electronic learning (e-learning), mobile learning (m-learning), educational computer games, game-based learning, distance education, teacher education, and teacher professional development. Teaching strategy plays a key role in supporting students in moving from using social media in order to support coordination and information retrieval to also using such media for collaborative learning, when appropriate (Hrastinski & Aghaee, 2012).

Purposive value, self-discovery, entertainment value, social enhancement, and interpersonal connectivity are the fundamental requirements that are broadly adopted for the online media (Cheung, Chiu, & Lee, 2010). Social media technology can enhance the improved organizational productivity by fostering the communication and collaboration of employees which aids knowledge transfer and makes organizations more profitable (Kasemsap, 2014a). The use of social media creates the opportunity to turn organization-wide knowledge sharing in the workplace from an intermittent, centralized knowledge management process to a continuous online knowledge conversation of strangers, unexpected interpretations, and dynamic emergence (Majchrzak, Faraj, Kane, & Azad, 2013).

Social media is the boundary-spanning tool that can be used to build and increase the companies' absorptive capacity (Ooms, Bell, & Kok, 2015). The capability of social media in building brand in the global marketplace is practically important in modern advertising (Kasemsap, 2015a). Social media marks a huge range of the personalized cloud computing platforms and functions of interaction on the Web

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(Bianco, 2009). Many benefits of social media can be achieved through the utilization of technologies, such as cloud computing and virtualization (Kasemsap, 2015b). Researchers and practitioners should recognize the importance of cloud computing toward gaining sustainable competitive advantage in global supply chain (Kasemsap, 2015c). Applying data mining techniques to social media can help provide insights into group behavior and divulge a group's characteristics by identifying a group, developing a profile for a group, revealing the sentiment of a group, and detailing a group's composition (Barbier, Tang, & Liu, 2011).

Health science literature has seen a surge in research on social media (Lis, Wood, Chiniara, Biskin, & Montoro, 2015). Social media provides patients a platform to exchange their drug use experiences (Yang, Kiang, & Shang, 2015). The nature of health communication globally changes as more people rely on the Internet for health information (Gallant, Irizarry, Boone, & Kreps, 2011). The use of social media for health information sharing is expanding among patients, physicians, and other health care professionals (Shcherbakova & Shepherd, 2014). Greaves et al. (2013) stated that young adults post on physician or health care rating sites (e.g., Yelp.com and Healthgrades.com) to indicate the opinions on the areas for improvement in the health care industry. Social media allows patients to discuss and rate their satisfaction with health care procedures (Domanski & Cavale, 2012).

Public health professionals can use social media in their efforts to assess health needs, set policy, and communicate health concerns as they focus on protecting and improving the health of the community (Smith & Denali, 2014). Physicians and patients increasingly use social media technologies, such as Facebook, Twitter, and blogs, both professionally and personally (DeCamp, 2013). Social media constitutes a major part of the online search results for information about health and medical matters (Yang, Li, & Kiang, 2011). Health care research can benefit from taking advantage of the social media-related rich information resource (Fichman, Kohli, & Krishnan, 2011). Web-based communication tool development that engages the electronic patients can better guide the effective health care strategies and promote the participatory medicine (Batta & Iwokwagh, 2015). In health care, the utilization of social media is beneficial to health information technology (HIT), electronic health record (EHR), and telemedicine.

In today's new media environment, publics are increasingly connecting with the political groups through the new media technologies (Sweetser, 2011), while social media platforms have been promoted as a mechanism for engaging the key stakeholder groups, disseminating campaign messages, and increasing the candidate support (LaMarre & Suzuki-Holbrecht, 2013). Informational uses of social media are expected to explain the political expression on social media platforms and to promote the political participation (Gil de Zúñiga, Molyneux, & Zheng, 2014). Social media technology provides individuals and small groups with the powerful resources for the rapid political mobilization (Bekkers, Moody, & Edwards, 2011).

The adoption of social media appears to have engendered the new paradigms of public engagement (Lovejoy & Saxton, 2012). The potential for social media to enhance, support, and motivate the engagement in the political process generates the excitement among the political elites (Housholder & LaMarre, 2015). Social media predicts the traditional offline engagement, such as voting (Bakker & de Vreese, 2011). Twitter is an important medium for political activity recognized as a predictor of election outcomes (Tumasjan, Sprenger, Sandner, & Welpe, 2010). Social media is associated with the online debates (Williams, McMurray, Kurz, & Lambert, 2015). For example, social network analyses of bloggers (Adamic & Glance, 2005) and Twitter users (Conover, Goncalves, Flammini, & Menczer, 2012) have revealed that online political debates are often highly polarized.

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Professional and Commercial Impact of Social Media

Social media affects business performance through four channels: social capital, revealed preferences, social marketing, and social corporate networking (Paniagua & Sapena, 2014). Business performance focuses on the financial, operational, and corporate social performance capabilities (Venkatraman & Ramanujam, 1986). Financial performance indicators include sales level and growth, profitability, and stock price. Financial performance indicators (e.g., share prices) depend on the market's information and expectations on the firm (Froot, 1989). Corporate social performance depends on the firm's ability to establish the honest relations with society, with the special attention to reputation and brand (Paniagua & Sapena, 2014).

Many companies seek marketing and business opportunities through social media platforms (Paniagua & Sapena, 2014). Social media has changed how society communicates and organizes itself (Aral, Dellarocas, & Godes, 2013). Social media has dramatically changed how people obtain the information (Liu, Wu, Li, & Li, 2015). Social media users' activities can be used to predict the firms' financial performances (Yu, Duan, & Cao, 2013). Companies have embraced social media because of its potential for engagement and collaboration with consumers (Hudson, Roth, Madden, & Hudson, 2015). Through social media, marketers can gain the rich, unmediated customer insights, faster than ever before, and can foster the customer loyalty through networking (Hudson et al., 2015). Increasing customer loyalty obtains greater profitability because loyal customers provide long-term revenues and reduced costs in the retail supply chain (Kasemsap, 2016a). Managing social networking sites is high on the list of priorities for a lot of businesses that are eager to find more effective ways to reach, learn about, and engage customers in the new product development (Roberts & Candi, 2014).

Organizations place a high value on social media tools as an important part of the strategic marketing mix (Dixon, Martinez, & Martin, 2015). Many researchers have suggested ways that managers can leverage social media by shaping the customer discussions (Kaplan & Haenlein, 2010), and others have offered strategies for measuring the success of social media marketing campaigns (Hoffman & Fodor, 2010). Luo et al. (2013) discovered that social media metrics are the major indicators of firm's equity value. Sul et al. (2014) collected data from public Twitter posts about S&P 500 firms and stated that the positive or negative emotion of tweets about a specific firm are correlated with the firm's stock returns. Yu et al. (2013) indicated that overall social media metrics have a stronger relationship with the firm's stock performance than do the conventional media.

Social media preserves the relevantly valuable portions of life, especially reasoning, play, and exchange of ideas (Elder, 2014). While Facebook service is free, its business model is based on advertising (Ballings & den Poel, 2015). Consumers tend to trust their friends and contacts in social media over the advertisement displayed by business organizations (Woodcock & Green, 2011). Mangold and Faulds (2009) indicated that social media tools combine the features of traditional integrated marketing communications tools (IMC) (business organizations communicate with the users) with word of mouth (WOM) marketing (users communicate with each other) in which marketing managers cannot control the content of some information.

Social media has resulted in the changes to the strategies and tools utilized by business organizations to communicate with users (Hassan et al., 2015). The implications of the social media platforms for public relations and marketing are to improve the visibility, image, and branding (Neill & Moody, 2015). Interaction in social media is much more attractive forum in which information can be presented in various forms, such as the sharing of experiences, videos, and comments from friends. Forums for

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sharing information and experiences can shape the customer's perceptions of the product offered by business organizations (Hassan et al., 2015). Social media is valuable due to the potential to increase the product demand (Moran & Gossieaux, 2010).

Channels in Social Media and Its Impact on Business Performance

Social media affects business performance through four channels: social capital, revealed preferences, social marketing, and social corporate networking (Paniagua & Sapena, 2014). The social capital channel represents the extent to which social media affects the firms' relationships with society. Although companies are now less constrained by a single social order, corporations face the public scrutiny through social media (Fieseler, Fleck, & Meckel, 2010). Brammer and Pavelin (2006) tied the corporate reputation to the online platforms and corporate social performance. The revealed preferences channel represents the extent to which social media exposes the customers' likings.

Social media enables the development of knowledge value chain to customize information and delivery for a technological business growth (Kasemsap, 2014b). Firms have adopted social media as an essential part of their marketing mix (Mangold & Faulds, 2009). Regarding social marketing channel, social networks, blogs, microblogs, and communities approach customers with the interactive objectives, such as conversation, sharing, collaboration, and engagement (Weinberg & Pehlivan, 2011). The social corporate networking channel represents the extent to which social corporate resources (e.g., relationships and groups) are transformed into operational performance capabilities.

Regarding social media-related online reputation management, corporate reputation is the significant parameter in the supplier selection process by the potential customers (Walsh, Mitchell, Jackson, & Beatty, 2009). Customers are more likely to select companies with a positive corporate reputation, and are willing to pay more for their products (Graham & Moore, 2007). A positive corporate reputation can establish the market entry barriers for competitors, promote the customer loyalty and retention (Nguyen & Leblanc, 2001), and enable a company to attract more customers (Gardberg & Fombrun, 2002) toward gaining the higher market value (Smith, Smith, & Wang, 2010). A positive corporate reputation can protect a company in the times of crisis (Shamma, 2012). An effective reputation increases the stakeholders' willingness to invest in a company, since it enables the company to attract higher quality employees and to gain the better returns (Chun, 2005).

Social media establishes a great opportunity to develop and maintain relationships with customers (Yadav & Arora, 2012). Engagement in the social media activities is correlated with corporate reputation (Dijkmans, Kerkhof, & Beukeboom, 2015). Accomplishing a high level of customer engagement enhances the company's reputation and brand loyalty (Hollebeek, 2011) and purchase decisions (Patterson, Yu, & de Ruyter, 2006). The relational consequences of customer engagement include commitment, trust, customers' emotional brand attachment, and customer loyalty (Brodie, Ilic, Juric, & Hollebeek, 2013). Tourism firms can utilize the customer engagement as a counterweight to competition on price only, to attract more customers, and to develop the customer loyalty (Bowden, 2009). Regarding social media, tourism firms are empowered with more real-time customer insight in order to personalize and localize their interactions with customers and increase the effectiveness of their marketing strategies (Sigala, 2015).

Twitter and microblogging are the significant social media channels regarding business information sharing among individuals, firms, and public. Twitter and microblog conversations can easily be gathered from Internet services to create graphs representing the interactions between the entities in the online community (Corley, Farber, & Reynolds, 2012). Microblogging platforms play a critical role in infor-

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mation dissemination (Alexander & Gentry, 2014). Microblogging platforms allow users to bypass the intermediate channel of information distribution between firms and public (Liu et al., 2015). Blogging and social media play an important role in the recent calls for reform and change (Aman & Jayroe, 2013). YouTube is a public video-sharing website where people can experience varying degrees of engagement with videos in order to maintain social relationships (Lange, 2007).

Tourism is a main industry that is at the forefront of Internet adoption and online transactions in global business (Werthner & Ricci, 2004). The changes of visitors' needs and attitudes have increased the volume of information that tourism destinations have to analyze in order to stay competitive in a changing tourism market (Kiráľová & Pavliceka, 2015). If the tourism destination wants to enforce on the highly competitive global tourism market, it must be observable from the competition (Porter, 1996). Tourism destination will be effectively appreciable with the well-developed communications strategy with the focus on social media (Kiráľová & Pavliceka, 2015). The content of blogs and stories is extensively generated by visitors who have experienced the tourism destination, so that the information is based on the visitors' opinions and perceived experiences (Kiráľová & Pavliceka, 2015).

To develop information connections, individuals are using a variety of technologies to access content and join virtual communities on various social networking sites (Heinrichs, Lim, & Lim, 2011). With the development of IT, social media plays an important role in crisis communication (Veil, Buehner, & Palenchar, 2011). Social media creates the interactive platform that allows various hospitality suppliers and guests to stay connected during the times of crisis (Sigala, 2011). Social media can link the hospitality organizations with the key decision makers in the industry and general public during the times of crisis (Sellnow, Ulmer, Seeger, & Littlefield, 2008).

Understanding the content generated on social media is required for both marketing and crisis management purposes (Coombs, 2014). Many hospitality organizations have to develop their presence in the digital environment, in order to build the favorable brand image and manage the customer relationships (O'Connor, 2010). The effective interactions and conversations on social media can considerably contribute to the co-creation process of guests' service experience, and influence other people's travel decisions through electronic word of mouth (eWOM) (Park & Allen, 2013). Social media acts as the influential source to detect the signals for potential crises, the meaningful tool to monitor the public discourse, and references to understand how the public perceives the crisis (Pennington-Gray, London, Cahyanto, & Klages, 2011).

Facets of Social Media Applications in Business

Social media provides companies a new platform to interact with their customers (Wu, Sun, & Tan, 2013). While traditional commercial information (e.g., advertisement and promotion) is becoming decreasingly effective (Sethuraman, Tellis, & Briesch, 2011), customers tend to increasingly rely on the peer customer opinions available online (Park, Lee, & Han, 2007). Social media can effectively support the marketing of performing arts organizations with regard to promotion and communication, stimulation of WOM, market research and innovation management as well as reputation management (Hausmann & Poellmann, 2013). Social media is the use of Web-based and mobile technologies to turn communication into interactive dialogue (Bhanot, 2012). Social media technology has enabled blogs and other social networking forums to rapidly develop (Mucan & Özeltürkay, 2014). Through social media, potential customers express their likes or the tastes that rationalize an agent's observed actions (Beshears, Choi, Laibson, & Madrian, 2008).

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Social media enables consumers to access product-related information from commercial and non-commercial sources (Cao, Meister, & Klante, 2014). Social corporate networking tools (e.g., customer relationship management and electronic business) are the major assets to increase the operational performance (Trainor, Andzulis, Rapp, & Agnihotri, 2014). Customer relationship management becomes one of the most important competitive business strategies in the digital age, thus involving organizational capability of managing business interactions with customers in an effective manner (Kasemsap, 2015d). Regarding social corporate networking channel, electronic business (e-business) revolutionizes the procedure of effective communication between internal and external customers in modern business (Kasemsap, 2015e).

The adoption of social media as a marketing tool is a marketing strategy that can save the business costs (Kirtis & Karahan, 2011). Social media performance focuses on new product development, product quality, product marketing, operating efficiency, and customer satisfaction (Paniagua & Sapena, 2014). Social media-related information affects the product marketing performance and branding in global marketing (Woodcock & Green, 2011). In tourism industry, social media allows the tourism destinations to contact visitors at the relatively low cost and higher levels of efficiency that can be achieved with more traditional communication tools (Kaplan & Haenlein, 2010). The social marketing channel represents the extent to which social marketing resources (e.g., conversations, sharing, and presence) are transformed into financial performance capabilities (e.g., sales) (Paniagua & Sapena, 2014). Customers' social media activities and interactions can affect their consumption intentions toward influencing the firms' sales (Phang, Zhang, & Sutanto, 2013).

Social media platforms are extensively used for the purpose of information seeking (Kim, Sin, & He, 2013). The most prevalent motives for companies to use social media involve enhancing trustworthiness, brand attitude, and customer commitment (Weinberg & Pehlivan, 2011). Customers have shifted their information seeking behavior related to products and services from offline sources to electronic word of mouth eWOM, such as social networking and review sites (Gruen, Osmonbekov, & Czaplewski, 2006). In today's world of Web 2.0, eWOM has materialized as a phenomenon of critical interest to marketers (Williams, Crittenden, Keo, & McCarty, 2012). Social media platforms (e.g., Facebook and Twitter) provide a substantive part of eWOM (Dijkmans et al., 2015). Social media-based relationships lead to the desired outcomes, such as positive WOM (Hudson et al., 2015).

Regarding public relations, Breakenridge (2012) indicated that the eight roles related to public relations' management of social media involve the developing employee policies, internal collaboration, technology testing, pre-crisis management, relationship analyzer, reputation task force, and master of metrics. Public relations' reputation management includes five core components: predicting potential problems, anticipating threats to the organization, minimizing surprises, resolving any issues that do arise, and preventing crises (Wilcox & Cameron, 2012). Gurau (2008) suggested a cross-functional approach to managing social media activities should collaborate with customers, employees, investors, the media, and social community.

Challenges and Implications of Social Media for Practice

Social media is increasingly implemented in the business organizations as tools for communication among employees (Leonardi, Huysman, & Steinfield, 2013). Active social customers set the social trends and

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agendas in the various range of topics, from economics to the environment and the entertainment industry (Shirky, 2011). With the enormous interest in social media sites, customers are assumed to be actively contributing to marketing content (Heinonen, 2011). Marketing through social media has an impact on the customer equity and intentions to purchase the product (Kim & Ko, 2011). Social media marketing, which uses social networks to enable the content sharing, information diffusion, relationship building, and fans cohesion (Cheung & Lee, 2010), is an influential marketing method. Social media marketing programs usually center on efforts to create content that attracts attention and encourages readers to share it across their social networks toward competition in the global marketplace (Kasemsap, 2016b).

Executives should be aware of the origination of the social media threats from the complaining process (Benson & Morgan, 2015) and should extend their resources toward reaching targets to manage various forms of social media complaints (Gregoire, Salle, & Tripp, 2015). Social media presents challenges and risks to reputation and security, such as confidentiality breaches (Johnston, 2015). The increasing progress of social media over privacy in the digital age has provided an opportunity to introduce students to the legal risks of using social media in the workplace (Binder & Mansfield, 2013). Online reputation management involves interacting with people online, creating shareable content, monitoring what stakeholders are saying, keeping track of their dialogue, addressing negative content found online, and following up on ideas that are shared through social media (Dijkmans et al., 2015).

Effective dissemination of information becomes an essential factor in the success of social media marketing (Chang, Yu, & Lu, 2015). Communication technologies are bidirectional (Camarero & San Jose, 2011). Both marketing managers and Internet users provide messages, targeting individuals and social alignments that include their links or relationships (Chang et al., 2015). Communication technologies (e.g., bulletin board systems for collecting public opinion, blogs for sharing personal messages, and interactive social media) can gain the message diffusion and cohesion through social media marketing (Karnik, Saroop, & Borkar, 2013). Search engines are the foundation of the Internet. Links to individual's content on Facebook, Twitter, LinkedIn, Google+, YouTube, and other social media sites help the search engines understand what websites are credible and should be ranked for what keyword phrases.

Social media makes the global communication easier and cheaper than ever (Gillin, 2007). With the widespread adoption of mobile devices and location-based services, social media allows users to share the information of daily activities (e.g., check-ins and taking photos), thus promoting the role of social media as a proxy for understanding the human behaviors and complex social dynamics in the geographic spaces (Cao et al., 2015). Content sharing, personal commentary, and private life broadcasting have emerged as the distinct elements of social media (Özgüven & Mucan, 2013). Companies are building and maintaining the social media public pages to improve their social network salience, promote the interest in their organizations, and establish the relationships with the online public (Parveen, Jaafar, & Ainin, 2015). Social media becomes less complex and more accessible where young and older people can share the content and interact through social media (Alabdulkareem, 2015).

Social media platforms are necessary for leaders toward promoting leadership, leadership development, and leadership communication in modern business. Social media gives leaders the power to greatly increase this level of engagement by really listening to the voices of stakeholders, then taking tangible actions based on those suggestions. The activities of social media aiming at achieving these goals are referred to as online reputation management, which can be recognized as the development of positioning, monitoring, measuring, talking, and listening as the organization engages in a transparent and ethical dialogue with its online stakeholders (Jones, Temperley, & Lima, 2009).

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FUTURE RESEARCH DIRECTIONS

The classification of the extensive literature in the domains of social media platforms will provide the potential opportunities for future research. The topic of social media-related information security will be the important future research direction. Social media platforms are universal for personal and professional settings (Benson & Morgan, 2015). Practitioners and researchers should further study the applicability of a more multidisciplinary approach toward research activities in implementing social media in terms of knowledge management-related variables (e.g., knowledge-sharing behavior, knowledge creation, organizational learning, human capital, and collaborative competency). Concerning business education, collaborative competencies in professional social networking are significant at all ages. Younger students can gain business opportunities, while older graduates are less confident in utilizing social media platforms (Benson & Filippaios, 2015).

CONCLUSION

This chapter aimed to highlight the importance of social media in commercial domain and the multifaceted applications of social media. The differences between traditional and social media are defined by the level of interaction and interactivity available to the consumer. Business units (e.g., marketing, supply chain, retail, finance, IT, human resources, sales, hospitality, tourism, and customer service) should realize the potential for applying social media tools to facilitate organizational innovation, create brand recognition, hire employees, gain profits, improve customer satisfaction, enhance customer loyalty, and promote customer lifetime value. Social media becomes a powerful tool in the way businesses reach, attract, and engage customers, employees, and other stakeholders in a timely and effective manner.

With the advent of Web 2.0, social media platforms (e.g., Facebook, Twitter, and blog) are the advanced technology and can be utilized to encourage various functions, such as customer relationship management, customer service, entrepreneurship, internationalization, branding, marketing, tourism marketing, product development, advertising, cloud computing, electronic commerce (e-commerce), e-business, electronic retailing (e-retailing), electronic procurement (e-procurement), electronic government (e-government), mobile commerce (m-commerce), mobile payment (m-payment), human resource management (HRM), digital libraries, and education.

The adoption of social media introduces a new communication channel that must be monitored and managed. Depending on the number and type of social media sites, executives and social media users should be educated and trained to have digital literacy and IT competency to effectively manage social media platforms. Utilizing social media is required for modern organizations that seek to serve suppliers and customers, improve business performance, strengthen competitiveness, and obtain consistent success in the digital age. Therefore, it is required for modern organizations to investigate their social media, establish a strategic plan to regularly check their practical advancements, and immediately respond to the social media needs of customers in modern organizations. Professional and business applications of social media platforms can enhance business performance toward reaching strategic goals in the digital age.

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KEY TERMS AND DEFINITIONS

Blog: The website, similar to an online journal that includes chronological entries made by individuals.

Facebook: The name of a social networking service and website, launched in 2004.

Internet: The worldwide computer network that provides information on many subjects and enables users to exchange messages.

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Social Media: The website and application considered as collectively constituting a medium by which people share messages, photographs, and other information, especially in the online communities based on shared interests.

Social Media Marketing: The methods for advertising products, services, or brands using the Internet, by attracting the interest of groups of people who discuss them, make suggestions about them.

Technology: The use of scientific knowledge to solve practical problems, especially in industry and commerce.

Twitter: The website where people can post short messages about their current activities.

Web 2.0: The name for all the Internet features and websites that allow users to create, change, and share the Internet content.

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Chapter 43
Integrative Learning Toward Social Responsibility in Teaching Engineering

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ABSTRACT

Technical University of Madrid, within the Spanish context, has profited of the introduction of a System of Internal Quality Assurance to build a road on the grounds of previous work on the culture of ethics in engineering. This way may drive the students training to incorporate in their curricula instruments leading to the recognition and acquisition of social responsibility. The road is paved with various educational elements, either mandatory such as the Mentoring project (aiming to minimize the gap in the transit between high school and university from a logistical point of view), or optional such a set of three: Monitoring (a system of academic support for improving the performance of in the students in their learning outcomes when face difficulties), Service Learning and Social Entrepreneurship, Ethics and Values in Engineering. This strategy combined with the convergence to the European Higher Education Area allows the selection of students able to integrate in their professional assets the idea and the commitment of making the human development more sustainable.

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INTRODUCTION

The chapter describes a process of integrative learning in teaching engineering on ethical dimensions to attain social responsibility of the trainees. This experience has been carried out in the School of Mining and Energy of the Technical University of Madrid (ETSIME).

The authors are aware that the introduction of teaching ethics in engineering lasts since long. As a matter of fact, a consultation in Google on this topic carried out in the summer of 2015 reached approximately 50.900.000 hits.

Most of the relevant results concern to experiences in institutions from the United States. The examples of the School of Mining at Boulder in the University of Colorado under the leadership of Carl Mitcham (1989) or the project "Introducing Ethics Case Studies Into Required Undergraduate Studies Engineering Courses" at Texas A&M University as a result of the collaboration of the department of Philosophy and the Department of Mechanical Engineering (NSF Grant Number DIR-9012252) to cite a few are worth to illustrate the model of the United States for these educational programs. Both are characterized by the collaboration between philosophers and engineers and are based essentially in the case studies methodology.

The chapter narrative delineates the trajectory followed in the School of Mining and Energy Engineering *(ETSIME)* of the Technical University of Madrid to achieve an integrative learning process. It begins with a short review of the introduction of the system of quality and accreditation in Europe. It is followed by work carried out at ETSIME by incorporating the teaching of Ethics and Values, a process which has driven to the incorporation of social innovation, social entrepreneurship and service learning as applied instruments of the ethics field. A first appraisal of the results of these interventions is presented.

BACKGROUND

The initiative undertaken by ETSIME a decade ago was originally aimed at following the model of the USA institutions. However the evolution of the teaching ethics program in the School of Mining and Energy of UPM under the Spanish context revealed the need to introduce changes from the model along the path. The initial proposal was turned out into the integrative learning toward social responsibility for introducing in teaching engineering as illustrated in this chapter.

The reflection on how to build the ETSIME strategy started by looking at the milieu conditions and the essential role played by the System of Internal Quality Assurance (SIQA) under the framework of the European Higher Education Area (EHEA). The axes underlining the evolutionary process of Bologna (1999) since the Sorbonne Declaration (1998) to the London declaration (2007) were aimed at assuming a common strategy for attaining the goal of cooperation and guaranteeing the quality of the process. This strategy was assigned in the London meeting (2007) to the so called Group E4 and it is based on five measures which might influence the elaboration of the future program of studies and hence the shaping of the academic disciplines and titles. These five measures are outlined as follows:

- Development of SIQA in the institutions.
- Elaboration of the suitable common norms, procedures and directives.
- Establishment of a European Register.

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- The autonomy of the universities to select the organism for accreditation.
- Recognition of the competence of the Member States for their acceptance of evaluations and extraction of conclusions to enhance their policies in Higher Education.

On the grounds of these measures, a landscape may be drawn in where it is possible to encounter actions at national level as well as actions with international compensations

- Each country will hold accreditation competencies for their universities.
- The accreditation task in national contexts is defined as the main initiative to be performed at that level.
- At the university level, the implantation of well contrasted mechanisms of accreditation is important inasmuch as they may serve to validate the quality of the teaching and the research programs as well as the academic and institutional management.
- Emergence and relevance of accreditation activities on studies programs performed by international organizations in the corresponding academic fields (in our specific case, engineering).

Some incentive measures for European cooperation may be foreseen on the basis of mutual confidence.

Under such strategies designed for accreditation in the EHEA, it seems of particular relevance the launching and establishment of a European Register - following the indications of the meeting at Bergen (2005) - of the different organizations for accreditation and SIQA, which may fulfill a series of the demands required.

ASSOCIATIONS AND AGENCIES FOR QUALITY

The European Association for Quality Assurance in Higher Education (ENQA, 2000) is an umbrella organization which represents its members at the European level and internationally, especially in political decision making processes and in co-operations within stakeholder organizations. Full Membership of ENQA is composed of European quality assurance agencies or other quality assurance organizations of 26 countries (Austria, Belgium, Bulgaria, Croatia, The Czech Republic, Denmark, Estonia, Finland, France, Germany, Holy See, Hungary, Ireland, Kosovo, Lithuania, The Netherlands, Norway, Poland, Portugal, Romania, Russia, Serbia, Slovenia, Spain, Switzerland and United Kingdom.) in the field of higher education that have been operating and conducting actual quality assurance activities for at least two years.

The Spanish Case vs. Other European Countries

Spain is represented in ENQA by the Spanish National Agency (ANECA) and six regional agencies from the corresponding Autonomous Regions. In Table 1 there is information on their origins by ascending order of foundation, the dates for acquiring the respective condition of full member of ENQA and their ownerships.

The National Agency for Quality Assessment and Accreditation of Spain (ANECA) was created after other regional agencies by the conservative government of President J.M. Aznar in 2002 (Decree of July 19) with a different status as a public national organization but with some prerogatives for the personal

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Table 1. Spanish National Agency and Spanish Regional Agencies represented in ENQA

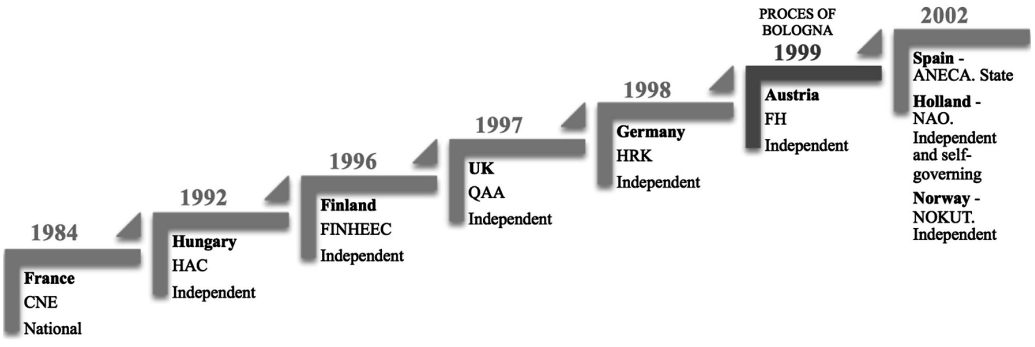
Agency Name	Founding Date	ENAQ Full Membership	Ownership
AQU Catalunya - Catalan University Quality Assurance Agency, Barcelona http://www.aqu.cat	1996	2000	Consortium, Agency for the Quality of the University System in Catalonia
AAC-DEVA - Andalusian Agency of Knowledge, Department of Evaluation and Accreditation, Córdoba http://deva.aac.es/	1998	2000	A government-run public entity with legal personality
ACSUCYL - Quality Assurance Agency for the University System in Castilla y León, Valladolid http://www.acsucyl.es	2001	2010	Independent from the regional government, directed by a Board of Directors.
ACSUG - Agency for Quality Assurance in the Galician University System, Santiago de Compostela http://www.acsug.es	2001	2009	A consortium between the Regional Government of Galicia and the three Galician universities: A Coruña (UDC), Santiago (USC) and Vigo (UVI).
ANECA - National Agency for Quality Assessment and Accreditation of Spain, Madrid http://www.aneca.es	2002	2003	Independent from government, directed by a board of trustees.
Unibasq - Agency for the Quality of the Basque University System, Vitoria-Gasteiz http://www.unibasq.org	2004	2014	Public entity submitted to private law
FCM – Foundation for Knowledge Madrimasd, Madrid http://www.madrimasd.org/ Previously ACAP - Quality, Accreditation and Planning Agency.	2014	2015	A not-for-profit organization established under the initiative of the regional government of Madrid.

Source: Compiled from the website of the ENAQ

involved in the Agency's direction and management concerning salaries and status as compared to the civil servants in Spain. With these circumstances of origin, the ANECA has adopted, from the onset, a structural, bureaucratic working agenda, giving more weight to the "paper work" for evaluations than to the direct experts' intervention, though evaluation visits are also applied but separated in time of the accreditation procedures. The line of action of ANECA is based on the agency programs addressed to validate two dimensions: the academic one and that of the management in broad sense.

In Figure 1, some European Quality Agencies, their names and membership are depicted in a timeline. It shows that the agencies from Spain, Holland and Norway were created at the later stage.

Figure 1. Some European Quality Agencies: Names, Founding Dates and their Ownership
Source: Compiled from the website of the ENQA and Michavila & Zamorano, (2007)



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Quality European Certificate for Engineering Studies

The guarantee of quality in the engineering domain is awarded by the EUR-ACE label.

The EUR-ACE label is a certificate given by an authorized agency by the European Network for the Accreditation of Engineering Education (ENAEE) to a university with regard to an engineering degree or master that has been evaluated according to a series of defined standards in agreement with the following principles: quality, relevance, transparency, recognition, and mobility as referred in the European Higher Education Area (EHEA).

In Spain this EUR-ACE label is awarded by ANECA through the "ACREDITA PLUS" program in collaboration with the Professional Associations of Engineers.

Quality American Certificate for Engineering Studies

ABET Accreditation Board for Engineering and Technology, Inc.

ABET (1980) is a nonprofit, non-governmental organization recognized by the Council for Higher Education Accreditation (CHEA). ABET is recognized as the worldwide leader in assuring quality and stimulating innovation in applied science, computing, engineering, and engineering technology education. ABET accredits the quality of university programs in engineering. The most prestigious universities, such as MIT, Harvard or Stanford have also been awarded this ABET accreditation. It certifies the quality of qualifications in response to the requirements of the major professional engineering associations worldwide.

This certification is an international recognition of diplomas for Spanish engineers. Accreditation assesses, among other aspects, training of teachers, students, staff, and facilities. Equivalence at Masters Level with American studies in these disciplines is recognized.

ABET accredits only complete programs, no specific qualifications, departments, schools or institutions. Accreditation is guaranteed by a maximum of six years. For renewal of accreditation, the institution must request another evaluation.

SYSTEMS OF INTERNAL QUALITY ASSURANCE IN SPANISH UNIVERSITIES

This analysis stems from the context of a Spanish case, and is rooted in the teaching programs of an institution of higher education, the School of Mining and Energy of the Technical University of Madrid, but the intention is to spread and debate it internationally.

This chapter arises from a System of Internal Quality Assurance (SIQA), which has to be adopted by each Educational Center with the aim of advising the governing bodies of each institution. This system of quality management based on continuous improvement is directed to enforce a coherent and aligned policy with the quality ideals of the Center.

As a secondary purpose, the implementation and maintenance of the processes necessary for the development of such a SIQA is worthy of mention. This system will determine the main priorities for improving teaching, research and management activities by gathering information, as well as by promoting studies or surveys to measure the effectiveness of the implemented activities.

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Once these premises have been established, an analysis of the basic elements that will support actions may proceed, and these premises may raise essential issues to be addressed. At this point the Educational Center is able to define to society and stakeholders what will be its mission, which will be the institutional values to be conveyed, and what might be the strategic foresight to raise essential issues.

Taking the aforementioned strategy as a general framework, each and every University Center could then define the scope and educational offer that will meet the demands of society, not only through the transmission of knowledge, but also through demonstration of their commitment to social progress.

Engagement with training and professional development of the faculty members should be focused on an array of values. These values can be preserved by applying quality plans and including them in the design of the curricula. Generally speaking, these values are the following:

- Active respect for others, encouraging participation, trust, responsibility, cooperation, solidarity and joint action.
- Professional honesty.
- Freedom of ideas and beliefs.
- Defense of equal rights and opportunities.
- Contribution to scientific, economic, cultural and social development.
- Projection of the reputation of the Center and the University.
- Connection of the Center to its immediate surroundings.
- Transparency and accountability in management.

Taking into account these values, the objectives of the Spanish Educational Center, that is our case study, can be classified into three main groups:

1. Obtaining an education of excellence, whose purpose is to prepare students to become top professionals, with skills and capabilities to face continuous changes and advances in technology while meeting growing social demands.
2. Supporting the scientific and technical development by applying research projects to respond to the demands of different industrial sectors. Those demands should be primarily defined through a close relationship with firms and other involved shareholders.
3. Promoting the continuous improvement of the Center in order to assess its human resources, material resources and services. Through the establishment of a Quality System with a performance record within the process of guaranteeing the quality of a Center, the stakeholders must be clearly identified and join around common goals. It could be assumed by each University that these stakeholders are: students, Administration and Service staff, Teaching and Research staff, Companies and Suppliers. It is also important to identify the responsible actors in charge of managing the information flows to and from the stakeholders, amongst which are the members of the management teams, commissions and different government bodies. Finally, it is essential to have supporting agents that will strengthen the lines of defense. For this purpose, foundations, Advisory Boards and University-Enterprise Units usually provide high quality results.

In brief, a SIQA can be defined as the ensemble of the interrelated Center elements, through which the Center is managed in a planned manner in order to pursuit satisfaction and continuous improvement of the service offered.

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This system must be supplemented by a number of additional documents such as procedures, records and information systems. At the first level the compliance with the requirements contained in the proposal for getting the accreditation must be ensured. The application for the syllabus accreditation has to be submitted to the corresponding assessment agencies.

SIQA design may be based on higher level proposals, and thus more demanding. These proposals are defined below. In any case, these procedures will facilitate the verification of future college degrees, since the SIQA serves the regulatory requirements for authorization and registration of Degree and Master.

In Spain the "quality" of a University Center should have three levels of depth to ensure full integration of all procedures.

- The first level sets quality according to national standards aimed to ensure a minimum level within our education system. It concerns mainly the processes proposed by the Center, but it also allows certain impact on the educational process (e.g. ANECA and VERIFICA).
- The second level implies an increase in quality and has a national approach. At this stage an array of skills and fundamental processes have to be considered. (E.g. ACREDITA PLUS and AUDIT).
- The third level is addressed to the international accreditation and implies the effort of University to reach a state of excellence that guarantees its quality at all levels (e.g. EURACE and ABET).

The different academic qualifications, recorded in the VERIFICA statements, define a set of specific and generic (or transversal) competencies that have to be achieved by graduates at the end of their studies. From this approach, the easiest way to achieve the goal is to start with the first level developing those skills in classroom. Following the verification process, the acquired skills are verified by the pertinent assessing body for Degree and Master.

DEVELOPMENT OF SOCIAL SKILLS THROUGH A SYSTEM OF INTERNAL QUALITY ASSURANCE

School of Mining and Energy (ETSIME): Technical University of Madrid (UPM)

In order to cope with the specific case of SIQA at the School of Mining and Energy of the UPM, the strategy established a set of guidelines to address the verification processes of the curricula with regard to the teaching and assessment of specific and transversal skills. Besides, a minimum of activities to promote the development of social skills, connected to technical skills (specific) was required as a practical procedure (or exercise).

The ETSIME assumes that those social skills go beyond the usual topics integrating the degree or the specific branch studies. Instead, students should also be trained in a range of skills and values that could enable them to behave as citizens committed to others and allowing their projection into the "common goods" that will conform the scenario of their professions (Environment and Society) (Martín & García-Laso, 2014).

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Ethical Dimensions and Dynamics in the Teaching Program in Engineering

Introduction to the Teaching on Ethics and Values

Though the ethics issue is develop in the last section of the chapter developed in the last section of the chapter dealt at the last part of the article, it must be pointed out that ethics has been the onset and the skeleton for building the road for allowing the integrative learning program to circulate into the academic curriculum at the School of Mining and Energy of the Technical University of Madrid (ETSIME and UPM).

The study of ethics was introduced in the 2006-2007 period with the establishment of a Chair on Ethics and Values in Engineering funded by the FACT Foundation and thanks goes out to the strong bet on this initiative made by the Director of the School at that time, Professor Alfonso Maldonado.

Promotion of the Ethics Curriculum

The original idea was the promotion of the studies on ethics in engineering in an innovative and interdisciplinary way.

Due to the background in ethics of the Chair director, grounded on his dual career as an experimental scientist and a philosopher of science and technology, the program proposal was supported by blending the scientific method and the analytical reflection.

Along the phase of promotion, a process of research and analysis on the dimensions and dynamics of ethics took place, paying attention to what have been their main trends in the course of human development. The process started from the moral philosophy approach with reference to Aristotle and the Nichomachean Ethics (Aristotle, 2004), then went into the current professional ethics (deontology) and the social responsibility in corporations (Cortina, 2013) to finish with those movements focusing on the human relationship with nature and the concept of happiness as the utilitarian ethics pursues (Singer, 2002) or the ethics of responsibility as proposed by Hans Jonas works (1994). The academic and scientific, non-administrative, direction of the chair was assumed by Professor Muñoz Ruiz. The incorporation of Prof. Muñoz Ruiz, a former molecular and cellular biologist and strong supporter of the theory of evolution as a framework for ethics (Muñoz, 2015) has driven the teaching program at ETSIME to the field of social intelligence (Walker & Foley, 1973; Goleman, 2006).

The Educational and Experimental Frame

After the promotional phase, the course on Ethics and Values in Engineering began under the framework of Science, Technology and Society studies (STS) as EMR (one of the authors and director of the course) assumed, on the basis of his previous experiences that this academic activity could fit under the STS umbrella. The implementation of this logic implied that the lectures should be delivered by an interdisciplinary group and then, colleagues from the STS field, namely science philosophers, were invited to lecture.

Unlike the United States model programs for teaching ethics, we learnt from this experience that the educational dialogue between professors of philosophy and engineering students - even the motivated ones, as are in principle those attending our courses- is not easy. As a matter of fact, the Chair director had his own experience in the same direction, reaching the conclusions that the necessary theoretical topics

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had to be taught by wrapping them with practical references (social, political, in the media) to attract the student's interests and attention to gain satisfactory evaluation outcomes. Therefore, it was decided to focus the frame of the course on the consequentialist ethics inspired in the principles of responsibility, empathy and compromise, based on cost/benefit analysis in a wide sense not limiting it to the economic perspective, and being applied case by case. Moreover, this process has evolved to approach the ethics educational and experimental dynamics by using the concept of interethics or interrelated ethics of the different stakeholders involved (Muñoz Ruiz, Flor Ortiz, García Laso & Martín Sánchez, 2011). After the reflection on the outlined issues, the frame of the teaching course in Ethics and Values in Engineering was revised by introducing changes in the staff of professors as well as in the topics being taught. According to the interethics concept, we have developed the ethical consequentialist approach resorting to the application of additional concepts such as those of science policy and governance in relation to science and technology, sustainability, and risk policies.

The Emergence of the Unit on Social Entrepreneurship, Ethics, and Values in Engineering

The transformation of the Chair into the Unit on Social Entrepreneurship, Ethics and Values in Engineering, referred usually as UESEVI, is the result of a series of institutional changes: in the directive staff of ETSIME with the arrival to this post of professors Benjamin Calvo first and José Luis Parra after; the loss of the initial funding support; the recognition that the move of ethics teaching to a more applied orientation could be an asset for a better integration of the students; and the strategic decision of the ETSIME directorate to incorporate the UESEVI activities into the Quality program of Mining.

This resulted in a transformation of the staff in charge of UESEVI: the senior (DAMS) and the second authors (AGL) assumed the educational and administrative direction of the Course on Ethics and Values in Engineering and its practical applications (Social Entrepreneurship and Service Learning). The other three authors (AMvDE, ELP, and MCC) were incorporated from the CIEMAT Unit of Research on Scientific Culture while EMR kept the liaison with the ethics domain and the overall academic direction of the course.

The institutional reshaping contributed also to significant changes in the curriculum with the inclusion of new areas for thought and action such as Social Economy, Social Entrepreneurship and Service Learning. New professors coming from economy and social entrepreneurship areas were invited to teach in order to provide insights into new visions and mission of the economic science and politics. Two of them have been selected by us as particularly relevant for the success of the UESEVI teaching program: José Manuel Pérez "Pericles", a pioneer of Social Entrepreneurship in Spain, whose activities have been recognized by ASHOKA Spain (Drayton, 2006) as being Senior Social Entrepreneur and Alicia Chavero, member of the H2i Institute, where she is working in the link between creativity and innovation.

This new orientation provided an opportunity to detect the increasing interest of the students for the socio-economic impacts of the application of new visions of the ethical dimensions and dynamics we are engaged to teach and adopt as action rules for the future graduates in engineering. Following this, the frame of the Ethics and Values course was enriched by adding to the initial STS perspective the concept of spaces. The spaces proposed to better comply with the UESEVI objectives were two: one blends Resources (natural, energy), Environment and Society to be integrated under the acronym REMAS, the other harmonizes Resources (natural, energy), and Environment and Economic impacts to be referred as REMARE (from the Spanish names).

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The evolution along the decade of existence of the UESEVI teaching program on Ethics and Values in Engineering has allowed to increase the recognition of academic credit by the directorate of the Technical University of Madrid and has led to the proposal to develop a clear strategy for promoting the acquisition of transversal and horizontal skills.

The Involvement of the Trainees

The implication of the trainees during the Course on Ethics and Values in Engineering has been one of the main objectives of the teaching program since its inception.

The attainment of this objective has been achieved by providing the students with an evolutionary path in their studies. In the first part of the course, the more theoretical one, the students have been continuously asked to intervene in the dialogue atmosphere established from the beginning by the lecturers. Regarding the theoretical issues being dealt with in this first part, the trainees have been requested to go in depth by following the topics in the Power Point presentations shown in the USEVI ´s web, as well as to delve into them thanks to other sources of information such as Google or in articles of some journals and newspapers also incorporated into the web of UESEVI.

The second half is addressed to introduce the students in practical instruments and interactive issues, such as social economy, social entrepreneurship, innovation and creativity in order to prepare them for the final goal of the course. This goal is the design, preparation, promotion and presentation of a project on Social Entrepreneurship, and therefore the demand for students to be active is even more imperative. Moreover, the students have to think about values, identify some of them and extract the most appreciated as a particular outcome of this period. During the process, the students have to cooperate working in teams and arriving to agreement on the topic and the instrumental organization of the Social Entrepreneurship Project (SEP). Together with the individual values that arises from the personal reflection, the process of SEP preparation impulses the emergence of collective values such as leadership, empathy and justice.

A collateral aim of the process is the elaboration of a catalogue of values that may be classified in order of importance or preference leading to the outlining of what could be called “An ecosystem of values”.

Table 2 collects the SEP developed and presented by the students of the UESEVI program.

Service Learning

The Service Learning represents the last section of the road that drives the engineering students towards an educational space rich in transversal skills and social compromises through the courses on ethics and values. This activity seems very relevant for the purposes of this publication since it embraces two of its goals: first, the need to stress the application to the professional life of the outcomes of a well-documented and innovative teaching process in ethics and values; second, the intention to contribute to the active involvement of the trainees in the multisectoral and interdisciplinary way of learning undertaken in ETSIME.

The introduction of the service learning as well as its dissemination in Spain is indebted to the pivotal role of Roser Batlle (2010). She has focused in the educational reform of the youths essentially at the first and middle levels and she declares: “doing something good for the community, helping others, is also one of the most efficient methods of learning”. The success of the promotional effort carried out by Roser Batlle has led also to the establishment of a Spanish Network for Service learning that is extending its efforts to university education programs.

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Table 2. Social Entrepreneurship Projects presented by the students of the UESEVI program

Year	Title	Social Objectives	Destiny
2010-2011	Extension of the social activities with the recognition of credits.	To help society providing knowledge on the grades of the UPM	Students from UPM and Society
2011-2012	Reshaping of the court of ETSIME	To improve the space For the students during their rest periods	Students and personnel of ETSIME
2012-2013	•System for recycling in ETSIME •Better use of the photocoping system in ETSIME	•To improve the environment •Optimizing resources	• Society and ETSIME • Society and ETSIME
2013-2014	•Extension of the coffee shop at ETSIME to facilitate the consumption of home prepared food. •Monitoring •Data base of ETSIME projects	•To improve the space For the students during their rest periods •Welcome actions •To improve the relationship university – firms and graduates.	•Students and personnel of ETSIME •Students in the first of ETSIME •University – firms and graduates
2014-2015	• Museum of energy efficiency • Additional training courses	•To diffuse to the society the energy branch of the grades in ETSIME. •To improve the training of the engineers in relationship to the labour market	•Society •Students of ETSIME

Source: UESEVI

However, the academic and intellectual roots of the Service Learning initiative were explored in retrospective. The term retrospective refers to the fact that the innovation specified by the service learning initiative has been incorporated into UESEVI by an apparent reverse path to the logics of the academic world: it was first introduced as a practice following the lines designed and promoted by Roser Batlle, then we were interested in delving into the historical and philosophical roots of this innovative educational instrument. The author of reference was John Dewey, already recognized as leader of the ethics intervention in education along the Ethics and Values part of the integrative system of teaching we are discussing (Dewey, 2001). This task has allowed us to identify that this way of uniting school success and social commitment is anchored in the seminal work of John Dewey, the leading proponent of the American school of thought known as "pragmatism". Among the prominent influence of John Dewey in the field of educational reforms, we consider worthy to present some insights around his position in ethical and social theory. Enthusiast as he was of the Darwin evolution theory, we found significant intellectual convergences with the North American philosopher. In fact, in his social and ethical work, Dewey pointed out the need for an experimental approach which had to avoid the conservatism of the dogmatic approaches that inhibit the intelligent adaptation of human practice to the ineluctable changes in the physical and social environment. Ideals and values must be evaluated with respect to their consequences.

There are, in our opinion, underlying references to consequentialist ethics and even a preliminary evocation for the need to take into account the interrelationship between ethics (interethics). Therefore these results are satisfactory by observing the links and convergences of the current teaching program with John Dewey previous thoughts together with the dynamics and dimensions that have evolved from his seminal intervention in the reform of the educational system.

Moreover, as a further step in fostering the active intervention of the students, we selected the field diary as a useful instrument for assessing the evolution of the values acquisition and extraction of the trainees. From this exercise, we may conclude that the most relevant values recognized by the students after experiencing the service learning experience are: collaboration, empathy, compromise and (social) justice.

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SOCIAL DIMENSIONS: THE UNIT FOR SOCIAL ENTREPRENEURSHIP, ETHICS AND VALUES IN ENGINEERING (UESEVI)

The convergence towards the European Higher Education Area (EHEA) has been a good opportunity to set, through SIQA procedures, the culture on Ethics and Values that had already existed in the ETSIME since 2006.

ETSIME involvement in the process of developing SIQA procedure has taken advantage of the strategy designed by the Unit for Social Entrepreneurship, Ethics and Values in Engineering (UESEVI) to enhance social learning through a program based on gathering of training practices on Mentoring, Service Learning (i.e. practice of learning through experience -*practice field*- with the supportive service –volunteering-) and Ethics and Values in Engineering (social consciousness).

This has been carried out under the umbrella of specific consequentialist ethics, which has been developed and adopted to meet the vision and mission of UESEVI. The resulting applied ethics, named interethics, is a hybrid sustained on the principles of an ethics of responsibility (and commitment), while its dynamics stands in a case by case, cost-benefit analysis taking into account the ethical dimensions of the actors involved to get social sustainable action (Muñoz, 2006-2014). The UESEVI team works to educate persons in values that may adapt their professional performance towards a social leadership in the general field of education as well as in the case of engineering students. This innovative educational approach could be of special relevance to ensure that advanced technologies influence positively human development.

Actions in the Path Towards Quality

The year 2009 was an important one in Spain for the verification process of the degrees leading to the acquisition of professional competencies of the Mining Engineer (R.D. 1393/2007). This process was grounded on the last propositions and recommendations of the National Agency for Quality Assessment and Accreditation of Spain (ANECA) in its action aimed to evaluate (VERIFICA program) the proposal of the study plans designed and presented in agreement with the European Higher Education Area (EHEA).

The overall curricula, as proposed by the universities, have been focused, among other points, on the quality criteria that each center has decided to establish for a good functioning.

In the case of the School of Mining and Energy Engineering, a unified criterion was adopted to emphasize those actions that may minimize the leap the students encountered when moving from secondary school to university.

This gap was known before the introduction of the new curricula (Ávila, 2010) and to deal with it, a series of actions were proposed in a centralized way.

These actions were established on a voluntary basis. The students willing to attend were enrolled in courses of a month with both the Administration and Services Staff (PAS) and the Teaching and Research Staff (PDI from the Spanish) of the respective centers. Another action launched to narrow the gap was the so called “starting point”, based on the Moodle teaching platform to level the contents of the courses where certain deficiencies were detected.

Both actions were prepared for the pre-Bologna schedule (calls in February, July and September). At present, the Bologna schedule (calls in January, June and July) is completely established, a circumstance that does not allow to carry out a zero course. This is leading to overlap between the formal training and

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the starting point (Table 3). A zero course includes material which connects the studies of secondary school with the material expected at the first university level course.

The current action from UESEVI's point of view is not centered on the acquisition of specific skills, but it is rather focused on the development of mechanisms to help and orientate the new trainees that are based on mentoring (Mentor Project) and subsequently in academic support (Monitor Project) supplied by students from higher courses. It is assumed that the trainees learn better in a friendly and stimulating "milieu" and it has been found that the senior students are well equipped and motivated to provide valuable help to their colleagues of the first course.

The Mentor and Monitor Projects

These two projects had been conceived as orientation actions in the formal teaching program in search of quality. This has been also the option taken in the School of Mining and Energy Engineering. It has been experienced during the program development that the projects might play an even more important role if both were incorporated into the general strategy for training in general and social aptitudes (Muñoz Ruiz et al., 2011). And since then, the Mentor and Monitor Project have become not only instruments for the orientation initiatives but also have evolved to become the beginning of a strategy aiming at introducing the trainees from the onset of their admission in the knowledge of social competencies.

The Mentor Project

The goal of this project is to improve the welcome and orientation process of new trainees through the accompaniment of students from higher courses who have passed the situation of reception (they are "mentors") and the training in seminars about social skills that may help to make face to the university degree period, promoting a greater personal and academic development. This activity may be credited with ECTS credits.

In the course of the five year period from the introduction of the Mentor Project in the School of Mining and Energy, it has been found that the organization in four levels of participation (coordination, form master, Mentor and "Mentorized") may introduce some problems in the follow up of the training process. It is believed that the mentoring program relies on the interchange of knowledge between pairs. According to this philosophy, the program must be improved and thus the coordination should be carried out by students in good cooperation with the professional tutors. The tutors contribute their experience on the university, the knowledge on the functioning and mainly providing real information on the means.

Table 3. Actions in the path towards quality of the School of Mining and Energy Engineering (Pre-Bologna and Bologna period)

Actions in the Path towards Quality of ETSIME	Pre-Bologna	Bologna
Leveling up classes	X	
Moodle teaching platform: "Starting Point"	X	
Mentor Project		X
Monitor Project		X

Source: own elaboration

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On the basis of this argument, the decision was taken to introduce the figure of "Coordinator Students" (Figure 2).

The figure of the "Coordinator Student" trainee is that of one student that has already experienced the Mentor project, has also been acting as mentor for developing the training in social skills and who knows the dynamics of the project, the characteristics of the center and the personal integrating the PAS and PDI collectives.

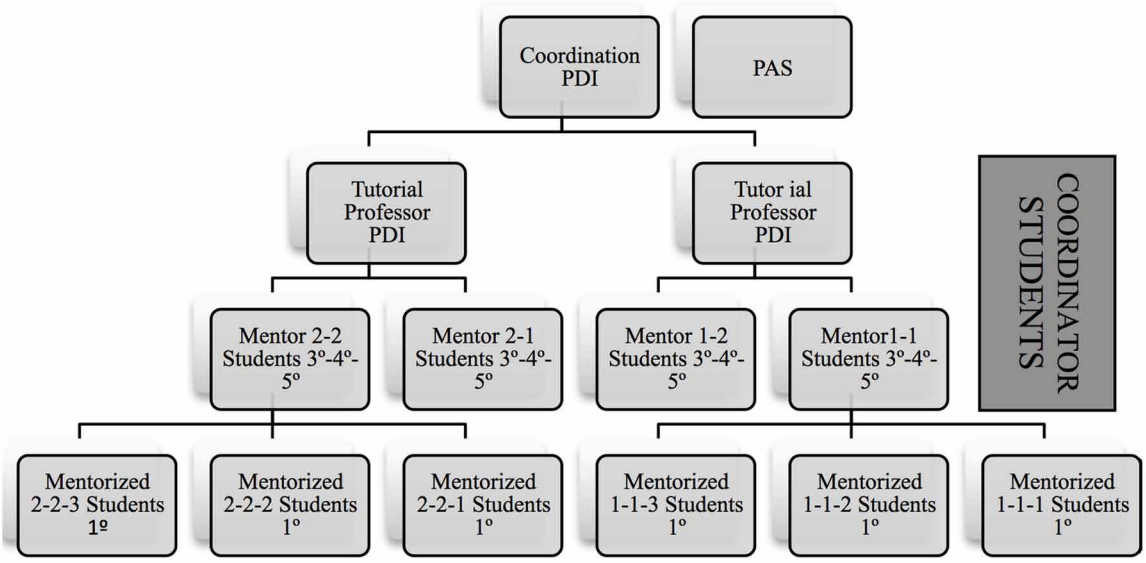
The Monitor Project

The Monitor project is intended to ease the integration into the University of the Newly Incorporated Students ("Mentorized") providing academic support to them in the first course. This support is transferred through students who have already passed with satisfaction the subjects (A or A+ grade) and who have shown abilities to help other colleagues to pass the subject (monitor) with the help of a form master. This activity may be also be credited with ECTS credits.

This project was developed as a pilot one during the period 2014-15 and was conceived as complementary to the mentor project. It originated as an initiative of Social Entrepreneurship presented by the trainees that studied the course on Ethics and Values in Engineering (see before and Table 4) during the previous period 2013-14.

At present, the project has a structural organization of four levels (coordination, form master, monitor and "monitorized") but in the same plane as for the case of the Mentor project, it would be advisable to establish a fifth level of participation with a figure similar to that of Coordinator Student. It is foreseen that this experience be applied in all subjects where the evaluation process reveal low rates of approval or high rates of abandonment. Initially it has been designed for subjects of the first course, though it could be applied for subjects with similar rates of success or abandonment in higher courses

Figure 2. Mentor Project Structure
Source: own elaboration



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Objectives of the Reception Actions for Receiving Students

- Train the veteran students in leadership by means of an activity of academic, social and administrative orientation to the new trainees, this process being completed with seminars for training on social and transversal skills.
- Implicate the two staff groups, PAS and PDI, in the reception process of new trainees and in the training of transversal competencies of the veteran students.
- Establish a tool to detect the needs and motivations of the students who are involved in the programs through the satisfaction inquiries.
- Train the veteran students in social and transversal skills by the practice of the previously mentioned activity of academic orientation to the "Mentorized" group.
- Promote the values of compromise, personal/social responsibility with regard to all involved in the process of training (PDI, PAS, Coordinator Students, Mentors, "Mentorized", Monitors and "Monitorized").
- Generate an environment of collaboration and companionship among all the members of the university community what eases the building of a network aimed at fostering the professional results of the graduates.

Phases and Participants in the Reception Actions for Receiving Students

The programs oriented to welcome the students are divided into the following phases

Table 4 shows the phases integrating the projects as well as the participants who benefit from them. It is worthy to recall that in both projects, Mentor and Monitor, the participation of the trainees (newcomers and veterans) as well as the teaching work performed by the tutorial professors is essential.

Results of the Experiences of the Orientation Actions in the ETSIME

The analysis of results reflects the observation and modification in each one of the process, thus allowing the independent evaluation. Due to the fact that the two projects have a different time frame, the results

Table 4. List of participants in the reception actions in every one of the phases of the projects

Stages	Phases	Mentor Project	Monitor Project
Preparation	•Planning of training and seminars •Diffusion of the activities •Selection of veteran students •Captation of students of first course	•Coordinators •Coordinators and Coordinator Students •Coordinators •Mentors	•Coordinators •Coordinators and Form masters •Coordinators and Form masters •Monitors and Form masters
Execution	•Training of veteran students •Administrative support / Academic support to the students of first course	•Professors and Psychological Assistance Service •Mentors, Tutorial and Professors	•Tutorial professors •Monitors and Tutorial professors
Evaluation And Closure	• Procedure evaluation • Recognition of ECTS credits to the veteran students • Closure of and reflection from the project	• Mentors, "Mentorized" and Form masters •Form masters and Coordinators • Coordinators, Tutorial professors, Coordinator Students, Mentors and "Mentorized"	•Monitors, "Monitorized" and Form masters • Form masters, and Coordinators • Coordinators, Tutorial professors, Monitors and "Monitorized"

Source: own elaboration

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of the Mentor Project are shown before, followed by those of the Monitor Project. Finally, a comparison of the data of the two projects during the 2014-2015 courses is shown.

Results of the Mentor Project

This section collects the results of the implantation during the five last years. A reflection on the deviations undergone during this process and the interactive process to the SIQA is outlined as follows.

The participation of the different stakeholders has been changing during the five years period of the program (Figure 3). As can be seen, the number of mentors has reached a peak with the minimum of 10 mentors from the start in the 2010-2011 courses to the 40 reached in 2011-2012. In the following years the number has been stabilized around 30 mentors. In relation to gender distribution, men exceed women in the first to courses whereas after 2012-2013 the situation appears to be more balanced.

In relation with mentors, the pre-Bologna status predominated till the 2013-2014 courses. After, the post-Bologna number increased. This data is consistent with the differences in enrollment of both types of students in each period.

Regarding the "Mentorized" trainees (Figure 4), their number has increased since the outset of the program (2010-2011) as an experimental activity with 21 students (76% women and 24% men). This pattern is inverted from 2011-2012 onwards with higher percentages of men, ranging from 66% in 2013-2014 to 72% in 2014-2015. All the students integrated in the program belonged to the post-Bologna status. This is consistent within the process of implantation of this action of reception.

The incorporation of the Coordinator Students began in 2012-2013 with four women from the pre-Bologna status, then followed with two (man and woman) in 2013-2014 to end with two girls students in 2014-2015. There are no differences in the incorporation of Coordinator Students in relation with the nature and characteristics of the studies plan. The participation of the teaching and research staff (PDI)

Figure 3. Number of mentor's trainees
Source: Own elaboration

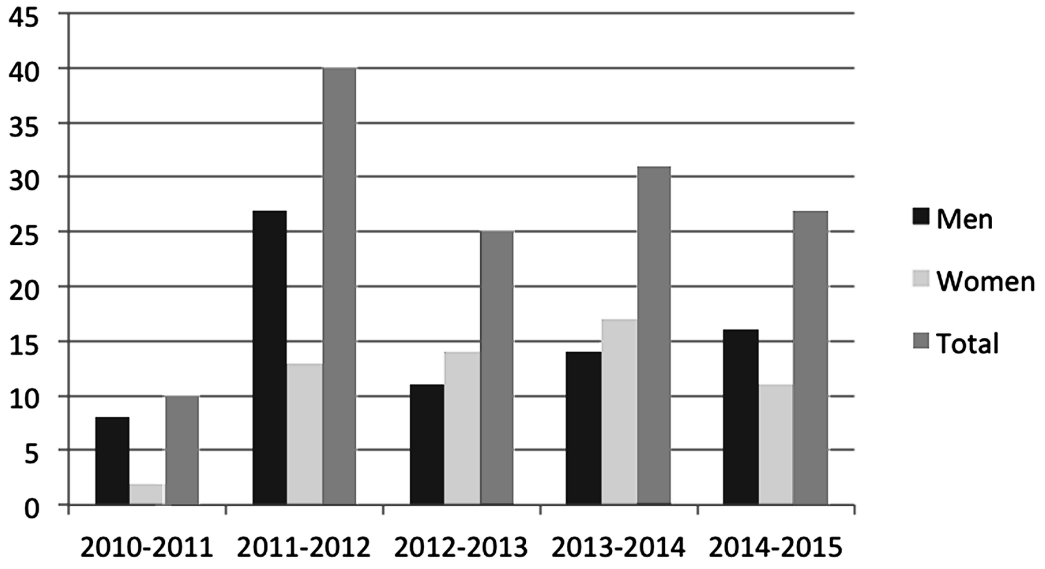

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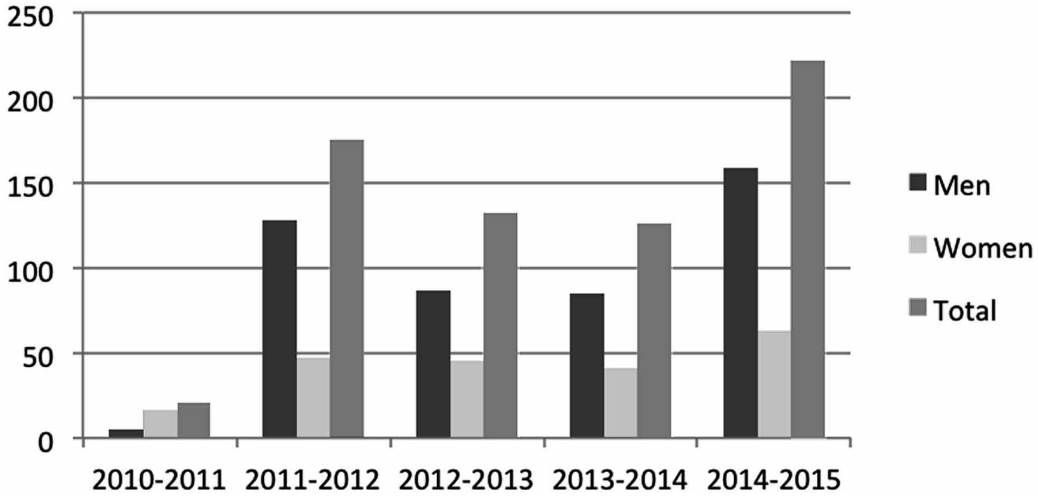
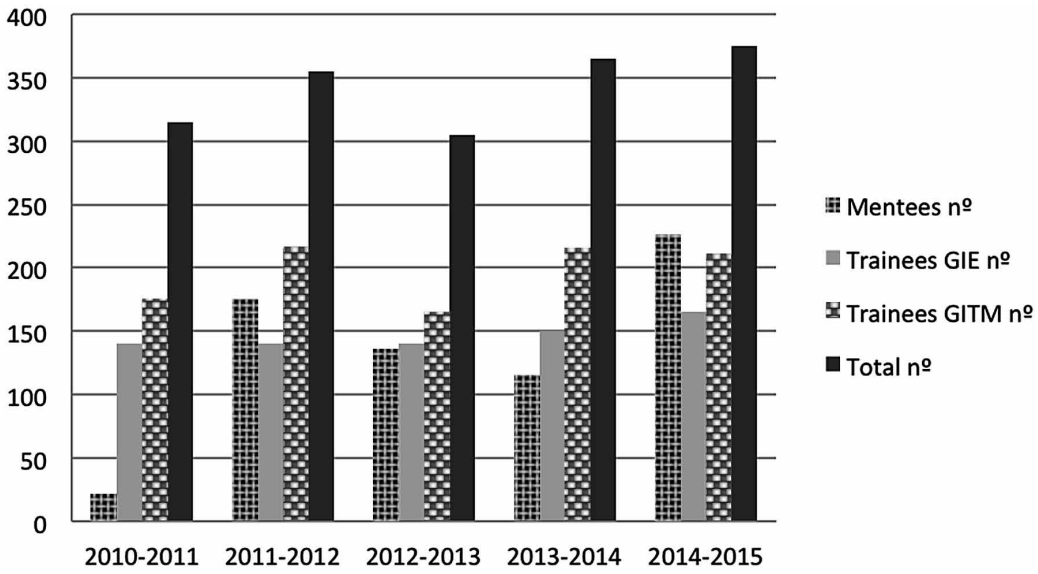
Figure 4. Number of "Mentorized" trainees
Source: Own elaboration



has also been increasing since the beginning: from two professors in 2010-2011 and 2011-2012 till 6 professors in 2012-2013 and 9 professors in 2013-2014, with 7 men and 2 women. Currently there are 11. The intervention of the PAS collective has been constant and uniform, collaborating in the program with two secretaries and a computer expert to give support for the Moodle platform.

Following with the statistical indicators, it is worth noting the high percentage of "Mentorized" students who have decided to pass to the status of mentors (>70%). A comparison (Figure 5) between

Figure 5. Comparison between the number of "Mentorized "students and the students enrolled in the different degrees of ETSIME
Source: Own elaboration



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the number of students having entered into the mentor project as "Mentorized" and the variation in the number of enrolled students does not reveal any parallelism or relation between the two data.

Concerning the different productive populations involved in the project (Figure 6), the figure shows an evolution that leads to an optimization of the stakeholders. In fact, it must be emphasized the high number of mentors enrolled in the course 2011-2012, when the process was in a preliminary state and the general opinion of the mentors on the teaching program was of distrust. With the evolution of the program, the training activities were optimized what implied the reduction in the number of mentors to attend the needs of the "Mentorized" trainees.

Results of the Monitor Project

The first edition of the project was launched as a pilot phase in the course 2014-2015 (Figure 7). In spite of this short life span, with the subsequent limitations to assess the project from the perspective of the concept and platform of SIQA, it has been possible to check that the Monitor project offers positive results

Figure 6. Comparison between the different productive populations involved in the Mentor Project
Source: Own elaboration

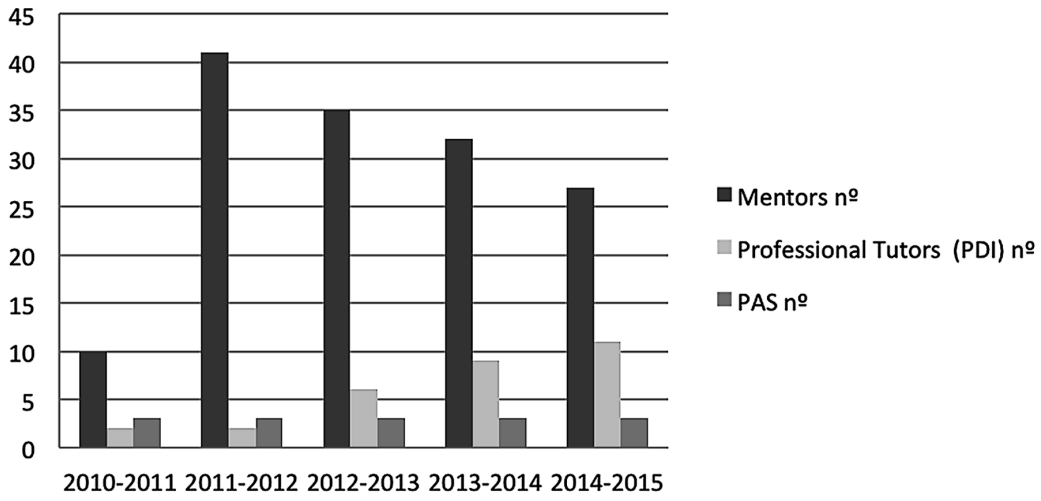
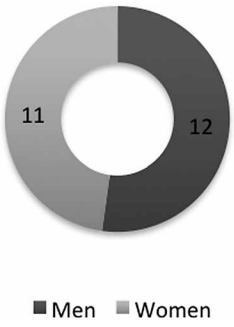


Figure 7. Number of monitor's trainees (2014-2015)
Source: Own elaboration



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with respect to critical issues such as the increase in the pass rate and the reduction in the rate abandon. At the time of designing the current degrees (pre- Bologna), the pass rate were fixed at 70%, a figure that allowed students to reach graduation in five years period as an average. In the pre-Bologna period, the duration of the formal five years degrees extended to an average of 9 years. Taking into account that most of the academic problems appear during the training of the subjects of the first cycle, projects like the Monitor seem to contribute to reduce the time frame employed by the students to graduate.

The participation of students monitored in the program may change depending on the activities performed by monitors. From a methodological point of view, it is interesting to include a control group, one that has not taken part in these designed activities, in order to be able to compare the results and the improvements achieved.

The best activities evaluated are those that affect the entire group and compare efficiency results between different years. In this case, we take into account that the admission cut off of students each year is different, but the absolute average calculated for each year is very similar.

Taking into account this caveat, the authors have focused on the lessons learned from students of two groups with different average in 2013-14 and 2014-15. Figures 8 and 9 illustrates how the number of passing students in the group with higher admission marks has increased since the Monitor Project's implementation from 70% in 2013-14 to 73% in the period 2014-15. The number of passing students in the group with a lower admission mark has increased from 42% in 2013-14 to 62% during the year 2014-15; this result shows clearly the great rate of improvement due to the monitor effect in students with lower admission marks.

With this project has not been possible to reduce the number of students that do not even go to the exam, so this is an objective that the SIQA needs to review in order to design strategies to solve this problem.

General Reflection

ETSIME has designed a series of actions to host the new students. They include hosting seminars in which the installations and their functioning are shown to the students, but also the development of

Figure 8. Greater input note group (2013-2014 vs. 2014-2015)
Source: Own elaboration

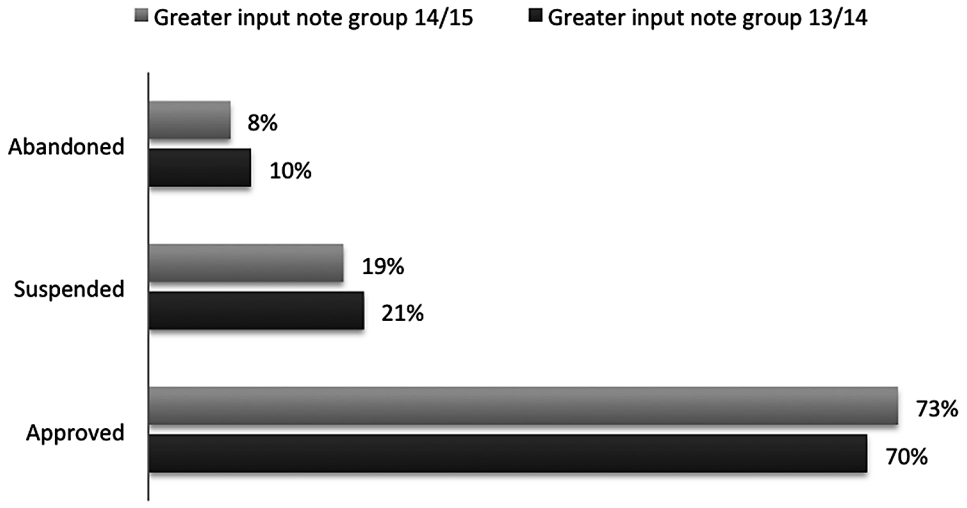

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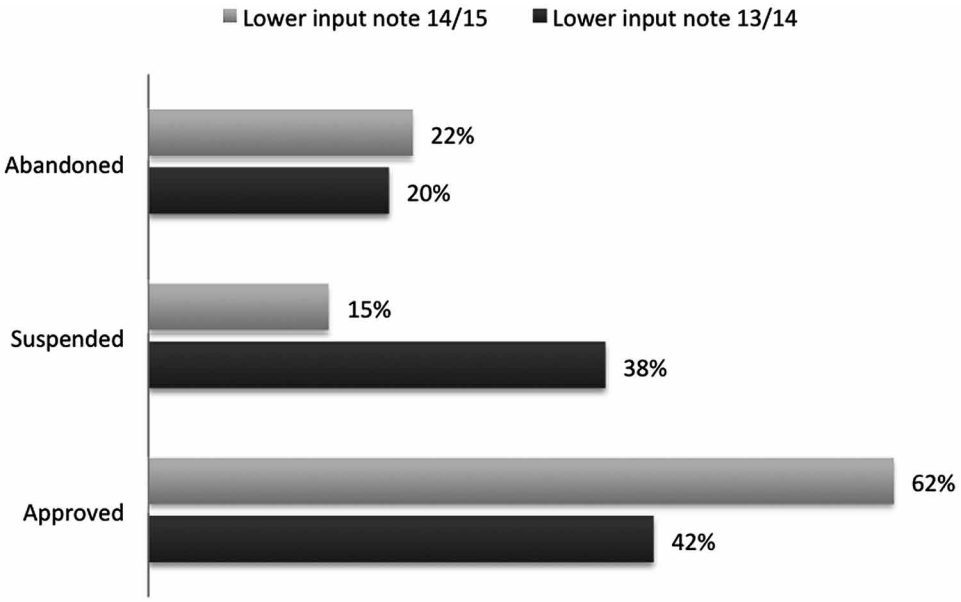
Figure 9. Lower input note group (2013-2014 vs. 2014-2015)
Source: Own elaboration



generic and specific skills designed in the curricula and measured through the SIQA. The authors consider that these actions have shown to be appropriate. They also consider relevant to highlight how the different competences of the degree are addressed by the projects Mentor and Monitor. In that sense, it could be said that the generic skills are widely developed in the Mentor Project and in the subjects of the degree program, while the specific skills are developed through the subjects and are completed with the Monitor Project.

FUTURE RESEARCH DIRECTIONS

On the grounds of the integrative learning process and its success, the ETSIME-UESEVI strategy will continue its path on the basis of three pillars:

1. The application of an evolutionary trajectory to combine theoretical and practical approaches to the teaching of engineering.
2. Attempts will be made to integrate the education and research activities by exploring the new dimensions and dynamics of the consequentialist ethics as it is being applied in the ETSIME-UESEVI program. The goal is to include this new perspective into the Geoethics movement to contribute to sustainability of natural resources and to gain better social benefits of the exploitation of these resources.
3. The use of social entrepreneurship and service learning initiatives that represent the practical side of the integrative learning process, as a source and as a reservoir of new outcomes for better development of the future engineers.

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The authors also would desire to attain two more ambitious goals:

1. Expand the integrative way of teaching promoting the interrelated application of the following concepts and frames: evolution and ethics, social responsibility, social economy (including branches like ecological economy and some kind of biological economy, social entrepreneurship and social learning practices. The objective is to achieve social intelligence (Figure 10).
2. Develop programs that may foster students' vocations for STEM careers.

In summary, ETSIME-UESEVI will pursue an innovative educational program embedded with innovative social parameters.

CONCLUSION

While recognizing limitations and imperfections during the Bologna process, from the case presented in this chapter derives the idea that the SIQA strategy has evolved as a valuable driver of change in order to train students in transversal and specific competencies.

From the review of the situation and evolution of the Bologna process that has been conducted in this chapter, and taking into account the dimensions of quality and accreditation that define this process, it seems that Engineering offers very positive results in relation to the objectives of SIQA.

The case study model is an instrument used and recognized in studies aimed at training managers and professionals in business, and in economic and financial fields (Business Schools, diplomas and university degrees in Marketing and Commerce, all of them examples of entrepreneurial success in USA). The application of this model to a more social objective, as is a Higher Education process managed from a public institution, has reinforced the rational of the authors searching for international diffusion of the process. This program has been oriented to the teaching of engineers by including social issues as ethics, values, and concepts and practices of social economy and social innovation, and has obtained very positive results.

The examples provided in this chapter show the integration of the teaching on ethics and the actions oriented to facilitate the adaptation of the new students of Mining and Engineering (an outcome of the quality objective) with the successful application of Social Entrepreneurship, creative innovation and Service Learning. This integration represents a first and important evidence of the good results provided by the integrative learning trajectory. And thus leads to the incorporation of the ETSIME teaching program in the aims of social intelligence (Figure 10).

This concept of integrative learning may be assimilated to the one of "educational ecosystem" that the authors wish to propose. The concept of ecosystem is becoming a mantra and so applied very frequently, but not properly in scientific terms, to design innovation and market projects and strategic issues. However, in the case study presented here and with regard to the field of education, the use seems in principle well substantiated: throughout the trajectory, there are coevolution and integration of the different phases and shareholders. All these results contribute to the recognition of values such as cooperation, empathy, and social justice. This recognition leads to social responsibility of the graduates.

A consultation on Google Academic provides an indirect and additional assessment of the ETSIME initiative. The introduction of the wording "integrative learning in teaching ethics in engineering" provides

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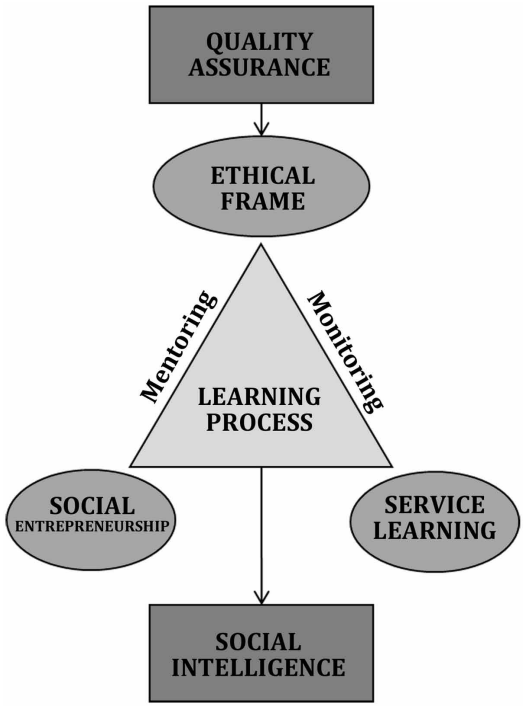
Figure 10. From Quality Assurance to Social Intelligence through Integrative Learning
Source: Own elaboration



40.000 results, while the consultation of the terms "ethics teaching in engineering" offers 440.000 hits. Nevertheless, none of the results that appear in the first cluster resembles the ETSIME program. This fact indicates that this kind of program is a potential and appropriate initiative for innovative developments in a HE quality strategy.

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KEY TERMS AND DEFINITIONS

ACREDITA PLUS Program: The main objective of the new ACREDITA PLUS program (2010), namely, to avoid the multiplicity of processes so that degree programs can obtain both national accreditation and a European/international quality label through best use being made of synergies between the two QA processes.

ACSUG: Agency for Quality Assurance in the Galician University System was legally established on 30 January 2001 as a consortium between the Regional Government of Galicia and the three Galician universities. ACSUG has full legal personality and the necessary independence to be able to achieve its objectives to rigorous standards fully respecting university autonomy.

AQU: The Catalan University Quality Assurance Agency, AQU Catalunya, is the main instrument for the promotion and assurance of quality in the Catalan higher education system. AQU Catalunya is entrusted with the assessment, accreditation and certification of quality in the universities and higher education institutions in Catalonia.

AUDIT Program: ANECA in cooperation with two other regional agencies, AQU and ACSUG, have developed the 'Assessment of Internal Quality Assurance Systems in Higher Education' (AUDIT program). The purpose of this initiative, which is addressed to all the university colleges and faculties that offer university education, is to provide guidance in designing internal quality assurance systems integrating all the activities implemented up until the present time related to degree programs quality assurance. Even though these orientations are addressed to university colleges and faculties, some relevant elements are of a transversal nature and belong to the university institution as a whole (i.e. issues referred to the hiring of academic staff, material resources and general services, etc.).

Group E4: Composed by the European Association for Quality Assurance in Higher Education (ENQA, 2000), the European Universities Association (EUA, 2001), the European Association of Institutions in Higher Education (EURASHE, 1990) and the European Students' Union (ESU, 1982).

Social Competencies: Those extending the ones taught in the specific degree or branch and that are attending to train the students in a series of knowledge dimensions and values which may allow them to behave as citizens assuming compromises with people as well as acting responsibly on the common goods that will fashion their Professional scenario (Environment and Society) (García Laso, 2014).

VERIFICA: Program evaluates the proposals of study plans (curricula) designed in line with the European Higher Education Area.

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Chapter 44
How Do UK B2C High-Tech Start-Ups Utilise Innovation Through Social Media to Improve Business Performance and Outcomes?

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ABSTRACT

This article describes how social media in the business world today has been one of the major trends that highly affects business transactions worldwide. Existing literature focused on how businesses can leverage social media to better interact with their customers, and how to use of social media by companies to drive innovation. However, not mush had been done to examine how B2C high-tech start-ups utilise innovation through social media to improve business performance. As such, this article attempts to fill a research gap that examines the extent of social media usage by B2C high-tech start-ups in London to drive innovation and hence improve their performance and business outcomes. Due to the complexity of innovation as a concept, qualitative research was chosen as an appropriate method to understand the view of high-tech start-ups on the matter using semi-structured interviews.

1. INTRODUCTION

The rise of social media in business has been one of the major trends in recent years. However, the existing literature within the field focused mainly on how businesses can leverage social media to better interact with customers and encourage them to participate in new product development (Martini et al., 2014; Bugshan, 2015). Meanwhile, any researchers had identified a fundamental need for entrepreneurs to build communities and relationships through social media, internet marketing, viral marketing and e-marketing tools in order to draw knowledge and ideas. Among these researchers and scholars: El-

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Gohary and El-Gohary, 2016; Kask and Linton, 2013; El-Gohary et al, 2008; El-Gohary, 2009; Ma, et al., 2014; El-Gohary, 2012; El-Gohary, 2011; El-Gohary, 2010; Hamad et. al., (2016); Hamad et. al., (2015); Raghubansie et. al., (2015); El-Gohary and Eid (2013); Eid and El-Gohary (2013); El-Gohary et. al., (2013); El-Gohary (2012b); El-Gohary (2012c); El-Gohary and Eid (2013b); El-Gohary and Eid (2012); Millman and El-Gohary (2011); El-Gohary (2010); El-Gohary (2010b); El-Gohary (2010c); El-Gohary et. al., (2009); etc.). However, existing literature falls short of fully exploring the implications of social media as a form of innovation for businesses and how it can be leveraged to improve business performance and outcomes.

While building on existing research, this study will aim to address this topic and analyse the extent to which the use of social media as an innovation tool can contribute to an organisation's success. The study will specifically focus on high-tech Business to Consumer (B2C) start-ups. The term high-tech has been used to describe industries, as well as products of these industries and people who work in this sector. According to Mohr, et al., (2010, p.10); high-tech can be defined as 'engaged in the design, development, and introduction of new products and/ or innovative manufacturing processes through the systematic application of scientific and technical knowledge.' This study focuses on the high-tech industry because existing literature has not focused on this particular industry.

2. LITERATURE REVIEW

2.1. Innovation in Business

Innovation encompasses changing or refining business processes, ideas and products to make them more effective with the underlying idea of making the business more successful (Colombo & Grilli, 2007; Mergel, 2012). Innovative businesses are more productive which is often reflected in their overall performance (Backes-Gellner & Werner, 2007; Zolkepli & Kamarulzaman, 2015). Existing literature further suggests that innovation enables the business to be more flexible and adaptable in a rapidly changing environment (Sahut & Peris-Ortiz, 2014; Criado, et al., 2013).

Innovation now plays an even important role in an arena influenced by fast technological advancements (Ooms et al., 2015; Mount & Martinez, 2014). Innovation should be entrenched within the strategy of the business and should be reflected in the culture. This enables everybody working in the corporation to contribute towards the creation of innovative ideas (Kask and Linton, 2013; Ma et al., 2014).

It is vital for start-ups to create a team of employees who are creative and innovative thinkers (Fritsch & Aamoucke, 2013; Hall & Wylie, 2014). Start-ups should conduct analysis of the market environment, determining what customers want and need, and gain more insight into their competitors (Festel, 2013; Audretsch, et al., 2014). This analysis in previous decades was carried out using traditional approaches such as using research agents. The growth and popularity of the internet has now made such analysis convenient, fast, detailed and affordable (Colombo et al., 2014; Bugshan, 2015).

2.2. Social Media

The concept of social media is one that companies have leveraged to help them succeed in various areas of their business (Colombo & Grilli, 2007; Mergel, 2012). This sub-section discusses the evolution of information exchange and the increased use of social media by businesses to improve their outcomes.

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The extensive usage of the internet has led to augmented acceptance of social media. There has been an argument in the literature around the definition of social media. However, the most common definition was given by Kaplan and Haenlein (2010, p. 61), which states 'social media is a group of internet-based applications that build on the ideological and technological foundations of Web 2.0, and that allow the creation and exchange of user-generated content.' In the business realm, social media has become a significantly important avenue where businesses use various formats to improve different aspects of their business processes (Backes-Gellner & Werner, 2007; Zolkepli & Kamarulzaman, 2015).

Adequate research material exists on social media particularly in connection with the increased use of online platforms (Sahut & Peris-Ortiz, 2014; Criado et al., 2013). Technological advancements over the years have resulted in traditional approaches to information flow being passed by easy access and faster spread of information via the internet. Meanwhile, social media allows and facilitates collaboration between customers and the business.

Technological advancements have proved to be instrumental towards the development of new enterprises as alternative entry points into different industries have made traditional barriers to entry irrelevant (Groen, et al., 2008; Chesney & Lawson, 2015). Uber has quickly established a huge customer base in over 35 cities globally by increasingly leveraging technology (Price, 2015). However, it did not have to overcome the traditional barrier to entry of acquiring several hundred vehicles and hiring several hundred drivers.

Consequently, an innovative idea enabled by technology allowed the start-up to effectively enter the market via an alternative and previously unexplored route. Though existing literature mainly focuses on the role of social media in improving the marketing abilities within organisations, limited work has been carried out to determine its role in improving the innovation abilities of businesses (Caliendo et al., 2015; Barnes & Jacobsen, 2013). The next sub-section aims at establishing this link amongst social media and innovation, providing an overview of current literature and how this study aims to address the gaps in this area.

2.3. Using Social Media for Innovation

The linkage between social media and innovation in business has become inseparable. In the past, a solo inventor would create a common scenario breakthrough solution working in isolation. However, these days are now long gone (Bugshan, 2015). In today's world, problems have become increasingly complex. Hence, solving them in a solo effort is less effective as it limits the speed at which the solution would be produced.

These complex problems are multi-faceted and require collaboration between people with broad expertise. Collaboration allows drawing from a diverse skillset to enhance the solution so that it addresses the problem from all angles. Successful innovation requires ideas and knowledge to be exchanged (Caliendo & Kritikos, 2010; Henrekson, 2014).

This should be accompanied by the ability to manage and organise information in such a way that gives the entrepreneur the ability to mine the value of innovation (Kösters, 2010; Filieri & Alguezaui, 2014). Incorporated within this environment is the underlying need to build communities and relationships, which entrepreneurs can draw knowledge and ideas from. This is where the concept of social media as an overall tool for innovation starts to prove beneficial for start-ups (Kask and Linton, 2013; Ma, et al., 2014).

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2.4. Advantages and Disadvantages of Social Media

The incorporation of social media within the company's overall innovation strategy provides further benefits. Without a doubt this is what many start-ups have come to embrace (Colombo, et al., 2014; Bugshan, 2015). However, existing research also suggests some disadvantages surrounding the use of social media for innovation. The benefits of social media in the business world have started to be recognised. A large number of companies already use social media tools and services for product innovation to some extent (Colombo & Grilli, 2007; Mergel, 2012).

The welfares such companies gain from the application of social media within the innovation strategy often include creative ideas for products or services offered and a much faster time in launching a product or service in a market. Products or services are also adopted quite quickly due to the high level of interaction and involvement from the early stages of product development and design through social media (Backes-Gellner & Werner, 2007; Zolkepli & Kamarulzaman, 2015).

Other benefits that are well documented in the existing literature include reduced product costs as well as lower development costs of the products (Sahut & Peris-Ortiz, 2014; Criado, et al., 2013). The low production costs emerge from the fact that there are fewer defects and minimal changes to the product requirements and concept. Since the requirements are generated through involvement and interaction with the users and customers in the first place, the rate at which the product will have to be changed generally tends to be much lower (Ooms, et al., 2015; Mount & Martinez, 2014).

3. METHODOLOGY

Methodology is an important phase of research as it helps clarify the precise practices that should be followed in order to obtain the required data (Saunders, Lewis and Thornhill, 2009). A qualitative method is undertaken in this research because it helps to understand the nature or quality of a phenomenon as opposed to a quantitative method that focuses on how much (Punch, 2013). Jankowicz (2005) argues that a qualitative strategy helps to ensure that the research has a balanced focus on the data collected and not just a focus on numbers. This section will attempt to explain the philosophical approach applied, choice of research design, data collection techniques, sampling strategy, method of data analysis, and ethical considerations.

3.1. Philosophical Approach

Qualitative research is assumed to be more suited to theory building (Myers, 2013). However, it can also be used to test theory. This study primarily employs inductive reasoning by starting 'bottom-up' and collecting data through face-to-face interviews. It then attempts to investigate and analyse the data obtained in the light of existing theory. The approach is based on the collection of empirical observations that are not limited by the need to test theories and hypotheses. This helps to facilitate the interpretive position and develop general observations about the specific situation (Hussey and Hussey, 1997). It also helps balance focus between data and qualitative observations (Jankowicz, 2005). The inductive qualitative research approach has been chosen over the deductive approach, as the former is more open-ended and exploratory in nature. Therefore, it allows for a deeper understanding of the social aspect of the study.

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As mentioned earlier, the study employs a qualitative research method and starts by investigating the underlying epistemology to guide the research. A breadth of literature has been consulted in order to build the basis for knowledge and understand its limitations. Orlikowski and Baroudi (1991), following Chua (1986) suggests three categories for qualitative research: positivist, interpretive and critical. While research epistemologies are philosophically distinct, these distinctions may not be as clear in the practice of social research (Lee, 1989).

However, this study takes an interpretive approach towards qualitative research. It does not aim to predefine dependent and independent variables but focuses instead on the complexity of human sense-making through research and interviews (Kaplan & Maxwell, 1994). It attempts to understand phenomena through the meanings that people assign to them (Boland, 1991; Orlikowski & Baroudi, 1991). The area of the use and effects of social media spans across various social and organisational phenomena. Therefore, it cannot be studied using the research methods and tools of the natural sciences. This is because the human phenomenon of subjective understanding has no counterpart in natural sciences (Lee, 1994). The study involves the author speaking the same language as the people being interviewed in order to obtain an in-depth understanding of the area. The author recognises that it is as much a 'subject' and an interpreter of social situations as the people being studied (Giddens, 1976).

While the positivist philosophical position assumes that scientific methods are considered one of the best ways to find the truth (Jankowicz, 2005), it rigidly applies paradigms and approaches from the natural sciences (Remenyi et al., 1998). Therefore, it misses out on addressing the fact that opinions and interpretations beyond data also hold significance (Caldwell, 1980). In contrast, the interpretive research approach chosen is designed to gain enough understanding of upcoming outcomes from the research goal by focusing on the nature of the research environment and context (Jankowicz, 2005). This makes it of great value given the complexities surrounding the use, effect and implications of social media on various business functions and customers.

Looking at the area of social media in high-tech B2C start-ups, the author's research question is concerned with how social media can be used as a tool in order to improve business performance and outcomes. As discussed in the literature review section, this study aims to fill a research gap and aspires to provide the vehicle for exploring the usage of social media as a beneficial tool for high-tech start-ups.

3.2. Research Design

Myers (2013, p.19) stated that research design is considered as a 'road map' for the entire research. The researcher has used both primary and secondary data in this study. Primary data was used in collecting data from interviews as information was obtained directly from the interviewees to improve the findings of this research. On the other hand, secondary data was gathered from existing sources such as, books and journal articles (Carter and Little, 2007). These have been included in the literature review to provide a deeper understanding of existing studies and theories on the research topic.

3.3. Data Collection

According to Saunders, Lewis and Thornhill (2009), data collection must be appropriate to the philosophical position and approach. It must therefore be aligned with the interpretive and qualitative approach. Five high-tech start-ups have been chosen to collect data for this paper. These start-ups are currently

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supported by a start-up accelerator that provides funding, office spaces and mentoring in addition to other services. The Head of Partnerships and Events at the start-up accelerator was the initially approach and was explained the purpose of the research. An approval was subsequently received and a connection was made between the researcher and the start-ups who were willing to participate in the study.

A qualitative method was chosen to prepare this study because this research focuses on obtaining detailed and highly relevant answers to ensure effectiveness. This could only have been possible through interviews. As described by Adamson & Holloway (2012), Patton (2002), Hallberg (2013) and Myers (2013), choosing interviews as a method for data collection provides the best results because it enables the researcher to obtain in-depth answers from the participants, which cannot otherwise be obtained using other methods, such as observations.

Semi-structured interviews were chosen as the most suitable style of interviewing. It provides the ability for more solid and in-depth answers. Most questions are designed in an open-end form to help the researcher in guiding the participants of the purpose of the questions when required (Bryman and Bell, 2007; Irvine, Drew and Sainsbury, 2013). Moreover, it was essential to make the interview questions as simple and flexible as possible in order to give the participants the chance to state their points of view comfortably.

3.4. Sampling

A sample of five start-up companies was chosen to collect data from for this study. They are high-tech B2C start-ups based in London. Each one of them specialises in a novel product or service. Examples of the products include next generation sleeping pillows and bike navigation systems. On the other hand, services include diabetes monitoring application, wine lovers service and a unique film events application.

The interviews were conducted with the start-up founders in London. The approximate time the interviews took was between 10 and 23 minutes. Two interviews were conducted on August 5, one was conducted on August 6, and the final two were conducted on August 7. High-tech B2C start-ups have been chosen as they have not been studied previously to find out the implications of social media as a form of innovation and how it can be used to improve their performance and outcomes.

3.5. Data Analysis

The author analysed the data using top-down and bottom-up approaches. Top-down approach means that the author will analyse data from the literature review. Conversely, a bottom-up approach involves collecting data from the author's findings (Myers, 2013). Current research has a combination of both approaches because the topic of social media and innovation also exists in the literature (top-down). However, there is a gap this research will try to fill by focusing on the high-tech B2C start-ups industry in London which none of the literature have explored before (bottom-up).

Coding has also been employed as an approach. Usually coding is used to categorise data that is common as it is a more convenient way to relate, compare or identify any information when analysing data (Miles, Huberman and Saldaña, 2013). Coding can be in a form of numbers, words or sentences. However, in this research coding was used on the request of anonymity by participants. Hence, details of participants from the start-ups have been coded as A, B, C, D and E.

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4. ANALYSIS AND FINDINGS

Data collected from the interviews is the primary source of data and will be analysed in a manner that would agree, disagree, or build on the literature review provided earlier. The interview is based around thirteen research questions. Interview responses from each of the five interviewees will be analysed. This will allow for answering the research question by comparing and contrasting answers with each other, while relating to the literature review in order to reach to a conclusion.

Since the data collected for this research is through interviews, some answers from the respondents would necessitate additional questions to keep the answers relevant to the questions being asked. This would also allow for keeping the analysis objective from the research point of view. In order to do this effectively, the author has to bear in mind that the focus is on three main aspects: the degree of reliance on social media for innovation in start-ups, the ways entrepreneurs use social media, and their perception of social media.

4.1. Interviews

Interviews with the start-up founders are the primary data source for this research. Therefore, a detailed analysis for every question will be provided to allow for thorough understanding and consequently a clear conclusion. A sample of the full interview questions and detailed answers will be provided in the appendices (See Appendix B&C). Every question will be mentioned along with the relevant findings and its link to the literature review.

The respondents interviewed are all entrepreneurs who have their own in the high-tech domain and are described as a B2C business. In this research, the respondents' names have been anonymised on their request and will be coded as respondents A, B, C, D, and E.

4.2. A Brief of Participating Start-Ups

In order to obtain a more objective analysis of the data collected and to allow the reader to get an in-depth understanding of the analysis, the products and services with their features and uses will be briefly mentioned. Respondent A's start-up makes a product that connects people by using their real-time heartbeat and plays it in into a pillow. Respondent B's product revolves around cycling security. Respondent C provides an application that allows people to get information on movies showcases and buy tickets. Respondent D provides a diabetes management application which helps diabetics control their sugar levels and improve their health and wellbeing. Lastly, respondent E's offering involves selling winery products online on the internet.

4.3. Analysis and Findings

4.3.1. Social Media Representation for Start-ups

Researchers have identified the need for entrepreneurs to build communities and relationships through social media in order to draw knowledge and ideas (Kask and Linton, 2013; Ma, Sian Lee and Hoe-Lian Goh, 2014). All respondents agreed that social media is needed for their business and see it as an important tool that a business needs. However, the respondents' view of the degree of importance that

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social media holds was varied. Respondent A has mentioned that social media is an essential tool and a necessity for her start-up, as her product idea was a video the respondent uploaded which went viral. Respondent B has elaborated on the use of social media as a powerful tool and its role as share point of the business, to attract potential investors, and for receiving feedback. It was also mentioned to be a cost-efficient way to target certain demographics. This emphasises on the high importance that respondent B gave to social media for a start-up. Respondent E has mentioned that social media helped the business to grow and increase its exposure to the online customers leading to about 2000 daily engagements with customers over social media platforms. This high exposure rate enabled her to better understand customers' demands, communicate effectively with them, and get more knowledge about the various parties involved in the market the respondent operates in.

The responses from A, B and E are synonymous with the findings of Groen, Wakkee and De Weerd-Nederhof (2008) as well as Chesney & Lawson (2015): the benefit to start-ups of obtaining a better understanding of their ecosystem through developing business intelligence using social media. On the other hand, respondent C viewed social media as one of the business channels that is used to make sales rather than an information feedback loop or knowledge source. Therefore, the respondent solely viewed social media as a source of increasing sales. Respondent D described social media as an effective channel for communicating with customers without mentioning social media effect on business growth.

4.3.2. Benefits From Using Social Media and Platforms Involved

The responses to questions two and three have been combined to provide a more meaningful analysis. Those two questions attempt to allow respondents to further elaborate on their answers to the first question. According to the literature review, technological advances have led to the widespread of social media usage (Sahut & Peris-Ortiz, 2014; Criado, Sandoval-Almazan & Gil-Garcia, 2013), making it an important place for business process and leading to its use for various reasons and ways (Backes-Gellner & Werner, 2007; Zolkepli & Kamarulzaman, 2015).

Respondent A stated a use of social media to 'mainly engage with people that are waiting for the product', and to make those potential customers contribute to the product development process by sharing their ideas and thoughts. This could involve asking if new features can be added to the smart pillow and whether or not the person receiving the heartbeats can tell if there is another person on the same bed. The respondent also mentioned that social media acted initially as a marketing tool that led the marketing team to make a plan to attract more customers through social media.

Respondent B stressed on the use of social media as a means to communicate with existing users on developing the products as well as being a source of strong referrals for the business, a critical source for fundraising through the use of Kickstarter (fundraising platform), and a cost-effective way of targeted demographic marketing.

Respondents A and C mentioned the use of social media and categorised it according to the social media platform used that is best for the audience being targeted. Moreover, they also mentioned the key role social media plays in communicating information to investors, employees, partners, and customers in terms of general or specific marketing.

Respondents D and E use social media to engage in market research to learn about customers and competitors. They also use it for customer service purposes to help resolve problems and to communicate information to staff members. Moreover, social media was identified as an easy and efficient way to expand the customer base and interact with customers to obtain feedback that provided insight for

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product development. It was also recognised as a very strong marketing tool that benefitted the business to sell its products and receive requests from partners in the industry to sell products on behalf of them.

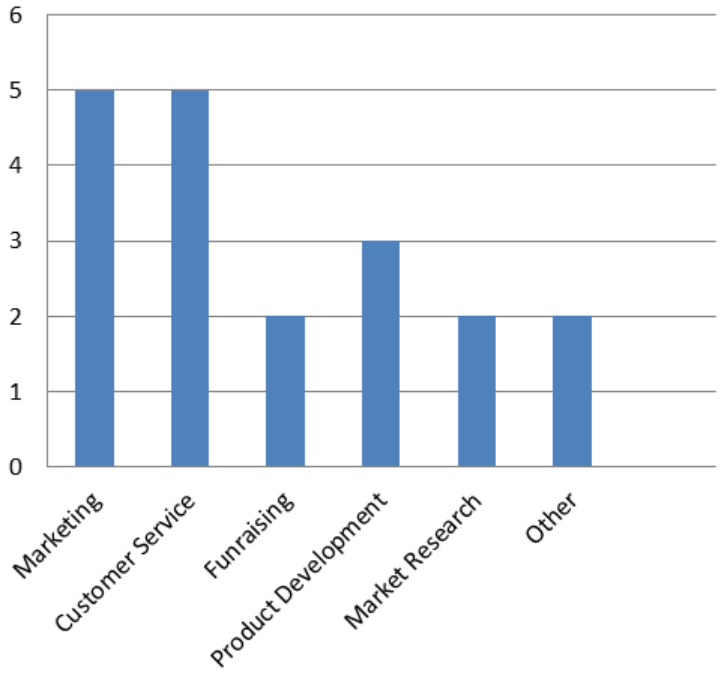
The use and benefit from social media for start-ups was evident from the interview responses. This clearly establishes a positive case for social media's benefit and use by start-ups. This is similar to its benefit for larger corporations as identified by Ooms, Bell and Kok (2015), who investigated large high-tech companies and found that social media can be used as a boundary-spanning tool to build and increase an organisation's absorptive capacity.

Respondents A, B, and E specifically pointed out how social media enabled a better reach to customers, making traditional barriers to entry irrelevant despite operating in different industries. All respondents believe that social media has facilitated better and cost-effective customer service and communication. Moreover, it also enabled the collaboration between customers and the business, which are results that match the findings of Groen, Wakkee & De Weerd-Nederhof (2008) and Chesney & Lawson (2015).

Figure 1 highlights the relative use and importance all respondents gave to social media in terms of marketing and customer service through feedback. Product development was another use that three respondents highlighted as an area of benefit. These findings conform to existing literature by Martini, Massa and Testa (2014) and Bugshan (2015) which focused on how businesses can leverage social media to better interact with customers, ask them questions and encourage them to participate in new product development.

Two respondents highlighted the use of social media as a market research tool that enables them to understand the customer needs and competitors. Fundraising was another identified benefit for two start-ups, while other use was for communicating with the business staff and partners.

Figure 1. Use of social media



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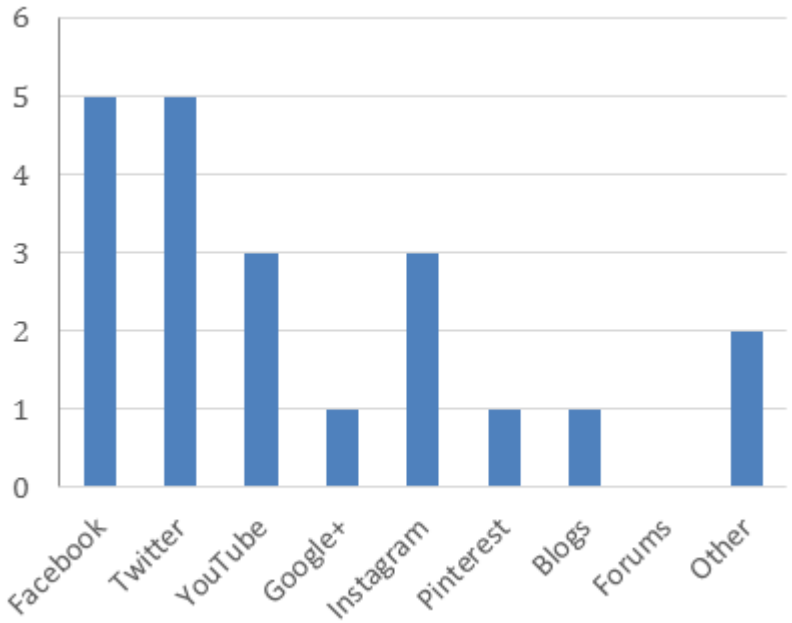
4.3.3. Social Media Platforms Used and Reasons of Usage

This question attempts to highlight the different social media platforms used by start-ups and whether usage of specific platforms would be fundamental for all start-ups. The respondents were given the following list of social media platforms to choose from:

- Facebook
- Twitter
- YouTube
- Google+
- Instagram
- Pinterest
- Blogs
- Forums
- Other

Figure 2 shows that all respondents primarily use Facebook and Twitter as basic social media platforms while providing different levels of emphasis on the relative reliance on such platforms. It was noticed that Instagram and YouTube are the third most common platforms used. Respondent C seems to be an active user of five social media platforms that appears inconsistent with their response of considering social media to be of mediocre important to their start-up. However, the respondent did mention that Google+ is not considered a real source of information and feedback as the respondent considers it to

Figure 2. Social media platforms used



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be a 'weak platform'. Moreover, the respondent considers Facebook to not be very effective advertising and that it is heavily flooded with advertisements that users do not want to see.

The respondent did mention Twitter and Instagram to be far better tools for reaching out to customers. Respondent D uses a blog called Medium.com in addition to Facebook, Twitter and Instagram. Respondent B uses Kickstarter and LinkedIn for fundraising and feedback, while Twitter is used more for defensive mechanism than for marketing. Respondent E is the most active user of various social media platforms with more than six platforms that include Flipboard.com, Scoop, and others. Respondent E provided a ranking of her considered importance of platforms from the most important to the least as follows: Twitter, Facebook, Instagram, Pinterest, and LinkedIn.

The findings from this question draw upon several conclusions that can be related with previous literature on start-ups as well as on established firms. According to Perleberg (2015) and Scheepers et al. (2014), social media provides a platform for start-ups that can help them innovate and improve business processes and product offerings at a lower cost. Perhaps it is intuitive to figure out that the most used platforms by the respondents are actually the most used ones by consumers, owing partly to their convenient usage.

The findings also show that LinkedIn is not used extensively as the respondents' business model is B2C, which does not make LinkedIn the best platform to focus on. Additionally, the use of blogs and forums is not popular among start-ups since they require dedicated resource for managing and updating on an ongoing basis. In contrast, well-established companies have the luxury of resource and a variety of products and/ or service offerings, leading to the investment of extra resource to make commercial sense.

4.3.4. Degree of Product/ Service Reliance on Social Media

Figure 3 shows that forty per cent of respondents rely on social media to develop and improve products/ services that they offer to customers. This conforms to the findings of other researchers which conclude that products or services are also accepted quite quickly due to the high level of interaction and involvement from the early stages of product development and design through social media (Backes-Gellner & Werner, 2007; Zolkepli & Kamarulzaman, 2015).

Figure 3. Reliance on social media to change/provide product/service

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However, other respondents gave different answers that also confirm that this social media reliance by start-ups is skewed by industry and mostly used in the financial sector more than others like medical services sector, as reported by Barnes and Jacobsen (2013).

The respondents gave different answers due to different reasons. Respondent B did not provide an answer since his product did not launch yet. Therefore, social media plays no role in providing/ changing the product, as it has not yet reached the market. Respondent C does not rely on social media platforms because his business has its own application that the respondent believes is a more effective tool to communicate with customers. Respondent E gave a half-way agreement and mentioned that social media for her business is not a huge deciding factor for contributing towards product or service development.

4.3.5. The Link Between Social Media and the Business Model for Start-Ups

The responses to questions six and seven have been combined to provide a better-rounded analysis. The literature review mentions a study carried out by Groen, Wakkee and De Weerd-Nederhof (2008) that suggest four types of functions based on social system theory used by entrepreneurs to develop high-tech start-ups. These are goal attainment, pattern maintenance, social networking and economic optimisation. The study mentions that all of the four functions require development up to certain level for the start-up to succeed. Although the four types cannot be applied to the study at hand, social networking and economic optimisation could relate to the respondents' answers. The current use of social media as a tool to increase communication and reach would imply the use social media as a major component in a start-up business model.

The interview responses reveal that eighty per cent of respondents have applied social media from day one but motives for each respondent might slightly vary. Respondent B mentioned that the first thing that the respondent was active in was social media and as mentioned earlier, without social media the need for his product would have never materialised. This puts social media at the heart of the business model for this respondent. Respondent C stated that the early adoption of social media is a sign of being serious and active in your business. So the use of social media leads to an enhanced presence of the start-up in the market and in front of consumers. In other words, social media is vital for business exposure to the public for this respondent. Respondent D mentioned that social media was included due to acknowledgement of its key role in running the business.

Respondent E mentions that social media was a must have since a start-up has a small budget and social media proves to be cost effective with minimal upfront costs to set up. This was based on the respondents who recognised the application of the social systems theory on various levels. However, respondent A answered that the most important factor to the business model was making profit and selling a product and justified not adopting social media by saying 'you never know how seriously the investor would take me if I put social media as a method', in the early business stage.

4.3.6. Social Media Problems and Remedies

According to information gathered by KPMG.com (2015), the usage of social media carries potential risks that employers need to be aware of. Those risks involve insufficient training to staff that would lead to misrepresentation of advertising material or miscommunication such as poor response to complaints over social media platforms posted by customers and third parties. This in turn may potentially have a negative effect on the brand image. Sixty per cent of the respondents agreed to experiencing problems

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that originated from the use of social media while forty per cent disagreed. Respondent A mentioned that due to the nature of the product offered by the business, some negative emotional comments were made by customers and stated that 'you can't control a riot'. This expressed the business' inability to deal with these kinds of problems and risks. Respondent D blamed miscommunication to be the reason behind those problems, while respondent E called it 'bad press'.

However, both respondents D and E agreed that those problems have to be dealt with and resolved by communicating with customers to understand their complaints and working on resolving them. As for respondents B and C, they stated social media to not bring problems and related this with several factors. These factors include the fact that their businesses have been operating since a short time period, the ability of social media to help the businesses obtain feedback that reduces customers' dissatisfaction, and social media being of partial use to the business according to respondent C.

4.3.7. Business Innovation Using Social Media

According to the literature review, Social Capital theory has been used in several areas to explain how innovation is created through managing relationships among individuals and organisations. Forty per cent of the respondents agreed that social media generates innovation through learning and interaction with customers. Respondent D further added that social media does not only help with customers but also with various stakeholders and allows for more innovation through establishing communication channels with them. This finding also builds on the results concluded by Groen, Wakkee & De Weerd-Nederhof (2008) and Chesney & Lawson (2015), which state that start-ups have managed to benefit from social media by developing business intelligence that helped to better understand customers and the entire business ecosystem.

Sixty per cent of the respondents disagreed with the role of social media in generating innovation. Respondent B stated that 'it is definitely not the biggest thing in the business' and respondent C claimed that social media contributes as much as only five per cent to innovation process. However, these respondents agreed that social media helps in improving the product and understanding customers' needs better through feedback that conforms to earlier studies in the area.

Despite the fact that respondents had different viewpoints on relating social media with innovation, the responses of all respondents pointed out that social media helps in communicating and obtaining feedback. This is aligned with the findings by Kask and Linton (2013) and Ma, Sian Lee and Hoe-Lian Goh (2014), who mentioned that the use of social media as an overall tool for innovation starts to prove beneficial for start-ups.

4.3.8. Social Media Investment Payoff

The literature review included several findings that highlight the added value from using social media from an investment viewpoint. Such findings include those by Perleberg (2015) and Scheepers et al. (2014), which revealed the ability of social media to provide a platform that can assist start-ups to innovate and improve business processes and product offerings at a lower cost.

Another finding revealed that the most vital element within the area of innovation is knowledge and the processes of gaining access to such knowledge (Fritsch & Aamoucke, 2013; Hall & Wylie, 2014). According to studies by Binet & Facchini (2015) and Isaacs (2014), this kind of innovative knowledge

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in today's fast paced world is found inside the heads of people such as customers, suppliers and other stakeholders rather than in an organisation's database servers.

All respondents stressed on the importance of social media as a worthwhile investment and that it helps the business significantly. This clearly relates to studies mentioned previously. However, viewpoints and reasoning behind the use of social media has varied from one respondent to another. Although respondent A stated that 'in today's world one would struggle to grow a business without it', the respondent emphasised the need to balance the use of social media with normal business activities that keep the business operating properly. Respondents B and C affirmed that social media is a must for start-ups provided with the proper knowledge on how to use it to innovate, such as getting information from customer feedback to improve the product or service. Respondent D mentioned the use of metrics to establish a cost-benefit analysis and decide which social media is best to use. As for Respondent E, the respondent mentioned, 'it's pretty much a time investment', which is favourable for a start-up where little or no money is invested. Respondents D and E's answer to this question is reflective of the existing literature regarding the low cost of social media usage.

4.3.9. Views on Social Media as an Edge/ Burden in a Competitive Market

According to the literature review, Zolkepli and Kamarulzaman (2015) pointed out in the results of their study that the adoption of social media is driven by several factors that include the ability to innovate through providing businesses with relative advantage and computability. In other studies, Ooms, Bell & Kok (2015) and Mount & Martinez (2014) found that the use of social media improves the overall business performance and competitiveness. However, only forty per cent of the respondents viewed social media as a source of competitive advantage as they are more active on social media platforms than their competitors. Due to the nature of this study, which focuses on high-tech start-ups, sixty per cent of the respondents gave neutral opinion on social media, where it can be either serving as a competitive advantage or as a burden.

Respondents A, B and C viewed social media to be of no effect on their businesses since they own a unique product that has no direct competitors. While respondent B explained that social media might provide a means of spreading the business idea during its early stages. Respondent A viewed it as an effective tool in obtaining knowledge about competitors. On the other hand, respondents B, C and E view social media as being a burden in the long run where dedicated staff will be needed when the business grows bigger.

4.3.10. Future Potential for Social Media on Start-Ups

In the literature review, the research work of Caliendo & Kritikos (2010) and Henrekson (2014) provided recommendations to start-ups and industries to pay increased attention to the third circle of innovation – the customers and users circle, which social media plays an important role in forming, according to Kask and Linton (2013) and Ma, Sian Lee and Hoe-Lian Goh (2014). Moreover, Colombo, Grilli & Rossi-Lamastra (2014) and Bugshan (2015) concluded that the integration of social media within the company's overall innovation strategy provides further benefits, which intuitively many start-ups have come to embrace.

All respondents agreed that social media would continue to be used by their businesses to remain competitive. The respondents acknowledged that social media is vital in terms of acquiring customers'

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feedback and improving their ability to learn about the demand in the market. Respondent A referred to impact of social media on her business saying, "…it's going to be massive upon launch…" which reflects the relative importance of the role that social media will play for her business, specifically offering low-cost marketing tools. Respondent E hoped that more specialised social media platforms would be available to accommodate the medical nature of the product provided by her business.

4.3.11. Exclusive Online Selling Over Social Media

According to Sahut & Peris-Ortiz (2014) and Criado and Sandoval-Almazan & Gil-Garcia (2013) in the literature review, there has been an increased use of social media due to the spread of online platforms. However, there is no adequate research to shed light on whether businesses have the tendency to provide exclusive online product launches. However, Crick (2012) and Yang, Weng & Hsiao (2014) found that the introduction of new technologies in today's world means that detailed customer data can be obtained with minimal effort and cost which may be a reason for a business to seek exclusive online selling.

All respondents agreed to the ability of social media to provide increased exposure to a business in marketing and selling its products. However, none of the respondents mentioned selling exclusively to online customers and insisted on initially selling physically to them. Respondent A mentioned that her business will be selling first to social media followers, while respondents B, D and E mentioned that social media will be their primary selling point. Respondents B and C mentioned that social media will allow for target selling through a proper channel and based on demographics after paying social media providers a fee.

In summary, considering the research findings, several concepts become clearer in this study. One of the most obvious findings is that social media is considered to be an essential tool in the business model of start-ups, specifically in high-tech start-ups. This is due to its ability to expand reach, update in real-time, and do so with relatively low operating costs compared to conventional marketing channels. Findings also reveal that high-tech start-ups do not rely on social media to provide a product/service. In fact, social media is primarily used as an effective and efficient feedback loop that enables entrepreneurs to understand their customers and the market. In addition, entrepreneurs are aware that in a B2C model, a relationship over the social media could create an opportunity to obtain feedback that is more thorough. However, this opportunity needs to be managed proactively as it can otherwise expose an organisation to reputational risk.

Perhaps the most interesting finding in this study reveals that most entrepreneurs view social media's contribution to their business innovation to be dependent on the ability to learn from customers, receive and apply feedback. However, there was minimal emphasis on this innovation to lead to new products/services. In fact, all entrepreneurs in this study believe that social media will continue to play an important role in their business in the near future, with some already planning to give a certain degree of product exclusivity to online customers.

5. CONCLUSION

This study contributes to the research in several aspects. The first is that it focuses on innovation that is driven by social media in B2C high-tech start-ups. It specifically highlights innovation as a broad spectrum in terms of its applicability such as customer feedback, market reach, product development,

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and marketing. Thus, the findings of this study reveal that innovation is perceived differently depending on the stage that the business is in: infancy as opposed to a mature organisation. More interestingly, the findings also reveal that the perception of innovation differs within start-ups depending on the phase that a business would be undergoing.

According to Ooms, Bell and Kok's (2015) investigation of large high-tech companies, social media can be used as a boundary-spanning tool to build and increase an organisation's absorptive capacity. This can be linked with the earlier mentioned discussion that well-established businesses could use social media to harness the full spectrum of innovation because those businesses already have a large portfolio of products or services. Hence, they can develop, introduce and adjust a product or service based on social media. On the other hand, majority of start-ups originate from a single innovative product or service that entrepreneurs build their business model around. This has rendered social media innovation for start-ups to generally revolve around customer feedback, market reach, and marketing. Moreover, the findings of the study reveal that innovation through social media also differs among B2C high-tech start-ups in terms of business status where pre-launch start-ups exhibited a degree of dependency on social media to develop and adjust their product or service. However, start-ups that have already launched limited the use of social media innovation to customer feedback, market reach, and marketing.

The social system theory was tested by Groen, Wakkee and De Weerd-Nederhof (2008). This can be applied to high-tech start-ups in two aspects. These are social networking and economic optimisation. However, goal attainment and pattern maintenance cannot be related to this study because those start-ups are either at pre-launch status or started a couple of years ago. Consequently, the findings of this study fill the gap on the extent to which B2C high-tech start-ups use social media to drive innovation. This concluded that innovation for these kinds of start-ups is perceived as feedback, market reach, and marketing rather than product development or capturing innovative ideas for products and/ or services.

Other findings in this study revealed the overall sentiment of the respondents. It showed that they give relatively little importance to the overall role of social media when it is linked to innovation. For example, respondent C provided a small percentage (five per cent) for social media to be linked to innovation in terms of feedback and customer service. The author thinks that this sentiment can be considered inaccurate yet acceptable as the concept of innovation is still evolving as a new topic that is not fully comprehended by the majority of start-ups, thus rendering it unclear.

5.1. Research Limitations and Future Recommendations

Due to the tight timeline assigned for this study, the sample size had to be kept small. The sample size could potentially have been increased if additional time was available. This could have allowed the author to obtain a better understanding and a more in-depth analysis. From the author's point of view, respondents lacked a full understanding of the meaning of innovation, which led to limited answers. This can partly be attributed to the nature of the industry the respondents operate in. They might have viewed innovation from a high-tech point of view which could explain why majority of the respondents did not consider social media to be of great influence on their innovation. Combining this with the earlier discussion in the conclusion reveals how innovation as a holistic concept is still unclear to businesses in the high-tech start-up industry. Thus, a further investigation on this topic in the future would result in a richer dataset as the concept of innovation would hopefully have become clearer by then.

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While there are advantages of conducting semi-structured interviews, they also come with their drawbacks. They are time consuming especially when analysing and transcribing the collected data. Moreover, the language of the interviewee could sometimes be unclear in terms of accent and words given which could be hard to understand. There could potentially be a lack of trust from the interviewees in exchanging information especially when the interviewer does not personally know them before. On the other hand, qualitative research can lack transparency when collecting information. This could present difficulties to the writer in analysing findings unlike quantitative research could be more reliable in this aspect.

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Chapter 45
Understanding Crowdsourcing of Agricultural Market Information in a Pilot Study:
Promises, Problems and Possibilities (3Ps)

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ABSTRACT

Access to agricultural markets and marketing information are essential factors in promoting competitive markets and improving agricultural sector development. The agricultural sector employs majorities in developing countries and contributes greatly to its development. Unluckily, majorities of the farmers are smallholders living in rural areas and thus, lack appropriate access to markets for their products and also, they are deprived of agricultural market information. As results, farmers are exploited by middlemen who offer low prices for their agricultural produce. This study presents the best way for the agricultural stakeholders to obtain easily agricultural market information service. This study presents a novel agricultural market information system which was implemented using some concepts of crowdsourcing. Crowdsourcing allows sellers to broadcast whatever produce they want to sell and customers are allowed to submit their requests using either SMS or web.

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INTRODUCTION

Agricultural information interacts with and influences agricultural productivity in a variety of ways. It can help to inform decisions regarding land use, labour, capital investment and farm management. Agricultural productivity can arguably be improved by relevant, reliable and useful information and knowledge (Barakabitze et al., 2015). Hence, the creation of agricultural information (by extension services, research, education programs and others) is essential to organizations that facilitate the collection and dissemination of such information to farmers who in-turn can exploit the market potentials, thereby managing the continuous changes in the agricultural production system. Therefore, there is a need to understand the functions and use of agricultural information systems (particularly agricultural market information systems) in order to improve these systems using emerging technologies as well as techniques for sourcing and advertising agricultural produce in markets (Demiryurek et al., 2008). Crowdsourcing for marketing information is one of the novel techniques in marketing. Gatautis and Vitkauskaite (2014) define marketing as "a process dedicated to relations with customers' establishment, facilitating exchanges and leading to both sides satisfaction". According to Lui (2007), different ways of marketing products include face-to-face marketing, virtual world, online marketing and crowdsourcing. Each of the mentioned approaches in marketing has its own advantages and disadvantages. Crowdsourcing platform in marketing is more advantageous since it can be integrated into all functions of the marketing. It can be used to involve customers from product design, product development, product advertisement, promotion and marketing (Lui, 2007; Whitla, 2009). Thus, crowdsourcing can change the market configurations as well as change how end users (i.e. customers) are involved during the development of a product or good to be sold in markets.

Gatautis and Vitkauskaite (2014) and Whitla (2009) present different functions which can be provided by crowdsourcing platform during the marketing of activities, namely: product management, pricing, distribution management, communications management, Marketing planning and Marketing research. In his seminal article on examples of crowdsourcing as an approach for problem solving, Brabham (2008) concludes that crowdsourcing platform provides a model capable for aggregating talents/wisdom, leveraging creativity or innovation while reducing the costs and time needed to solve different marketing problems. Market problems that are related to product management, pricing, distribution, communication, planning and research could be addressed through effective engagement of people in the crowds (Gatautis and Vitkauskaite, 2014; Whitla, 2009). This is the reason Britton et al., (2013) define Crowdsourcing as "a distributed problem-solving technique leveraging the efforts of a group, known as "the crowd". Further, Britton et al., (2013) explain that crowdsourcing allows a project to be defined and volunteers to be invited so as to contribute to problem solving in form of micro-tasks. The volunteers involved in micro-tasks solving are dispersed and may not necessarily be members of the organization owning a project. In order to solve such a problem, an organization needs to have a specific approach or framework to use while addressing the problem in participatory manner. According to Erickson et al., (2012), there are different approaches or frameworks for crowdsourcing that are grouped according to functional themes, namely: 1) common tasks performed by the crowd, 2) crowd serving as a think tank, 3) crowd assuming unique roles in specific locations, crowd serving as a platform to address organizational challenge, and 5) engaging the crowd to add value to organizations

In agricultural marketing activities, middlemen or intermediaries are introduced to facilitate matching of agricultural products with buyers. These middlemen are better equipped with marketing information and conditions they use in promoting their roles (Figure 1). Middlemen play key roles of trading,

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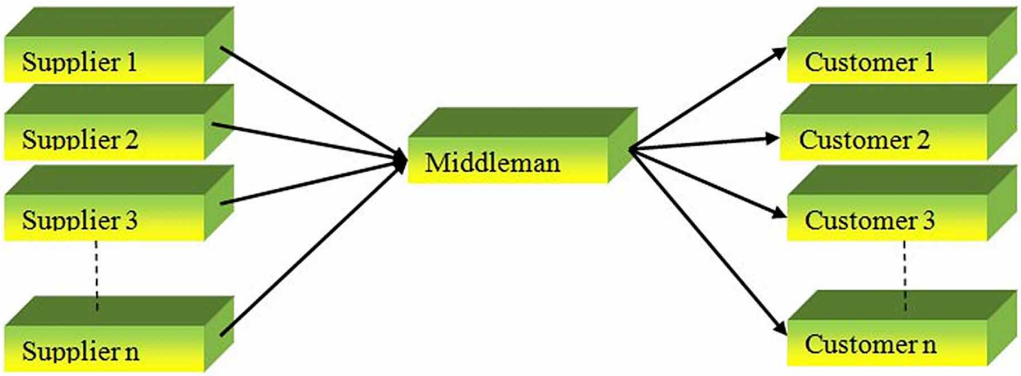
Figure 1. Supplier - middleman - customer relationship (Moi University, 2017)



distributing and delivering agricultural products to markets. They also act as guarantors of quality in markets when there is uncertainty with respect to the good being traded (Biglaiser 1993; Biglaiser and Friedman, 1994; Li, 1998; Van Driel, 2003; Rao, 2008). Furthermore, these middlemen also known as dealers or brokers can help to reduce the cost of market search. Johri and Leach (2002) demonstrate how market-dealers can improve market efficiency by increasing the quality of the match between buyers and sellers in a heterogeneous market. Rubinstein and Wolinsky (1985) claim that market dealers shortens the time between transactions because they have a higher possibility of matching buyers and sellers.

Description of the Problem

The roles of intermediaries in providing marketing services particularly to smallholder farmers have not been received positively by many (e.g. Enete, 2009; Keys, 2005; Scheuermeier, 2007). Some perceived them as parasites who exploit farmers by taking away a large share of the benefit accrued from the sale of crops by taking advantage of farmers' unawareness of market prices. Intermediaries could cheat farmers by taking advantage of their lack of knowledge of market prices, poverty and weak bargaining power arising from illiteracy and low social status, on the one side, and monopsony or oligopsony types of marketing system, on the other (Lightfoot and Scheuermeier, 2007). Roy (2012) noted that intermediaries often flout market norms and their pricing lacks transparency and thus their presence reduces the returns of farmers substantially.

Existing literatures reveal that the issue of exploitation of famers by middlemen is not new, and it has been observed for years (Bauer and Yamey, 1968; Enete, 2009; Keys, 2005; Scheuermeier, 2007). Keys (2005) noted that middlemen constitute a "real face" in the otherwise "hidden hand" of the market. Poor access to markets by farmers is an outcome of lack of market information, poor or lack of road infrastructure connecting markets, and lack of means of transportation. Lack of market information has some consequences to farmers selling their agricultural produces: farmers may fail understand the real market price of farm produce, know whom to sell their produce to and, identify alternative markets for their produce. All these factors encourage the existence and operations of middlemen in agricultural marketing. Existence of middlemen in agricultural marketing and poor access to agricultural markets and market information have some related effects to farmers: poor returns after selling their farm produces,

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low farm productivity, discouragement to engage in agriculture, poor investment in agriculture, hunger in rural areas, and poverty.

Problems of poor access to agricultural markets and market information are prevalent in developing countries including Tanzania. Majorities of farmers in Tanzania are smallholders living in isolated rural areas characterized by poor road infrastructures; lack of electricity and safe water; poor or lack of transportation means; poor or lack of communication networks; and poverty. Due to these factors, smallholder farmers tend to rely on nearby markets as sole markets for their farm produce or sell the produce at their homes. Also, agricultural traders and middlemen visit rural areas to collect and purchase farm produces and transport such produce to town markets (district, regional and zonal) or export to other countries (Magesa *et al.,* 2014).

Cases where farmers are exploited by greedy traders and middlemen have been cited by many scholars. In Mozambique, Rodrick et al. (2002) report that cashew nut growers only receive 40 to 50 percent of the border price, even after border taxes are allowed for. They go on to note:

It is clear that the marketing channels for raw cashew nuts remain imperfectly competitive. Farmers' incomes are depressed not only by transport and marketing costs, but also by the market power exercised by the traders. (Rodrick et al., 2002: p.120).

It has been argued that, the greedy market dealers contribute to poverty in developing countries (Magesa et al., 2014). Chau and Goto (2009) claim that in rural areas, middlemen make excessive profits because of their market power. These dealers take products from farmers at a relatively low price, exaggerate prices, and increase the financial burden to the final consumers. The more the middlemen and commission agents in the supply chain are the higher the price of the product (Oguoma et al., 2010). In this kind of exploitation, only the middlemen are the ones benefiting, leaving producers and consumers in a poor state. From another perspective, market brokers are considered as a threat to food security, Oguoma et al. (2010) assert that middlemen discourage genuine investors in agriculture because they hardly get fair pricing from them. It is argued that the real profit goes to the middlemen who buy agricultural products at very low prices and sell at high prices to buyers.

Several investigations have been undertaken to identify whether having access to appropriate market price information can give more power to smallholder producers in developing countries. Findings real varied outcomes: According to Svensson and Yanagizawa (2009), Uganda experienced 15% increase while in Rwanda no effects was observed. In Tanzania, farmers have strong relationships with particular middlemen that they cannot even change and choose a different one if dissatisfied; therefore, for them having being informed about market prices does not help the situation (Molony, 2008).

Some of the challenges which hinder farmers towards adopting ICTs in agricultural activities include: Lack of relevant technology, poor infrastructure and language constraints, limited access to updated agricultural information, economic hardship, inappropriate input and output prices, unconducive policy environment to support the adoption of appropriate agricultural ICTs, lack of appropriate incentives, poor access to credit and limited capacity to monitor agricultural activities (Barakabitze et ., 2016)..

The identified drawbacks pertaining to poor access to agricultural markets and market information require an integrated approach combining conventional ways of communicating agricultural market information and ICT based solutions. Therefore, in this study agricultural market information system (AMIS) is proposed and implemented. AMIS provides the easiest way where farmers are able to enter and add their products to the system. Since the proposed approach is a web based system, sellers can

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therefore advertise the products so that they can be easily viewed by different people from different places. When new products are in the market, all the registered users of the system are notified automatically through their e-mail address about the presence of new product. This enables both AMIS users to get the updates of the products. This process of notifying users (i.e. crowds) and getting their views is called crowdsourcing. Also, farmers can use text messages (SMS) as a tool to submit their products into the AMIS for sale. This makes the products available to all parties while allowing the traders to see the information using the web or via SMS.

RELATED WORKS

According to Murugesan (2013), crowdsourcing application in East Africa ranges from those in web, social media, Internet based applications / portal / platform to mobile based system. The crowdsourcing applications in East Africa have been implemented in different sectors such as education, agriculture, health, environment and social. According to Murugesan (2013) paper, the most notably crowdsourcing platform in East Africa are:

1. **M-Farm:** Which provides up to-date market information to link farmers and buyers through a marketplace and to report on current agricultural trends (mfarm.co.ke).
2. **iCow:** A mobile app that helps dairy farmers manage their cows more sustainably in Kenya (icow.co.ke).
3. **Ushahidi Platform:** A tool that allows users to crowdsource information using multiple channels, including SMS, email, Twitter, and the Web.
4. **Ushaurikilimo:** A crowdsourcing platform for e-extension (Sanga et al., 2016).

The crowdsourcing applications are becoming common not only in East Africa but also, in other countries in Africa such as Zambia, Congo, and Ghana (USAID, 2013). Literature review presents reasons why few sellers and buyers are attracted to adopt and use crowdsourcing platform (Hossain, 2012). For example, Cui (2013) presents the weakness of the crowdsourcing platform which was developed. From Cui's study, even though there are user generated contents for markets / market information but in many applications involving crowdsourcing platform, the location of user is not known. Thus, there is a need to incorporate WebGIS in crowdsourcing platform. Thus, such crowdsourcing platforms which allow user to supply the information can be geo-referenced with Global Positioning System (GPS). Thus, there is a need for more studies to be conducted on this emerging field in computer science.

PROPOSED SOLUTION

AMIS provides a simple interface for maintenance of agricultural product information. It can be used by agricultural institutions or agricultural firms selling agricultural products to maintain the records pertaining agricultural products.

The creation and management of accurate, up-to-date information regarding agricultural products is critically important in different aspects. AMIS deals with all kind of product details, buyers' and sellers'

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details and related market reports. It tracks all the details related to the purchase of products on a daily basis. The software developers of AMIS embedded fundamental principles of marketing (Röling, 1988).

AMIS is then integrated to the instant market access system (mAMIS) that utilize the SMS capability of the system. They connect using database matching. wAMIS and mAMIS share database using web service connection (Figure 2).

Figure 2 present a context diagram of AMIS which includes both wAMIS and mAMIS. Since mAMIS works separately but integrated to wAMIS then this paper will discuss the wAMIS in detail and leaving out the mAMIS for now. The mAMIS was just used to obtain data from the mobile based SMS from the customers and farmers only.

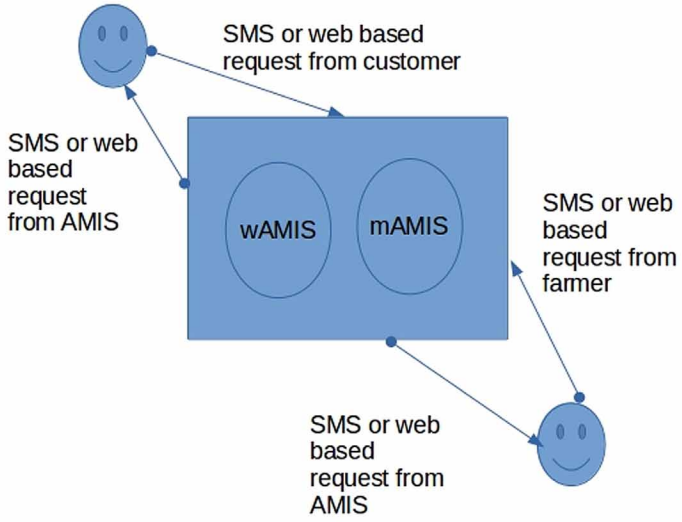
Research Method

This study adopted a mix of qualitative research and quantitative research methods. Qualitative researchers aim at gathering an in-depth understanding of human behavior and the reasons that govern such behavior. The discipline investigates the "why" and "how" of decision making. Besides this, the researcher also examines the phenomenon through observations in numerical representations and through statistical analysis. Along with questionnaires that were administered to respondents for the statistical representation of the findings in the study. interviews with the respondents and a few experts in this field was also conducted.

Sample and Sampling Method

he simple random sampling approach was adopted to obtain a more scientific result that could be used to represent the entire population. Farmers and buyers were randomly selected to reduce the potential for human bias in the selection of cases to be included in the sample. As a result, the simple random sampling provided us with a sample that was highly representative of the population being studied. The

Figure 2. Conceptual diagram of AMIS



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respondents were interviewed using questionnaires that were structured to solicit relevant information from each category of the respondents.

Participants

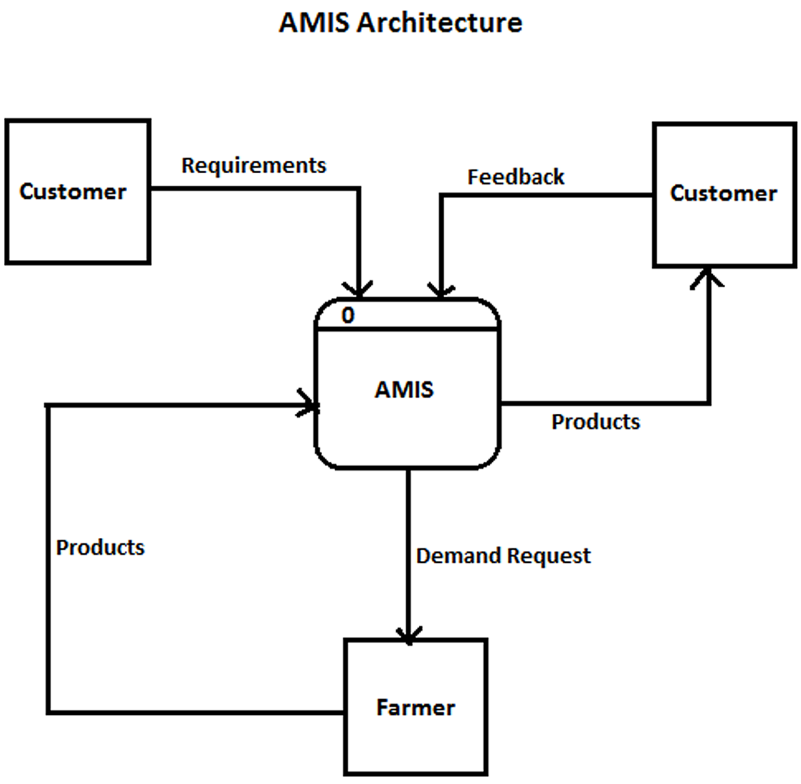
Participants were 100 farmers, most of them from farms around SUA. 150 buyers mostly from Morogoro area near SUA. A majority of the participants were male (60%) and 40% were female. Also, a majority of the participants were Tanzanian (85.8%) as a minority were farmers of foreign origin.

Design

The purpose of system design was to plan for a solution to the problem specified by the requirements document. It comprises of a detailed description of how the implementation would be organized. It was considered the most vital section of software development as any bad or good design would result to a bad or good system. The design stage included architectural design, detailed design, interface design, security design and database design.

Architectural design aimed to identify the modules that should be in the system, the specifications of these modules, and the interaction between the modules in order to produce the desired results. The specifications were carefully analyzed and a module structure that has the desired functionality was produced (see Figure 3).

Figure 3. Context diagram of AMIS



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See Figure 3. AMIS includes the connection and view of the farmer and the customer (Agricultural products' traders). The design allows the farmer to submit products and a customer to see the product. A customer can request for products and farmer can see the products too. The integration with wAMIS is not seen in this architecture as it works inside the AMIS system as one system.

Detailed design was broken down into 3 major modules as follows:

Front-End Design **c**omprised of the user interface which links users and the system. Users could interact with the AMIS by using the series of interactive web pages as displayed through the web browser.

Application Tier Design for providing communication between the client and the server. PHP scripting language was used to fetch user queries from the browser into the database and retrieve the relevant materials back to the user on the web page. In order for the PHP to work Apache web server with PHP scripting language was installed.

Back–End Design comprise of the Database. In the database is where information about users and products is stored so that users can access them through front-end's user interface. MySQL as the database server was used.

AMIS has mAMIS which provide alternative access to AMIS information using SMS. They share the architecture but wAMIS has web based view while mAMIS provide SMS capability access to AMIS (Table 3).

AMIS Entity Relationships

Figure 4 shows the Entity Relationship Diagram (ERD) which indicates the actual relationships existing in AMIS database. The proposed system has 8 entities that store information of the users, products and orders.

AMIS Cloud Source Information Collected

The farmers and customers were required to submit online or via SMS different types of the information. This information includes: location of product, price, amount, validity and contact information (Figure 5). mAMIS provides capability to submit payment methods too.

Field User Satisfaction Research Data Collection

Participants were given a sheet of paper consisting of a list of questions to be answered. Farmers were given a list of fourteen open ended questions related to farming and selling activities. Buyers/customers were given a list of ten open ended questions related to their activities with system together with products of interest. After this process, answers for both questionnaires were collected and analyzed in order to identify user requirements.

RESULTS AND DISCUSSION

During the study, it was found that 80.3% of users who participated in the sample preferred a web based system where users could register themselves and perform different functions within the developed system. Among users who responded to questionnaire,45.0% were farmers selected from different areas,

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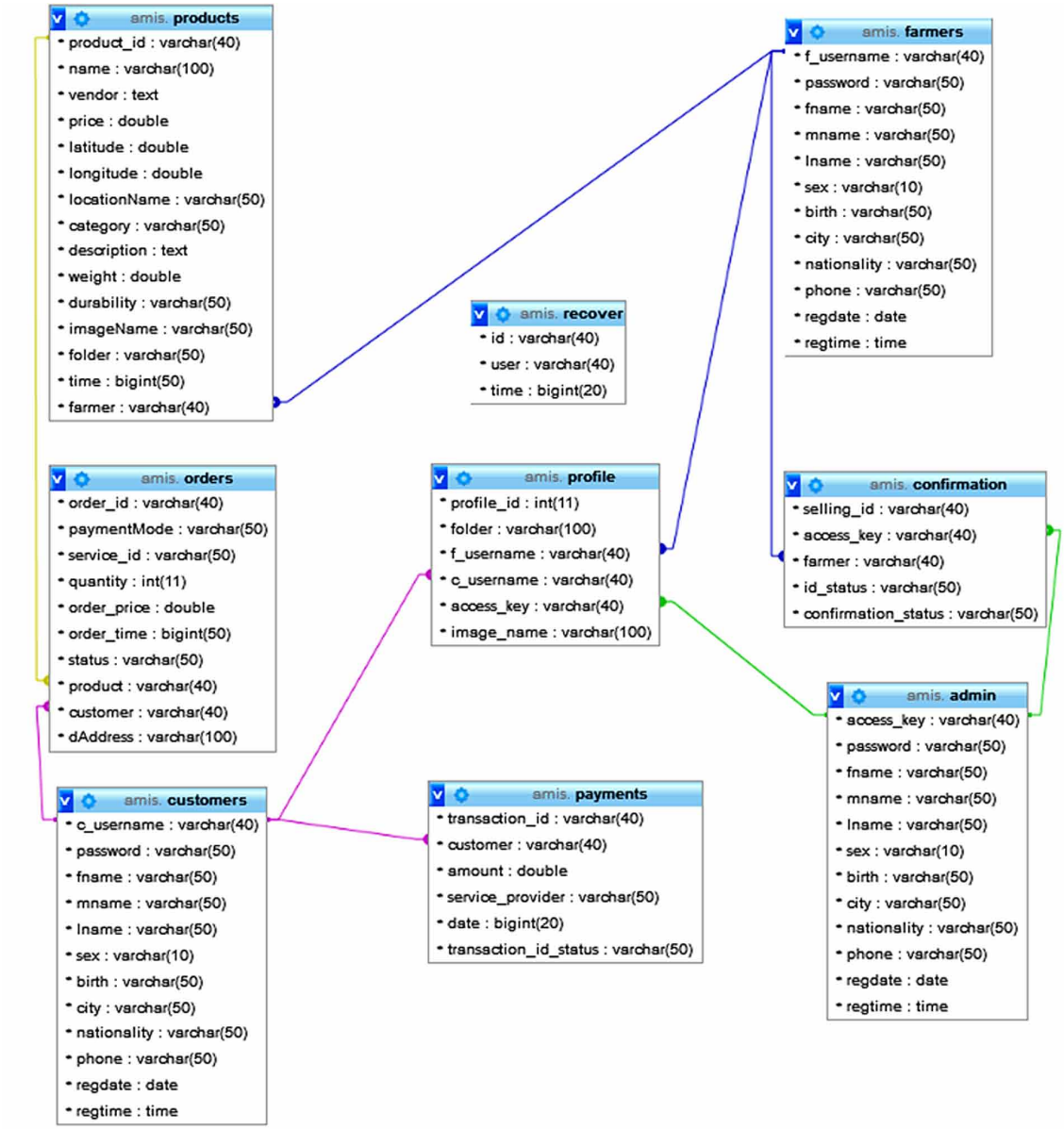
Figure 4. AMIS entity relationship diagram



50.7% were customers and buyers of the agricultural products from different areas and 4.3% were other users who had adequate knowledge of web systems and database.

The above information is summarized in the following Table 1.

Development of database that would be used to store and manage end-user data was done with the aid of Software Requirements Specifications (SRS) and ERD in Figure 3. The basic building blocks of all data models are entities, attributes relationships and constraints. The database proposed consists of six tables which are used to store information about users and products. The first table stores particulars of farmers where different personal details are recorded such as names, date of birth, contacts etc. The

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Figure 5. AMIS cloud source information collection

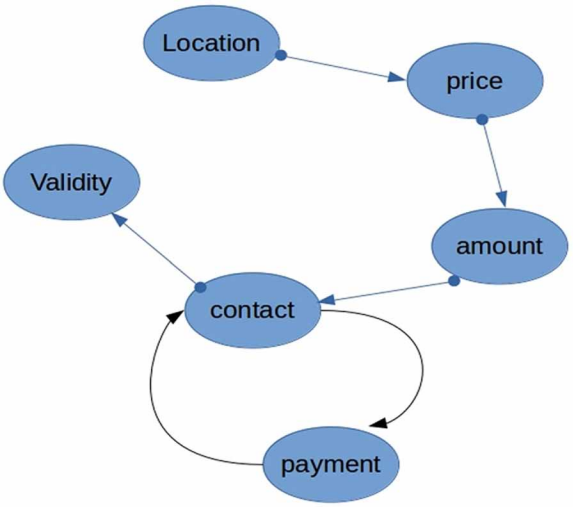

Table 1. Summary of users who prefer web based system

Category	Male	Female	Percent
Farmer	27	18	45.0%
Customers	36	40	50.7%
Others	15	17	4.3%

second table stores similar information of buyers. The third table stores particulars of products where product name, vendor, price, location (latitudes and longitudes), weight, durability and product descriptions are recorded. The forth table stores details of system administrator of the system which include access key that will allow admin to login in to the system. The fifth table stores payment details of the products when purchased by the customer whereas the sixth table stores orders of the product as made by the customers. Other extra tables are proposed by the database admin including the one for recovering passwords, another one for confirmation of sellers in the system and the other for storing profile details of the user.

Development of different graphical user interfaces that would be used by the user to input information to the system and receive feedback from the system was also done. Interfaces for the developed system are as detailed in subsequent sections.

Index Page

This is the first interface (available in amis.esy.es/) in which every user interacts when visiting the system (Figure 6). This interface consists of the lists of the available products for sale which are being advertised by the sellers. It consists of products with their pictures at the center and list of products' category on the left column where a user can click to the product of interest in order to view the product in detail.

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Figure 6. Homepage of AMIS

Product Purchasing Interface

This interface is where customer will be required to enter some information in order to purchase. This information includes quantity of product to order, payment mode, service address and delivery address (Figure 7). All this information is required for proper and quick delivery of the products.

User Interface

This interface allows the users (customers and farmers) to register to the system. At the first time, users should register themselves by providing their personal details as well as the system details which are required during the registration process. Also, the users will be required to provide the email address

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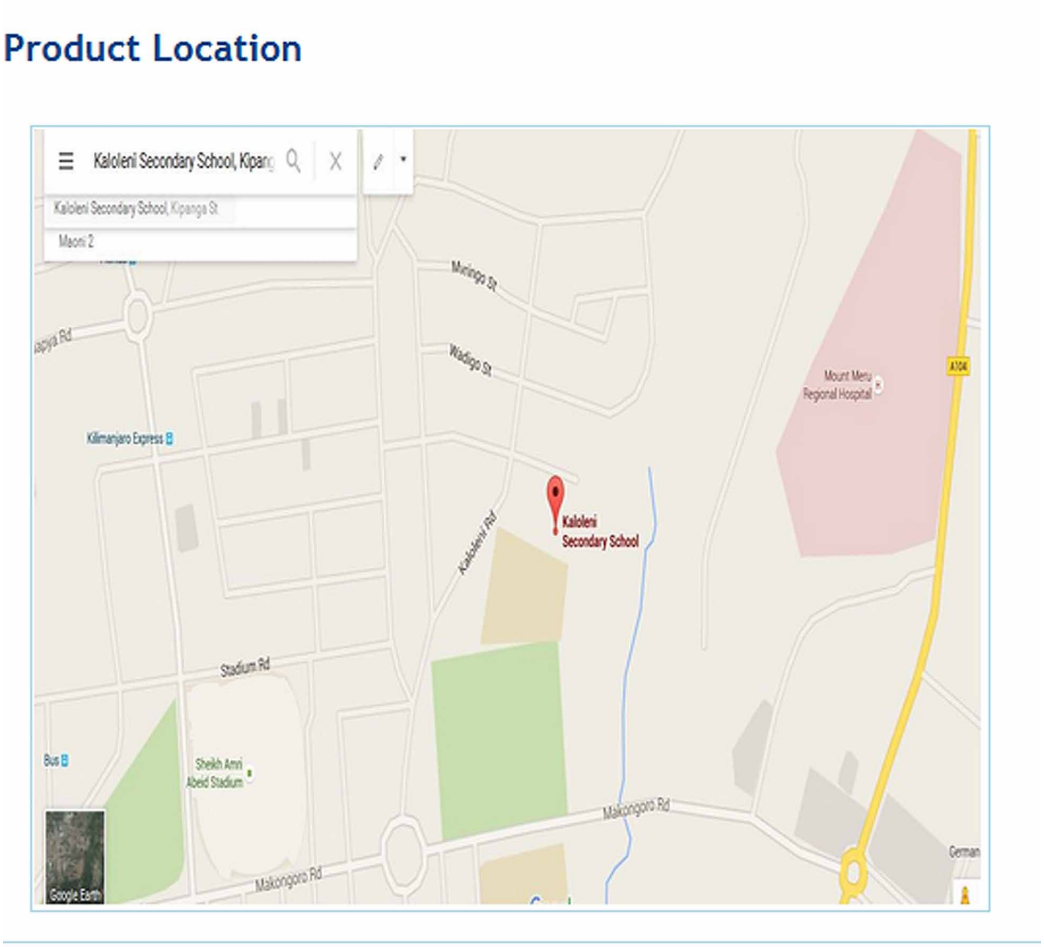
Figure 7. Map of market for information displayed on AMIS



and password. It also contains a drop-down list where users should provide their login category that is either customer (buyer) or seller.

Other interfaces that was also proposed are Add new product interface, View products interface, View orders interface, Order confirmation interface, Deleting account interface, User profile interface, and System Administrator interfaces.

Development of security design of the system for securing the sensitive information stored in the database e.g. usernames and passwords was also done. Information stored in the database, was hashed using MD5 hashing algorithm.

Cloud-Source Knowledge Base

This system collects all the information from the users (customers and farmers) and matches the information so as to enable interactions and transactions between the farmers and customers. This allows the farmers to obtain good deals from the customers directly. Most of the information is stored in a cloud

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database allowing farmers to make easy reference of the past history of the best customers and give them opportunities to get new customers too.

The system allows researchers to monitor market information and develop best ways that will allow farmers and government to maximize the agricultural production with open systems.

CONCLUSION

The method used in the development of AMIS was the rapid prototype approach because it enables the developer to design a system which is user friendly and interactive. The prototype was first developed and users made some changes as per their requirements.

Some of users tested its usability and it was followed by the collection of more user requirements that were included in subsequent version of the system. This process was done repeatedly until the users were satisfied with the developed system.

Finally, in order for the users to interact with the developed system, dynamic web pages were created to make communication with the database easily by registering their information and viewing the information stored in the database.

A more comprehensive study to exploit the full benefits of the new technology in this field of market information system is highly recommended. This may be able to identify deficiencies in the design and content and therefore improve upon the existing system. The university should tap into the developed system so as to maximize the potential benefits of crowdsourcing agricultural marketing information.

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Chapter 46
The Impact of Social Networks on "Born Globals": A Case of De-Internationalisation

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ABSTRACT

This paper aims to explore the role and impact of entrepreneurs' social networks on the internationalisation of "Born Global" firms, in particular, its de-internationalisation process. The research is based on a case study approach and adopts a series of face to face and online qualitative longitudinal interviews. It provides some useful insights into the relationship management of "Born Global" entrepreneurs and unveils some negative impacts of social networks on the initiation of 'de-internationalisation'. The study reveals the importance of online social networks, high-tech communications and contemporary management techniques for "Born Global" entrepreneurs.

INTRODUCTION

Many managers and entrepreneurs, particularly in "knowledge intensive" firms, are seeking international business growth in a more proactive manner than before (Bell et al., 2004, Child and Hsieh, 2014). More and more firms are engaging in international operations in the early days of their establishment (Oviatt and McDougall, 1994, Bell., 1995, Knight and Cavusgil, 1996, Jones, 1999, Knight, 2000), They are

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the so-called "Born Globals" (Rennie, 1993, Knight and Cavusgil, 1996), "Global Start-ups" (Oviatt and McDougall, 1994), or "International New Ventures" (McDougall et al., 1994).

Since Small and Medium enterprises (SMEs) have limited resources and knowledge, and different managerial styles, the experience and knowledge gained from the study of large corporations cannot be directly adopted and utilized by their smaller counterparts (Calof and Beamish, 1995, Mejri and Umemoto, 2010); The main purpose of this research is to explore networking knowledge and experiences from "Born Global" entrepreneurs who are embedded in their social networks and relationships.

This paper examines the roles of social networks, one of the most important aspects of the internationalisation of SMEs(Styles et al., 2006). It investigates a "knowledge-intensive" rather than "traditional labour-intensive" firm. A small high-tech firm in the South East of England was selected because of the considerations of methods, time-scale, and resources.

The remainder of the chapter is structured as follow: Firstly, we review relevant literature, where we critically analyse the existing internationalisation theories and research activity in this field. Consequently, we develop the research problem. Secondly, we present the research objectives and research questions. Thirdly, we discuss the methodology. Fourthly, we analyse the data from the case company. We then move on to discuss the findings and, in the light of previous theories with the aim of constructing new frameworks for understanding the internationalisation of "Born Global" SMEs. Finally, we reflect on the importance as well as the limitations of this study and suggest an agenda for future research.

LITERATURE REVIEW

There are various definitions of internationalisation (Calof and Beamish, 1995, Liesch et al., 2014), one of the most common, by Benito and Welch being "the process of increasing involvement in international operations" (Benito and Welch, 1997). Since internationalisation is multifaceted, the subject has been addressed with differing perspectives and a variety of approaches have been used to study the phenomenon. The limitations of the economics-based approach are its over-simplification of the organizational decision-making process and the adoption of rational underpinning assumptions (Calof and Beamish, 1995). Behaviour-based process theories have been criticised as being too reactive (Autio and Sapienza, 2000) and over-orderly, like "rings in the water" (Madsen and Servais, 1997). They are inefficient in explaining the internationalisation of SMEs, particularly the "Born Global" phenomenon, which refers to a firm's engagement in international operations from the early days of its establishment (Jones, 1999, Rialp et al., 2005). Network-based theories, which consider the advantages of a network of relationships, provide more multilateral elements than their prior economic- and behaviour-based theories (Johanson and Vahlne, 2003), and can explain the different behaviour of SMEs, which is ignored by the previous approaches mentioned. Yet, as Axelsson & Agndal (2000) point out, even such theories have not considered the importance of personal-level social networks (one's relations and contacts with others). Even in the limited literature about the influence of social networks on the internationalisation of SMEs, factors impeding internationalisation and the phenomenon of de-internationalisation have been ignored (Chetty. and Campbell-Hunt., 2004, Benito and Welch, 1997).

Current empirical studies about "Born Global" social networks have produced varied and often quite contradictory results due to over-reliance on quantitative methods (O' Donnell and Cummins, 1999, O'Donnell, 2014). These studies can be further divided into two main categories: those belonging to the rational perspective and those belonging to the embedded perspective. The rational perspective high-

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lights a personal network as a lever which always provides additional resources, whereas the embedded perspective perceives the personal network as both a lever and a plug, as something the entrepreneur is embedded in for better or for worse (Klyver and Schott, 2003). Most of the existing studies adopt a rational perspective, such as for example, social relationships helping entrepreneurs minimize the risks and uncertainty of new markets (Ellis and Pecotich, 2001); social relationships can play a role as mediators and door-openers to new international business relationships, i.e. introduce potential exporters to the international actors (Komulainen et al., 2006) etc. Therefore, a need to research entrepreneurial networking in the internationalisation of SMEs from an embedded perspective occurs. Previous network studies mostly seem to take a rational perspective. Social relationships are not only a "lever" that affords the entrepreneur with additional and useable resources for forthcoming activities (Klyver and Schott, 2003), but also a "plug" that makes start-up for internationalisation less viable. Thus, current propositions of driving forces, enablers and initiators will inevitably incur criticism and be challenged. De-internationalisation refers to any voluntary or forced actions that reduce a firm's international activities (Benito and Welch, 1997, Vissak and Francioni, 2013). Previous study, such as Komulainen et al.(2006) has discovered the benign role of social networks at the beginning of internationalisation process. The literature, therefore, would benefit from more understanding into how social networks influence both the internationalisation and de-internationalisation of firms.

RESEARCH OBJECTIVES AND QUESTIONS

We intend to investigate the roles of the social network in initiating not only the internationalisation but also the de-internationalisation of a Born Global high-tech firm. This central research objective can be broken down into four sub-research questions as follows:

1. How do social networks influence an entrepreneur's introduction to potential international partners and business opportunities?
2. How do social networks influence an entrepreneur's information processes in acquiring potential international business partners?
3. How does an entrepreneur build his/her social networks in order to initiate the internationalisation/ de-internationalisation process?
4. How does an entrepreneur manage his/her social networks for the initiation of internationalisation/ de-internationalisation?

METHODOLOGY

Prior studies on SME networks focus on structural dimensions, such as size, range and density (Aldrich, 2001, Aldrich et al., 1989). However, studies in this area have mainly employed quantitative methods and provided little understanding of the content of network relationships. Case studies are suitable for addressing the "how and why" questions set up for the proposed research. For the study of relationship networks, case research, subjectivist or relativist approaches have been deemed as the best option (Easton, 1995). Coviello (2005, 2015) argues that case studies are particularly suitable for research that relates

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to networks, in the sense that, it helps generate insights into social dynamics and the operations of both the firms and the entrepreneurs over time.

Stenbacka (2001) and Yin (2003) argue that small size, inductive approach and case study strategy may achieve more analytical or theoretical generalization rather than statistical or population generalization for a deeper understanding of people's behaviour and motivations. The selection of an appropriate case helps to define the limits for generalising the findings. Based on this suggestion, a "Born Global" small firm in the South East England was selected. The case firm, IA's business activities were international in nature. It was founded as an internationalisation accelerator to help other companies internationalize their business. Because it is rare, a phenomenological approach is considered the most appropriate.

Data collection involved interviews, analysis of company documentation, and consultation of public databases, and researcher observation. Three stages of data collection have been deployed as showed in Table 1.

Although the study firm, from here on to be called 'IA', is a small sized company, its management team has sophisticated international business experience, a sound educational background, a wealth of professional knowledge, and experience of working for big corporations. They have extensive company documents and records which include business plans, management diaries, memos, and minutes of meetings. They also have a web page displaying information in both Chinese and English languages. The present study adopted personal interviews to collect primary data. The research procedure involved a series of interviews; an initial open-ended face-to-face interview, a second telephone and online re-interview and a feedback interview. The personal, face-to-face interviews gave the opportunity to the researcher to probe if anything should be unclear or require further discussion (Zikmund, 1994). The semi-structure interview addressed the research problem themes and helped explore new issues during the study (Saunders, 2011). Telephone and online instant message conversations were used to explore hitherto unexplored and underexplored and newly identified questions which emerged following the initial interviews. This was very useful in supporting the data collection in the instances where participants could not be available for data validation and feedback.

Table 1. The procedure and contents of data collection/analysis

Stage & Purpose	Primary Data	Informant & Outcomes	Secondary Data
1. Introduction & informant consents	Initial telephone interview	The Entrepreneur (gained an initial picture of the case firms and prepared information for further interviews)	Data from FAME,
2. Interviews	a) Face to face interview b) Business plans, management dairies, transaction records and minutes of meetings	The entrepreneur (provided information from his perspective)	Company websites and press releases
	Online interview via MSN online interview	The entrepreneur and his family	
3. Follow up information seeking and Validity checking	MSN online interview	The entrepreneur	
	a)Feedback interview b)Company research reports and clients' profiles	The entrepreneur and his family	

Note: With the participants' consent, interviews were digitally recorded and later transcribed and analysed.

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The analyses of case study evidence followed the initial literature review, identification of research gaps and the development of research questions. This analytic strategy helped to ignore weak or spurious data to focus attention on relevant data. It is expected that such a process of analyses could help to generate useful findings that would contribute to in-depth understanding and reliable theory development. In order to improve the validity of this study, the chapter describes the study firm's context in detail to ensure more clarity. Credibility was also enhanced through the supply of relevant information to participants before interviews. Individual interviews, discussion, and document analyses in parallel have been used as a form of methodological triangulation. The main researcher was able to speak both Chinese and English and could, therefore, check the validity of primary and secondary data collections from Chinese and English-based sources. Several discussions about the analyses and results were conducted with the contact persons in order to verify or refute findings, and different investigators have reviewed the draft chapter.

An interview diary was kept, and the use of digital document folder was incorporated in the protocol and served as a database (Yin 2003). At the outset of this study, the researchers emphasized the importance of maintaining confidentiality of the discussions and protecting the anonymity of respondents throughout. The interview took place in the university meeting room and a Chinese office making the atmosphere open, warm and friendly. The study invited an assistant, second interviewer to act as an external investigator during data collection and analysis process so that any misunderstanding or misinterpretation of language would be minimized.

THE CASE STUDY

The Case Firm

IA is a high-tech business service firm. IA's business concept was generated in 2002. At that time, the entrepreneur identified that there was no "market acceleration" service which provides small information and communication technology (ICT) companies in the UK to accelerate their internationalisation into the Asian market.

According to IA's business plan, the vision of the business was to become known as the leading Asian market entry specialist for Western ICT companies within five years. Its mission was to provide cost-effective and accelerated market entry capabilities to its clients. IA helps clients to raise profile, build up sales channels and generate revenue. The company's unique selling proposition (USP) is to help its clients generate fast revenue from the Asian market whilst limiting their risk, costs and uncertainties, during the process of internationalisation.

IA provided four types of services as indicated below:

1. **Market Research:** Before small ICT companies enter the Asian market, IA will help them to perform a viability test which identifies chances of success. It can provide information such as existing demand, channel players, competition, product substitutes, other local requirements and the level of investment needed to launch and support products/services. IA also uses its networks to advise clients on how to select local partners including joint-venture partners, distributors, value-added resellers, and software developers or service providers.

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2. **Marketing Services:** These small ICT firms may have insufficient capabilities to promote their products and services. Therefore, IA can provide marketing services for presenting their companies to Asian audiences in local languages and in a way which is effective in the target market. These marketing services include translation of manuals, user interfaces, websites and documentation, presentations, press releases, web marketing including web site design, search engine optimisation, newsletters, email campaigns, event management, public relations, product launches.
3. **Sales Services:** IA can operate as its clients' local sales contact in their selected market. It can adopt either a direct sales approach or provide support for the selection, appointment and management of partners. The sales services include selecting and appointing distributors, resellers and service providers, identifying and negotiating with joint-venture partners, conducting end-user sales programme, telesales programme, training programme, product demonstrations, and pre-sales consultancy.
4. **Representation:** IA is also able to take responsibility for its clients' business in China by providing a comprehensive and fully managed sales, marketing and technical support operation, effectively becoming their branch offices. By doing so, IA will help their clients to establish their market position faster. IA is willing to share its virtual office in China (VoiC) with its clients. This service provides its clients with a Beijing office address which they can put on their websites. It provides them with Chinese web pages which are optimised for Chinese search engines. It handles enquiries on their behalf in Chinese and writes a summary of each enquiry in English for clients to respond to if they wish to.

EVOLUTION OF RELATIONSHIPS DURING INTERNATIONALISATION.

The Relationships With Internal Business Partners

In 2002, the entrepreneur, hereon called Mr. EB developed the business concept for IA and discussed this with his former subordinate, hereon called Mr. BH in Beijing China. They both agreed that this high-tech ICT "market acceleration" service would have a great potential for international China-UK high-tech businesses. Their social relationship was the main component of the formation of the company. However, like every new partnership, there were initial conflicts and disagreements which had caused some serious problems for the further development of the company.

Another business partner, Mr. S was a distributor for company CR, Mr. EB's former employer. He had over 20 years working experience in selling IT products and solutions to large Indonesian, Singaporean and Malaysia organizations such as government departments and banks. At the time of the study, he was an associate of IA in South East Asia. He contacted Mr. EB in a proactive manner and they were setting up a new subsidiary company for IA in Singapore.

The Relationships With Clients

IA currently has two kinds of clients; (1) direct clients (paying clients) who pay for IA services and commission based clients who are only willing to pay IA an agreed percentage of sales revenue.

IA currently had three commission based clients: T, a British electronic transaction service company and B, a British designer and manufacturer of landline and wireless telephone equipment and A, an

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American Instant Messaging (IM) technology company. IA's two direct clients include R, an American software specialist for university accommodation and conference service management and F, a software company providing electronic document solutions.

In the business relationships above, the most important one in terms of revenue was the relationship with company R. Mr. EB met R's sales director Mr. Cr. on Europe's foremost global online networking platform, www.openbc.com. At that time, they did not know about either one's business; they talked about computer technology problems on the Bulletin Board Service (BBS) forum openly. They also talked about personal interests such as golf and travel. In August 2004, they discovered that they would both attend the same exhibition in Bangalore, India and arranged a meeting. The first time they met each other face-to-face was at the end of 2004. The sales director Mr. Cr. was very happy to introduce Mr. EB to the CEO of the company R. they had dinner together after that introduction. When Mr. Cr. and the CEO of R visited London, Mr. EB picked them up at the airport and treated them sequentially. Mr. EB elaborated on the potential business opportunities in China. After a couple of follow up conversations and discussions, they formulated a five stage strategic plan from market research to product launch and sales in China.

Mr. EB met A's CEO Ca. in the Infosec exhibition at London's Olympia, which is Europe's Internet & Network Security show which features over 200 exhibitors from around the world. Before Mr. EB visited the exhibition, he identified some fast growing ICT companies which had not exploited the Chinese market. He did this by browsing their web pages and making some cold calls to make further enquiries. Following that, he successfully built up business contacts with the CEO of company A and formed and signed a co-operation framework agreement. Mr. EB's commented on his relationships with Ca that: "The relationship is still very 'matter of fact'. He seems just interested only in talking about business and keep the relationship shortly within a planned agenda. We had short conversations and meetings since that first meeting in London. I had only spent one evening with Cr. having dinner at an Indian restaurant near the airport. I sometimes find this style difficult."

Mr EB was still employed at his previous place of work when he started his business and only ended his life as an employee when he realised the full potential of his business and the fact that he needed full attention for his own business. The other three clients are the current or former customers of Mr. EB's previous employer. According to Mr. EB, he thinks that these relationships are business orientated rather than social orientated. "I have to be partial to my [previous] boss' clients. I cannot push them, sometimes these relationships are my burdens because I am unwilling to let my [previous] boss know that I am doing business with his clients. Actually, none of them is my major clients now."

The Relationships With Local Partners

IA's external partners in China include the potential dealers, distributors, original equipment manufacturers (OEM), outsourcing and licensing partners, buyers, software testing, localization co-operators etc.

BH's social relationships are playing a main role in the business development process. For example, one of his friends Lz, the owner of the company, offered to share office space for free and also introduced some potential business partners to IA. One of these partners is a well-known software outsourcing company. BH's social networks also helped IA to bring some potential partners in the Beijing region. However, BH's social networks have some regional restriction because most of his contact people are mainly in Beijing and North East China. Occasionally, Mr. EB suggested potential contacts that might bring some useful information for IA. BH seemed uncomfortable to contact people outside his existing

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contacts and networks. In addition, some of his friends, e.g. Lz, in his social networks had caused some trouble for IA cooperation with other companies.

In other parts of the Asian market, Mr EB's social networks have also reached India, Singapore, Korea and Japan. These social networks provide local contacts and business information for IA. The most significant social relationship is Mr. JPH, the vice president of a Korean distributor. Mr EB has a good relationship with Mr. JPH. Every time Mr. EB visits Korea, they had dinner and Karaoke together. In return, Mr. EB also entertained Mr. JPH and his wife quite a few times while they visited Singapore. When Mr. JPH's daughter came to the UK to study at a London university Mr. EB helped her many times. Therefore, Mr. JPH became an important family friend of Mr. EB. Mr. JPH had also helped Mr EB a couple of times to check up on IA's potential business partners and had helped to prevent some potential cheats.

The Relationships With Common Interest Groups and Professional Service Providers

Mr. EB's accountant Pa helped IA not only to perform the company's registration but to also advise on international tax issues, shareholder's agreements, the annual accounts etc. Mr. EB's solicitor Ps helps IA look after their intellectual property rights (IPR), company strategy, and international business contact issues and so on.

Also, IA benefits from Mr. EB's relationships with his friends in the European market acceleration business and in his consultant networks, www.abcol.com and internet common interest group association, www.linkedin.com and www.openbc.com. "I need to meet new people because my existing social networks do not always have the experience and knowledge of international business."

THE SOCIAL RELATIONSHIPS EVOLUTION PROCESS

The Establishment of Social Relationships

The present analysis is based on Ellis (2000)'s classifications of origins of business relationships: planned networking, business-social networking and non-business social relationships. As an entrepreneur of a "Born Global" firm, Mr. EB has built up his social networks through different approaches. The most common way to originate social relationships for the case entrepreneur is through activities related to his work. His relationships with former colleagues, clients, distributors are the main sources for his social networks. Another popular way to build up his relationships with people is through attending exhibitions and conferences, for example, Infosec, London; IT.com conference, Bangalore, India. Mr EB has also developed his relationships with people through some business events, for example, his relationships with the Russia businessman Ir was built up in one Chamber of Commerce London Event. This relationship actually provides our case entrepreneur with emotional and commercial support for IA's development. In addition, he builds up social relationships with people on some internet chat rooms and professional BBS forums, such as www.openbc.com, www.linkedin.com and www.abcol.com. Also, he benefited from his position in his previous immediate employment which provided him with the opportunity to

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Table 2. An illustration of some important social networks in IA's internationalization process

Relationships	Name/ firm	Age	origin	The first meeting	Nationality/ residence	Where met	Contact methods	Basis of relation-ships	Relation Nature & rating	Functions	Outcome (+) or (-)
Internal	BH	7	Business-social	CR as a subordinate	P. R. China	P. R. China	Skype, MSN Email. Telephone, meeting in China	Cooperative experience	Main concern about business growth	Local contact and operation	Became a director,(+) disagreement. distrust, delay the business (-)
	S	10	Business-social	CR as a distributor	Indonesia	Singapore distributors meeting	Email, MSN	Known for years	Business topic	Local contact and operation in Singapore	Became an associate (+)
Clients	Cr. /R	2	Business-social	internet	America	Conference Bangalore India	Skype, phone call, meetings Email, forum.	Online relationships	Respect, regular contact online	Provide info about R and formulate a contract	Became the main client (+)
	Ca/A	10m	planned	exhibition	American	Exhibition London,	meetings, email, phone	Cold call clients	communicate on agenda	Built up an agreement	Became a client(+)
	Ct/T	2	Planned	Employers' office	British	Former clients	meetings in the UK, email, phone	Known clients	discuss Asian penetration	Seeking for EDI partners	Become a client(+)
	Cb/B	3	Planned	Employers' office	British	Former clients	meetings in the UK, email, phone	Known clients	Based on Cooperative experience,	Seeking for agents and OEM partners	Become a client(+)
	Cf/F	1	Planned networking	Met in a company meeting	British	Current clients from employers	Skype, meetings in the UK, email	Known clients	Trust, based on current relationships	Seeking for distributor	Become a direct client(+)
Local partners	La/ E	4 m	Planned	BH called to arrange	China	Never met	Email, phone call	Introduced by Lz	Trust on Lz's introduction	Localize clients products	Became a partner(+) risk due to Lz (-)
	Lb/B	3 m	Planned	BH called them	China	Met in England	Email, phone call, stop communicate now	Introduce by BH's networks	Want to mutual exchange	Introduce a clients	Dislike each other, broken up(-)
	Lz	10m	Social	BH's friends	China	Met in China	Seldom communicate	Personal friend of BH	Trust on BH	Share market experience and contacts	Share office(+) became a door shutter (-)
Professional	Account	30	Business-social	school	Britain	School	Telephone, email, meeting, post	Pay for services	Client/customer/ friend	Account services	Register British Address (+)
	solicitor	2	Business	Family solicitor	Britain	their offices	Meeting, post, email	Pay for services	Client/customer	Legal services	IPR issues, contact review (+)
Other common interest groups	JPH	8	Business-social	formal distributor of CR	Korea	Singapore office	Phone, email, meeting in Korea, Singapore and UK	Family friends	Strong relationship Family friends	Provide local information and check up investigation	Prevent some pitfalls and cheats (+)
	Ir/ BPNX	4	Social	London Chamber of Commerce event	Russian	Internet, personal visiting	Phone, Skype, Meeting, golf and club.	Mutual interest/ Mentor, emotional support	constantly contact at least twice a month	provide commercial dynamics information and ideas etc.	Encourage to continue operation (+)

Note: Age is the duration of relationships, number is the year of relationship, m=months, (+) represents positive effects, (-) represents negative effects

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select some potential clients from his employers' client base. In the case study, only the relationship with one client, company A, was built up through a planned cold-call. Important relationships were generated after leaving employment to focus fully on IA and its internationalization.

The Maintenance and Transformation of Social Relationships

For the case entrepreneur, the most popular methods used to contact his social networks is through the internet, i.e. email, Skype[1], MSN[2], ICQ[3]. He also manages his social network data by using some software programmes and a customer relationship management (CRM) system, which helps him to record and categorize his social contacts, to remind him of the time and location when they first met, the main contents of the last conversation, people's birthdays, wives and kids' names and so on. He admits that he will probably contact these people at least once every two months by telephone. Occasionally, he will contact people such as accountants and solicitors through post due to some original paperwork that cannot be done through electronic documents. Moreover, he takes business trips to visit his existing or potential business clients and partners frequently.

The value of Mr. EB's relationships is to provide his clients with contacts in his networks for new markets. For instance, European colleagues Ir helped IA reconstruct its business concept and operational models. The relationships with different Asian countries led to his ambitions to set up subsidiaries in those countries. Some of his business relationships had been transformed into family friends, for example, Mr. JPH. Some pure social friendships, for example, the online social relationships with Cr had become a business-social relationship. "Actually, I don't really make a distinction between social, personal and business exchange relationships. I am a social person and tend to treat everybody as a friend." Most of the important people in his networks with respect to the internationalization process have ICT market knowledge. He had some comments on relationships with people who come from different countries, for example, he thinks that many American businessmen tend to keep their relationships purely business orientated.

The Enhancement and Impairment of Social Relationships

Not all of Mr. EB's relationships could go further. It requires the efforts from both sides. According to the interviews, Mr. EB's relationship with his business partner BH was impaired because of some disagreements and distrust. This actually caused de-internationalization (Chetty 1999, Benito & Welch, 1997). "Maybe BH does not want other people to know that he is doing our business. I asked him to host our company webpage in China to optimize Chinese search engines. It took ages for him to respond and he has not finished until now."

Another example, when BH was looking for a distributor for the company F in China, one of his friends, Mr. Lb, introduced a potential customer to IA. However, Lb asked our case entrepreneur to help his son to get a job in London which is difficult to do because of various reasons. The social relationships had been impaired after Lb realized that Mr. EB was unable to help. On the contrary, some relationships have been enhanced due to the frequent communication, for example, Mr. S is going to set up an IA subsidiary in Singapore soon. "I need to prepare incentives to stimulate some of my relationships, and I also need to understand when and how I have to stop my relationships with what kinds of people. Otherwise, it will influence my business"

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Information About International Business Opportunities

From Table 2 it is evident that social networks play roles as "lever" and "plug" in facilitating the access to international business opportunities. An illustrative quote from our case entrepreneur suggests that:

"I have experienced some strong criticisms from my social networks in the identification and evaluation of international opportunities, particularly for some complicated, brand new, innovative ideas when I communicated to people in my social networks that lack similar knowledge and which are outside their experience. It is difficult to make them understand the business opportunity; what do we want, and what is the opportunity. They bring some wrong information when we were evaluating the opportunities. For instance, when we discussed the business concepts of T who provides electronic transaction through its web page service rather than traditional software, BH was unable to understand what kind of opportunities there are. He brought some wrong market information; wasted time and money and almost lost this contact. In my case, a lot of business opportunities cannot be delivered due to the limitations of my existing social networks."

However, not all these criticisms have negative results. Some of the criticisms helped IA reconstruct its business model to reassign resources and also modify targets:

"When we first started up our business, we contacted a lot of clients who are commission based only. I thought that they should be my main concern and clients. I talked to Ir who is doing a similar market acceleration business in European... He criticized my business concepts and commented that it is the worst thing for a market acceleration company. If I do so, you must be mad or desperate. I disagreed with them for a while. Finally, it had been proven that it is true. It wasted a lot of my time and efforts to do the pre-internationalization research for my clients without any returns. Now I am targeting more on some well-funded companies with great growth potential and did not consider entering the Asian market yet. They would like to pay for my service directly. After my conversation with Or, I understand how to present ourselves to potential clients. How to show them some baits; show them that they need to pay IA to get things done; show them some 'real opportunities' e.g. some profitable potential customers in the Asia market. Make thing happen is what our organization want. It took me a long time to reach this stage. Without the criticism from my social networks, it might have taken even longer."

Information About International Business Partners

The most important relationship for IA is the one between the co-directors. At the time of the study, the relationship between Mr. EB and Mr. BH was deteriorating. Some disagreements, complaints and doubt emerged and the company was in a crisis. Mr. BH was not only Mr. EB's subordinate but also his personal friend. They had a close and trusting friendship, however, this close relationship had been changed since they formed IA with equal joint ownership and directorship. EB chose BH as his Chinese partner only because he had worked with BH for a long time and assumed that the friendship would translate into a good business partnership.

However, EB discovered that BH lacked the required transparency, honesty and commitment to make the business partnership work. For example, he found out that BH was involved in some projects with other people. In the process of delivering IA's project, BH did not finish what he said he would do. He was unwilling to work full time for IA even though EB would like to pay him a higher salary. In addition, although EB wanted to conduct the in a transparent and open manner, there were some suspicious financial expenditure issues from the side of BH. The situation therefore led to disagreements. Although

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IA China Ltd had been registered in the UK, it had not been registered as a formal company in China because BH did not want to pay tax and administrative fees to the Chinese Authorities. In addition, BH's job commitment and performance were below what was expected. For example, when EB was taking a vacation, his mobile messaging, which was connected to his email mailbox showed that there was an important inquiry which came from an important client, company R. Then, he reminded BH by email and asked for a response. When EB came back to England from the holiday, BH was yet to deal with the inquiry and a phone call to him at the time showed that he was sleeping on the job at 3:00pm local time.

Such complete disregard to clients and poor attitude to work led to the erosion of confidence. This led to EB considering the option of ending the partnership to seek a new partner who would be more qualified and committed to setting up subsidiaries in other Asian countries. EB argued that: "Social relationships can provide me with an easy way to find business partners. However, it is not always the case. We need to consider whether these potential partners have the capabilities to help you develop your business. Are they the best ones for you?" This led to EB to conclude that entrepreneurs cannot over-rely on their social relationships in seeking international business partners. They needed to develop the profiles of their prospective partners by researching extensively on their suitability. For example, resources, knowledge, experience, reputation, capability, complementary information etc. are important if the partner is to help the business succeed and grow.

Introduction to Potential International Partners

The establishment of IA China Ltd's Beijing office thanks to BH's social relationship with his friend Lz, an entrepreneur who had an office in Zhong GuanCun Industry Park. Lz shared his office with IA without charging a fee. BH kept a very close personal relationship with Lz. Through Lz's introduction, IA was able to increase contacts, for example, Ensemble, an important Beijing software company providing software testing and localization services. However, after the 2006 Chinese New Year, there were some financial conflicts between Lz and Ensemble. Due to BH's close social relationships with this friend, Ensemble tried to disengage the co-operation with IA. "Guanxi" in China plays a vital role between business partners. BH and our case entrepreneur attempted to explain and appeal to the CEO of Ensemble that Lz is not a shareholder of IA's business. They had to go virtually rebuild the relationship. They had to spend a lot of money and time, for example, buying dinners and gifts for the CEO's wife etc. The situation with rebuilding the relationship with Ensemble delayed the implementation of their strategic plan.

ANALYSIS AND DISCUSSION

The Answers of the Research Questions

1. **Building Social Networks:** On the initiation of internationalization, an entrepreneur can utilize both "relationship sediments" that date from a number of years back (Axelsson and Agndal, 2000) as well as some new networks, which have been built up more recently. The entrepreneur of the case firm had built up his relationships with people who are important for the internationalization process through various ways. Personal relationships and contacts generated from his previous place of work, whilst some specific preference were given to selecting people who have worked

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with him and have similar industry backgrounds. Marketing events, such as exhibitions or Chamber of Commerce activities are usually a starting point for developing networks and building relationships. Online social networks are other important resources for developing networks. Developing online relationships are important for supplementing other approaches to building social relationships. This finding supports earlier research results related to building online social relationships (Cummings et al., 2002). Anderson and Jack's (2002) findings also show that social relationships and social capital development are not only based on commercial transactions but can also be built and/or maintained through a variety of forms of online relationships.

2. **Management of Social Networks for the Internationalisation Process:** The case entrepreneur relied on his solid educational and technical background to dictate preference and use of technical software programmes such as personal information management and customer relationships management (CRM) systems to manage complicated social networks. In order to overcome some barriers such as time difference and expenditure on telecommunication fees, the reliance of the information and communications technologies such as the use of Internet Instant Message services can reduce cost whilst at the same time enhancing customer satisfaction. Maintaining frequent contact with existing and potential contacts would bring more value to organisations. In the networks management process, some business-orientated relationships have been changed to personal socially orientated ones. Development and interaction of social relationships is an ongoing process and not necessarily a purposeful act (Jack and Anderson 2002) and this can, of course, have benefits, as well as disadvantages. The relationships between the entrepreneur and his clients can prove that social relationship enhancement, on the one hand, increases entrepreneurship and initiates the internationalization. On the other hand, impaired relationships with previous clients could be deemed as an initiator of *de-internationalization*. Existing literature has not adequately highlighted the effect of impaired relationships on de-internationalisation.
3. **Social Networks, Information Acquisition and International Business Opportunity:** The case entrepreneur's social networks bring business opportunities from his current clients, as well as from online social networks, a finding which is consistent with previous studies by Ellis and Pecotich (2001) and Komulainen et al (2004). Some New Venture Internationalisation (NVI) theories (Oviatt and McDougall, 1994) suggest "Born Globals" have the capabilities to seize the cross-border opportunities unseen by competitors, which fits the case company. This empirical data also supports Holmlund and Kock's (1998) findings that personal contacts initiate internationalization. However, the empirical data from the interview has also pointed out the barriers and criticisms from the entrepreneur's social networks. These barriers and criticisms also have both positive and negative results, as already identified in previous literature (Klyver and Schott 2003). For "Born Global" firms in the high-tech sector, firm innovativeness enhances business opportunities; however, the opportunities in the sector are often complex and not easily understood. Therefore, only a limited number of the members of entrepreneurs' narrow social networks would have the requisite knowledge and experience to perceive such opportunities. In the case study, friendships between the entrepreneur and a Russian counterpart in a similar business who is actually playing a mentor's role in IA benefited the latter in terms of the business opportunity identification and evaluation processes. This also agrees with Mainela's (2002) previous study of the importance of friendships and social relationships in the internationalization.
4. **Social Networks, Information Acquisition and Potential International Business Partners:** Social networks of an entrepreneur are made up of personal trust, mutual sympathy, and confidence

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(Komulainen et al., 2004, Komulainen et al., 2006). In the case study, these relationships can be both enhanced and impaired and this depends on the balance between exchange and expectation. Having the co-entrepreneur as a partner and utilizing his social networks is one of the most important elements to access foreign business networks. This can be interpreted using theoretical frameworks such as Crick and Jones's (Crick and Jones, 2000) contacts pattern and Johanson and Vahlne's (2003) individual level psychic distance. In creating the entrepreneurial venture, the entrepreneur of IA selected the co-entrepreneur as a partner because they had known and worked with each other for years. These are the opinions that had been studied by some scholars previously (Holmlund and Kock, 1998, Ellis, 2000). Previous studies emphasized that uncertainties and risks of internationalization could be minimized by social relationships (Ellis and Pecotich, 2001). However, the case entrepreneur had occasionally regretted his selection of partners from his network of social relationships. On the contrary, he thinks that this is the riskiest thing. "If he is an employee I can fire him, but if he is already my friend, it will be very difficult to get rid of them." He thinks that entrepreneurs should always be realistic about the challenges involved in determining how a business partner is selected.

5. **Social Networks and Introduction to Potential International Partners:** Komulainen et al (2006) point out that social relationships can mediate or open doors to new business relationships, i.e. introduce the potential exporter to the international actor. However, in our case study, the co-entrepreneur's friend (a referee) had quite an opposite effect, i.e. that of being a 'door shutter' for IA to an important localization partner. At the beginning, when their relationship was still harmonious, the references provided for IA increased. However, when this referee's reputation declined and the relationship with the localization partner was damaged, the relationship between IA and the localization partner also deteriorated. Thus, damage to the reputation of the profile of the referee in local business networks decreased the initial credibility and legitimacy within a market.

FINDINGS FROM THE CASE STUDY

The Other Side of Social Networks: Internationalization and De-Internationalization

The present study has identified a weakness in the research of internationalization of the firm and notes that absence of adequate de-internationalization literature. Although scholars had already observed this phenomenon (Chetty, 1999, Benito and Welch, 1997, Calof and Beamish, 1995), however, the reasons and causes of this phenomenon have not been studied in depth yet. In the case study, the impairment of social relationships seems to be playing an important role in the process. A research proposal of social influence of de-internationalization may have a prosperous future.

Another finding of social relationships in the internationalization is its negative effects for the "Born Global" SMEs. As already mentioned, current literature emphasizes the positive benefits generated by social networks towards internationalization performance. Particularly in high-tech sectors, people in social networks might misunderstand high-tech international opportunities and thereby end up providing inaccurate market information. People within social networks might not be qualified to be business partners. Without careful scrutiny, forming partnerships with members of social networks could adversely affect a business when challenges arise. In particular, challenges related to trust between partners and

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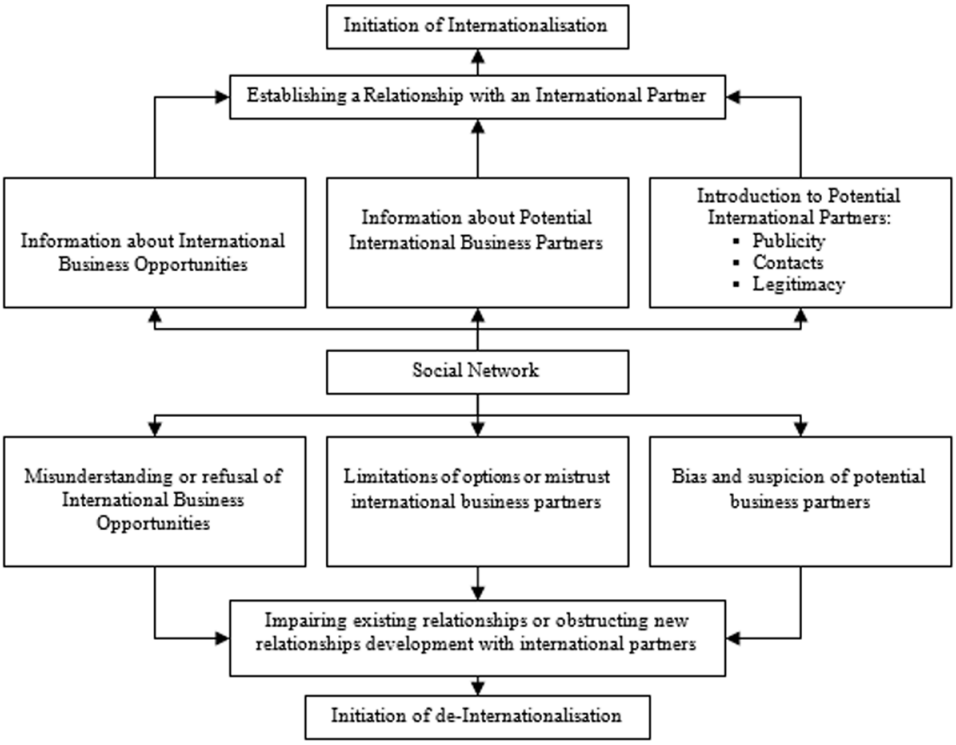
the lack of motivation that may arise from a partner can easily throw the company into crises. In addition, the damage of relationships with a low profile or bad reputation local partner can also damage the credibility, reputation and legitimacy of a company which could lead to suspicions or bias from potential international business partners. The ongoing relationships between references and the people they introduce to entrepreneurs have a very strong impact on all parties. In sum, the negative impacts from social networks will lead to the initiation of de-internationalization. Figure 1 shows a new framework adapted from Komulainen et al (2006) on the influence of the social network in the start-up of the internationalization from an embedded perspective.

Managing Relationships in the Internationalisation of Small 'Born Global' Firms

In high-tech sectors, quite a few international businessmen will normally have both good marketing education and high-tech knowledge background. These might be the starting point for the outward-mindedness of the "Born Global" entrepreneurs (Crick and Jones, 2000). These people have their own social networks and preferred ways of making friends and getting along with other people. In the case study, some internet communication tools have been adopted by these high-tech people for a long while. Some software programmes have been used to deal with the complicated social relationships from different countries and different industries. However, current literature does not throw adequate light on the influence of networks and relationships on the internationalization small "Born Global" high-tech firms.

Figure 1. The social network influence in the initial internationalisation from an embedded perspective
Notes: developed and integrated with Komulainen et al (2006)'s model



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The Importance of Internet and Online Relationships

The importance of the online relationship for entrepreneur of "Born Globals" firms is revealed in the case study that suggests that online relationships developed into social oriented as well as business-oriented relationships which encouraged cooperation and the establishment of a strong and lasting business relationship. Consequently, online relationships might actually supplement or substitute existing social relationships to help "Born Globals" firms to overcome the limitations of existing social networks.

PRACTICAL PROBLEMS

The relationship problem between co-directors is the biggest drawback. Although the case company was registered as a private limited company, its operation is more like a partnership. There are some control problems within the company because of the equal share of the business partners. For the studied company, the communication between two partners is not transparent because they began to distrust each other and the partners were not adequately transparent with their activities within and outside the company. Without trust and the free flow of information between partners maintaining social networks and business contacts with both local and international clients become more challenging. This occurs because the partner, without the benefit of full information, may not understand the needs and business concepts of existing and potential clients adequately. This could, inadvertently, lead to loss of business opportunities. It is therefore extremely important that partners communicate effectively about the needs of their clients to ensure that the absence of one partner could not lead to loss of important business contacts or potential business.

LIMITATIONS

Although our study reveals new perspectives on the impact of social networks on "Born Global" firms, with a specific focus on the high-tech SMEs we note that there are areas of the study that could be strengthened to improve our understanding of the phenomenon under study. The findings of the current study have some notable limitations: First of all, the research is based on a single firm case study and opens the findings to well-known limitations of case study research. The rigor of case study research is one of the main concerns (Yin, 2003). Some equivocal evidence or biased views might also influence the direction of the findings and conclusions (Yin, 2003). This is a single case study to explore the social relationship in the initial start-up of internationalization for a "Born Global" high-tech firm in ICT sector. The findings may not necessarily work in other contexts, for example, other industries, non-Chinese markets, and traditional manufacturing firms. Our inability to check responses with other interviewees limits the strength of some of the findings. The study could not do so because the interviewee of the case company suggested that the researcher should not approach other respondents and informants outsides his company due to privacy, trade secrets and business etiquette issues. This means our current study is deficient in being able to provide sufficient variance and data triangulation as suggested by Yin (2003). There are also limited available public secondary data of the case company that could provide additional supporting evidence, given that the case study company was still in the early stages of its initial start-up.

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CONCLUSION AND FURTHER RESEARCH

The dominant theme in the internationalization of SMEs, particularly, "Born Globals" literature has paid little attention to the influence of social networks. However, even within the limited studies, almost all of the research focuses on the merits of social networks. This research was motivated by the insufficient knowledge about the negative effects of social networks on the de-internationalization of "Born Global" firms. The present research focused on a rare case of a small high-tech firm in the UK whose business is purely internationally orientated. We investigated how social networks influence its initiation of the internationalization process. The analysis of the case firm uncovered some potentially negative effects of social networks. Some elements of social networks formation, such as online social networks and relationships management system deserve more research attention. There is a need for further research to investigate "unsuccessful factors" or "pitfalls" of social relationship in order to generate a guideline for entrepreneurs to minimize their errors. The social networks impact on "de-internationalization" should receive researchers' attention. From the research findings above, there also a need to explore the influence of online or internet social networks on the "Born Global" internationalization process in depth.

The findings of the present research suggest that every entrepreneur base their internationalisation strategy on prior experience and perception. Actions are based on perceptions, therefore, the internationalisation process occurs to a large extent in the international entrepreneurs' minds. Furthermore, social networks play a big "plug" role in the initiation of internationalisation which could be, in fact, preventing the international start-up process, particularly in rapidly growing "Born Global" firms. Further theoretical contributions of the present study include the exploration of a potentially negative influence of social networks on the internationalisation that has been ignored from a rational perspective; the identification of online social networks towards the internationalisation and the significance of high-tech communication and management techniques support in the growth of "Born Globals". From the case study, the de-internationalisation phenomenon can be described as a negative result which can be triggered by social networks impairment.

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KEY TERMS AND DEFINITIONS

Born Global: Firms are engaging in international operations in the early days of their establishment.
Case Study: A research strategy investigating a phenomenon within its real-life context.
De-Internationalisation: Any voluntary or forced actions that reduce a firm's international activities.
Entrepreneurs: Those business owners launch and run a new company.
Impairment: The state or fact of being impaired or damaged.
Negative Impact: Those drawbacks and obstacles decreasing a company's performance.
Social Networks: One's relations and contacts with others at the personal level.

ENDNOTES

1 Skype™ is a programme allowing telephone conversations via the Internet. Calls to other Skype™ users are free as well as calls to regular telephone and mobile telephone numbers all over the world are at a low rate.

2 The .NET Messenger Service is an instant messaging system developed by Microsoft. It works together with Microsoft's Passport system to allow users to send messages to each other online.

3 A chat program that can be set to notify the user when friends are online; it seeks out friends of the user so messages and files can be exchanged.

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Chapter 47
Re-Inventing the Social Business Model:
New Opportunities for the Third Sector Organizations in Italy

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ABSTRACT

The recent global economic crises and the decline of the traditional welfare state are challenging the development of third sector organisations involved in the provision of public services. With the support of the Italian case and the experiences of different Italian third sector organisations, this contribution highlights how organisational survival and growth require reinvention of the business model, commencing with the concept of social, economic and environmental sustainability. The scope of third sector organisations depends on the type of government, the stage of economic development, the model of civil society, the existence of philanthropic traditions and the law and regulation. All these variables affect the business model of third sector organisations. This chapter contributes to the third sector knowledge in Italy and concludes with a discussion on solutions that are able to incentivize the use of entrepreneurial principles, stimulate networking, cooperation and growth while maintaining the relationship with the territories.

INTRODUCTION

The global economic crises, and the decline of the traditional welfare state, are two important challenges that third sector organizations (TSO) are facing. In particular, the survival and the growth of these organizations require the re-invention of their business model, starting from the concept of social, economic and environmental sustainability.

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The Italian Third Sector has some peculiarities that make this case emblematic (Borzaga & Fazzi, 2011; Mariani & Cavenago, 2013; Ranci, 2015). On one hand, the institutional context, characterized in the past by a farraginous regulatory framework, is now evolving toward a model in which the barriers between nonprofit and for profit sector are reducing progressively. On the other hand, the Italian TSO have to reduce their structural dependence from the public sector.

The theoretical framework aims at defining the task environment of TSO operating in regulated institutional contexts. Welfare societies, in fact, rely on a complex mix of different providers (state, markets, family, and TSO). At the same time, changing welfare discourses have opened up space for new partnerships, divisions of labour, and responsibilities between these actors.

In particular, the development of Third Sector depends on several institutional conditions. The type of Government (Kerlin, 2013; Lee, 2010), the stage of Economic development (Kerlin, 2013; Lee, 2010), the model of civil society (Salamon & Anheier, 1998), the existence of philanthropic traditions (Wang & Morgan, 2011), and the regulation – legal frames, tax reduction, transparency, accountability - (Wang & Morgan, 2011), can affect the governance structure and the business model of TSO.

According to Lecy and Van Skyle (2012), many of the theories of nonprofit sector size are descriptive and reactive, while the understanding of the drivers of opportunity for TSO are still unexplored. Consequently, scholars need to empirically address a set of questions about how TSO develop adaptive and responsive strategies to turbulence, opportunity, stability, and growth. This chapter aims at contributing to fill this gap.

Combining the literature on the density of Third Sector at system level, with those on the strategic management of individual TSO, several emerging issues for the development of sustainable social business models are identified.

The results can be significant for similar contexts, characterized by the presence of a "Welfare Partnership model" with both a civil society strongly involved in the provision of welfare services, and a strong dependence of TSO from public funding. In particular, a relationship between regulation features, and growth of Third Sector emerges, and such relationship is mediated by the ways in which TSO design and re-invent their own business models.

BACKGROUND AND LITERATURE OVERVIEW

This study builds a framework to investigate the current trends emerging in TSO institutional and social context, and its main consequences on the development of renewed business models. In this context, the definition of nonprofit proposed by Salamon and Anheier (1997) is adopted. The authors identify the five core structural or operational features – namely:

- Formal constitution;
- Non-governmental basic structure;
- Self-governing;
- Non-profit-distributing;
- Presence of voluntary activities or resources.

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These features distinguish TSO from other types of social institutions. More specifically, this contribution focuses on TSO that – providing welfare services – have a more or less important relationship with the public administrations.

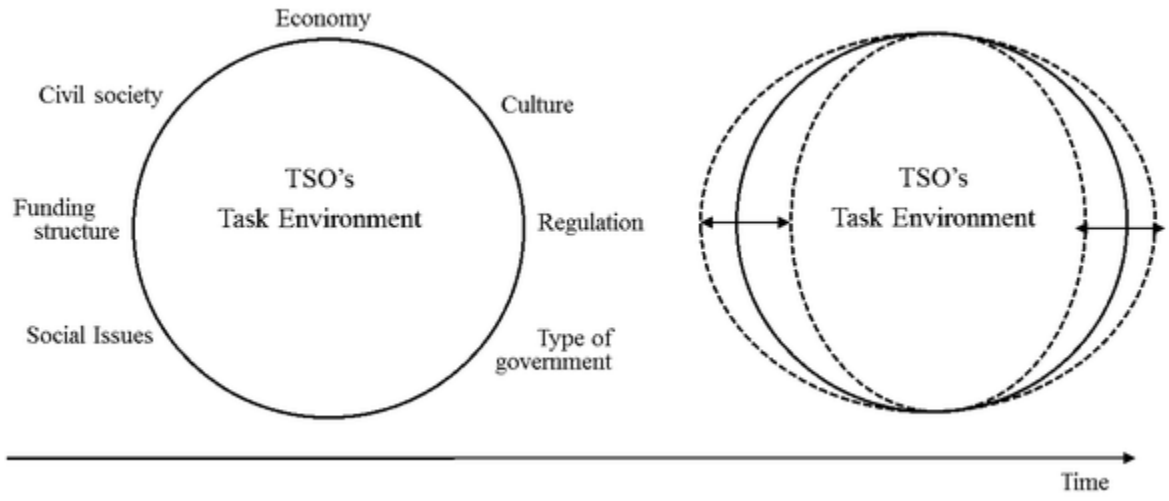
In order to support the framework development, the background of this work aims at explaining the effect of the social-institutional context on the development of Third Sector, and the effect of such conditions on the implementation of their business models.

The observed variation in TSO across countries and regions suggests the importance of social and institutional context in their development. Contextual conditions define the dimension and the characteristic of the Third Sector in each country. In particular, given specific institutional and societal boundaries, TSO have a potential environment in which they can fulfil the organizational mission through the offer of their own Value Proposition. The formation and growth of TSO in a particular country are likely to be influenced by the characteristics of its civil society, its economic situation, and they are defined by its legal and regulatory framework. As a consequence, changes in the institutional environment – due to reforms and public policies - affect the growth (or reduction) of the Third Sector (Figure 1).

With a specific focus on welfare characteristics, the density and development of Third Sector depend on the characteristics of civil society (Salamon & Sokolowski, 2010): the larger is the contribution of civil society, the larger is the Third Sector dimension. Furthermore, according to dimension of the welfare states, the services provided by TSO can vary. Salamon and Sokolowski (2010) describe five models: Liberal, Welfare Partnership, Social Democratic, Deferred Democratization, and Traditional.

- **Liberal Model:** The civil society is large because of greater reliance on private services in the face of a relatively small welfare state. Government funding is limited and there is a sizeable reliance on private support.
- **Welfare Partnership:** Civil society is still large and involved in the provision of welfare services, however funding is characterized by a large share of government revenue, rather than private resources.

Figure 1. Institutional context and Third Sector evolution
Source 1: Cavenago, D & Mariani, L (2016)



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- **Social Democratic:** Civil society can be large but limited to expressive roles in the advocacy, sports and culture industries. This is due to a sizable welfare state that both funds and delivers social services.
- **Traditional Countries:** The civil society is small and it is characterized by the persistence of traditional forms of helping. With the government providing little support even for welfare services, TSO focuses on antipoverty services, through the financing of international aid.
- **Deferred Democratization:** Civil society remains small due to repressive and neglectful policies of a State. With little government support, therefore, the Third Sector relies on both fees where it provides services for the upper class, and international aid where it serves the poor.

Other contributions highlight the relationship between the dimension of Third Sector and societal characteristics such as diversity and the structure of social capital.

- **Diversity:** The relationship between society diversity and Third Sector development can be explained through the government failure theory (Weisbron, 1977, 1986, 1988). According to this theory, when a society is diverse the median voter preferences are not sufficient to satisfy the demand of different groups for different social services. Preferences that result from diversity in a society are referred to as heterogeneous demand, that can be faced by specialized TSO. The features of diversity that have been considered include variables of racial diversity (Corbin, 1999; Matsunaga & Yamauchi, 2004), immigrant populations (Paarlberg & Gen, 2009), and religious diversity (Salamon, Hems, & Chinnock, 2000; Brooks &Wilson, 2007).
- **Social Capital:** The development of social capital and Third Sector development seems to be positively related. Social capital refers to connections among individuals, social networks and the norms of reciprocity and trustworthiness that arise from them (Putnam, 2000). Social capital is a variety of different entities consisting of some aspect of social structure, and facilitating certain actions of individuals who are within the structure (Coleman, 1990). The extent of social capital depends on citizens engagement in public affairs, community volunteerism, community organizational life, informal sociability, and social trust (Putnam, 2000).

Finally, nonprofit laws and regulation are among the most important factors in determining the size and scope of Third Sector in many countries (Salamon & Flaherty, 1996). In particular, the regulatory framework that defines the sector and the agenda of governments for the sector are central factors (Borzaga & Fazzi, 2011; Haddad, 2011; Schneider, 2013; Wang & Morgan, 2011; Heurlin, 2010).

Changes in the institutional environment and societal structure do not affect exclusively the density of TSO in a specific context, but they also affect the behaviours of these organizations. According to the neo-institutional theory, organizations are influenced by the society in which they work and they have to change and adopt the norms of this society to conform to external expectations about what forms or structures are acceptable (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). Therefore, individual TSO preserve their legitimacy by incorporating (or appearing to incorporate), the new practices, norms and values: if the organization is not viewed as legitimate, its survival is thought to be at stake (Dowling & Pfeffer, 1975).

However, under a strategic perspective, TSO do not suffer passively the external pressure; rather, they interact with their own environment determining the conditions of their development and growth,

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which are strictly related to a balanced and positive relationship with the external conditions. In particular, each TSO selects a certain segment of the external environment, defined by institutional and social contexts, and it carries out certain types of transaction with it (Normann, 1977). Within a wider regulated environment, TSO select a specific task environment, and they also choice the type of transactions to undertake there. Therefore, on one hand, the complex environment of the TSO is characterized by different actors and interdependencies whose effects are (partially) inevitable, but, at the same time, these interdependencies are the result of their choices. With reference to the changes of regulation in Japan, the reforms favorited the growth of TSO number, but they also incentivized new approaches of business, and TSO became more active in their relationship with public agencies. They have started identifying community problems, crafting policy solutions to those problems, and participating actively in implementing solutions in the perspective of public-private cooperation (Haddad, 2011).

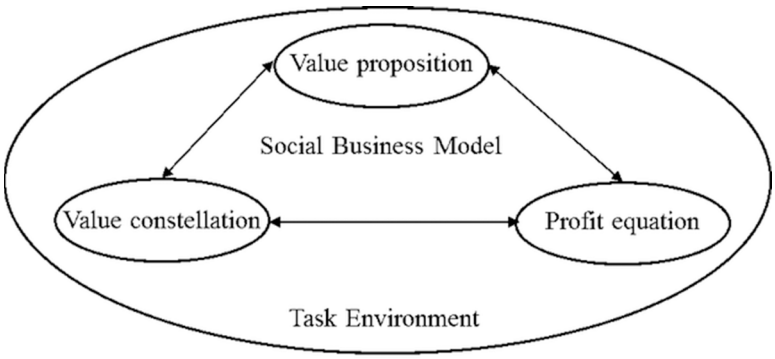
Within a potential environment – bounded by institutional context and societal characteristics – the TSO can develop their own social business idea, actualized into a specific social business model. In defining the business idea, TSO have to maintain the coherence between three different components (Normann, 1977): the external environment and its needs, the offering of the organization – or Value Proposition –, and the internal factors (organizational structure, resources, knowledge and capabilities, systems, values). This concept of business idea is systemic in nature and the relation to the external environment depends on the offering, which in turn is dependent upon firm-internal factors.

The implementation of a social business idea by TSO, can be represented through the components of their business model. The concept of business model has attracted the researchers' attention in the last years and, although there is no consensus as to its definition, literature uses to distinguishing its three major components: the product/service proposed to customers, the way the company is organized so as to deliver this product and service to its customers, and the revenue model (Chesbrough & Rosenbloom, 2002; Zott & Amit, 2008)

In this work, the definition of business model adopted is those proposed by Yunus, Moingeon and Lehmann-Ortega (2010) that, focusing on the experience of Greeman Bank, emphasizes the role social value, which is particularly significant for TSO (Figure 2).

According to this model, the components of business model are the Value Proposition, the Value Constellation, and the Profit Equation, composed of social and economic profit equations.

Figure 2. Environment task and business model
Source 2: Cavenago, D & Mariani, L (2016)



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- **Value Proposition:** It includes the identification of TSO' users, and it summarizes the characteristics of the value provided, as well as the relationships with the users. The Value Proposition of each TSO focus, alternatively or simultaneously, on the provision of services aimed at facing the needs of different categories of users, the development of social innovation, and the accomplishing of representational activities (Salamon et al., 2000).
- **Value Constellation:** It includes the way in which services are provided through both the internal value chain and external partners support. With a specific focus on the role of services provision, the Value Constellation of TSO can be presented through the description of the services' content, and the main phases of the provision process of a welfare service: (1) access; (2) screening; (3) intervention planning and implementation; (4) monitoring in progress; and (5) follow up (Mariani & Cavenago, 2013). The access phase represents the first contact between the TSO and the user, where the organization provides information on the service and reduces any barriers which could compromise the overall service supply. Organizations are then involved in the screening phase, which allows the evaluation of individual needs. The planning and implementation phase consists in formulating objectives, identifying the necessary resources, defining the timing and implementing the intervention, while in-progress monitoring is carried out so as to keep the objectives fixed during planning. Finally, follow-up procedures consist of periodical check-ups in the post-service stage. In all the phases, the role of the client/user is crucial. In the provision of welfare services, in fact, the co-production process is essential for service effectiveness, and the clients' behaviour has a significant impact on the final quality of the supply process (Pestoff & Brandsen, 2013; Prahalad & Ramaswamy, 2004). All the phases of service provision process are not necessary implemented by an individual TSO. Frequently, in fact, TSO act toward an embedded networking approach, based on stable and intense connections among different institutions, sharing reciprocal trust. The network model is adopted by many TSO with the aim to tackle with greater efficiency the needs of their users through institutionalized ties with social services, public administration, hospitals, advice bureaus, primary care bureau and other actors through formal and informal connections (Mariani & Cavenago, 2013).
- **Profit Equation:** It is the financial translation of the other two – Value Proposition and Value Constellation –, including the value captured from the revenues, and costs structure. Profit Equation can be furthered decomposed into Social Equation, which summarizes the desired social profits through a comprehensive eco-system view, and the Economic Equation, which targets the full recovery of both costs, and capital. The expenses of TSO are directly related to the structure of the offer – personnel cost, depreciation of equipment, supplies, financial expenses and so on –, while the revenues of TSO are strongly related to the overall institutional context that determined the weight of public financing on the overall revenues. A general criterion usable in order to assess the sustainability of Profit Equation is considering if it has been managed in a balanced manner. The need to fulfil the social mission still maintaining a financial and economic balancing is a precondition for the sustainable development of TSO. In particular, TSO are called to maintain a clear identity and focus tied to social mission with better means of measuring nonprofit performance in order to reconcile financial and mission-related performance (Young, 2005).

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THIRD SECTOR IN ITALY: TOWARD THE RE-DESIGN OF BUSINESS MODELS

To assess of the effect of the task environment on the business models of TSO, the evolution of nonprofit sector in Italy is proposed.

Methodology

In order to build the Italian case study, a documental analysis has been conducted. In particular, the case draws upon content analysis of the relevant regulation and the literature on the Third Sector and welfare system in Italy, combined with the assessment of demographical and economic trends. Table 1 includes the description of the sources used for the development of the case study.

Furthermore, the study draws from research actions and field investigations conducted over the last years by the authors in several Italian TSO belonging to different regional welfare systems.

The information has been assessed by two researchers, who selected, separately, the emerging themes affecting the business model of TSO, classifying them under the business model component: value proposition, value constellation, and profit equation. Discrepancies on both themes' selection and themes' classification have been discussed, with the aim to concord a common judgement. To align the information, and gain other perspectives some control interviews with a selection of academics and professionals of the Italian Third Sector have been conducted.

Historical Context of Italian TSO

Characterized by a progressive reduction of public spending for welfare services, as well as by the introduction of recent reform that should simplify the overall fragmented regulatory framework, the Italian TSO has to face different new challenges. Toward the description of the evolution of Third Sector in Italy, as well as the presentation of TSO task environment, this contribution highlights today and future challenges for these organizations.

Table 1. Specific Italian TSO research

Source	Description
Census of Italian Third Sector	The data warehouse of the 9th Industry and Services Census 2011 contains a wealth of detailed information on the main features of businesses, non-profit institutions and public institutions, disaggregated at local. The census reference date is 31 December 2011.
Literature on the Italian Third Sector	Defourny and Borzaga (2001); Borzaga and Fazzi (2011); Mariani and Cavenago (2013); Colombo (2008); Ranci (1994, Ranci 2015, Salamon and Anheier (1998).
Grey literature and Sectorial Newspapers	*Unicredit Bank - Report on Third Sector, 2011,* Vita nonprofit, nonprofit Online (il portale del terzo settore).
Law and other Regulation before the reform	Civil Code; Law 49/1987 on social cooperation and NGO repealed by Law 125/2014 on Governing International Development Cooperation; Law 381/91 on social cooperatives; Law 266/91 on voluntary associations; Legislative Decree 153/1999 on foundation banks; Legislative Decree 460/1997 on Socially Oriented Not-for-Profit Organizations (ONLUS); Law 328/2000 on integrated system of interventions and social services; Law 383/2000 on association of social promotion; Legislative Decree 155/2006 on social enterprise; Legislative Decree 77/2002 on voluntary service
Reform of Third Sector	Law 106/2016

Source 3: Cavenago, D & Mariani, L (2016)

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In Italy, until the end of the Eighteenth Century, social protection was provided by private TSO, financed by private citizens and local authorities. The most important TSO were the *Opere Pie*, a form of Charities owned and managed by different congregations of the Catholic Church. *Opere Pie* were present in the country even prior to unification, providing benefits to the poor, as well as social and health services. In 1861 there were about 18.000 of them. These organizations were private charitable institutions with estate consisting mainly of legacies and donations acquired over the course of the century.

Between 1866 and 1890, the Italian state passed laws aimed at confiscating the estate of various religious orders and congregations also forcing the *Opere Pie* to submit to state control. In 1866, in a first attempt to reduce Catholic influence over public life, the Parliament passed the act suppressing 1.800 religious orders and congregations and confiscating their property. The buildings expropriated were allocated to local authorities for use as schools, hospital and other welfare institutions. Consequently, the Italian state assumed regulatory responsibility for private social welfare for the first time in its history. The autonomy of TSO both in the choice of objectives and activities, as well as their management were drastically reduced (Defourny & Borzaga, 2001).

At the beginning of Twentieth Century the construction of the Italian public welfare continued. The expansion of the state's functions in the field of welfare strengthened during the Fascist period, with the introduction of compulsory insurance against invalidity, public pensions and maternity. At the same time, Fascism eliminated any form of self-organization by new organizations, included TSO, in the context of welfare services. The regime also attacked workers movement and second level organizations, replacing them with a single body closely controlled by the Fascist Party. The Civil Code, approved in 1942, confirmed the residual role of TSO.

The end of Fascism and the approval of the Constitution (1948) marked a change in the conception of TSO and welfare state through the introduction of a Universalist type of welfare, and the recognition of the role of civil society and TSO as important actors of the social welfare.

Three phases characterize the evolution of Third Sector in Italy from 1980 to 2005: pioneering, expansion, and institutionalization (Borzaga & Fazzi, 2011).

- **Pioneering Phase:** It stated with the development of the new Third Sector in 1980s. A renewed sector of nonprofit organizations emerged, characterized by voluntary associations. Due to lack of regulation able to envisage a regulatory framework consistent with the activities of the new types TSO, some promoters adopted the cooperative form in order to promote 'social-purpose cooperatives' (Borzaga & Fazzi, 2011). Until the beginning of the 1990s, the new TSO had been developed with a high degree of autonomy in their choice of what services to furnish and what needs to satisfy, focused mainly on the assistance and support for persons in need who were inadequately served by public policies. During this first phase, in 1987, the Italian Parliament also approved the regulation of NGOs (Law 49/1987).
- **Expansion Phase:** It started at the beginning of 1991s, when law 381/91 on social cooperatives and law 266/91 on voluntary associations were enacted. These laws recognized, for the first time, both the social and public function of TSO engaged in the production of welfare services and the work integration of disadvantaged people. Since 1991, the amount of public expenditure on social services increased and the number of TSO underwent impressive growth. Public financing rapidly became the principal source of funding for TSO, and the issue of a more efficient allocation of public resources became more pressing: public authorities started applying for more competitive selection criteria. During the Expansion Phase, the regulation for foundation banks (Legislative

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Decree 153/1999), and Socially Oriented Not-for-Profit Organizations - ONLUS – (Legislative Decree 460/1997) have been introduced. With the attempt to provide a clear legal context in which place the activities of TSO, the introduction of ONLUS regulation was aimed at giving a sharper definition to the characteristics of TSO and to guarantee them support, above all fiscal benefits. The main characteristics of the Legislative Decree 460/1997 was the introduction of a list of sector/services in which TSO have to operate in order to obtain fiscal benefits.

- **Institutionalization Phase:** It started in 2000, through the approval of a new national law on social services (L. 328/00) aimed at recasting the Italian system of social services on the basis of the principle of greater equity and on more precise planning procedures. Contracts between TSO and public authorities became more formalized, and new rules and more prescriptive organizational criteria were widely employed to manage the social services system. In particular, greater use was made of competitive procedures for service contract, the intention being to select the cheapest suppliers. During this phase, the Italian Parliament also approved the law n.383/2000 aimed at introducing the Association of social promotion: TSO promoting solidarity services as well as social aggregation through the pursuit of social and cultural activities.

In 2005, the introduction of the regulatory framework for social enterprises (D.lgs 155/2006) represented, for the first time in the Italian history, the attempt to rationalize the Italian regulation of nonprofit organization. The process for the introduction of the Social Enterprise figure has been recently closed with the approval, by the Italian Parliament of the Third Sector reform, as described in the next section.

The Task Environment of TSO in Italy

The first dimension of Italian TSO that affect their business models is the relationship with the Government. Similar to other West European countries, Italy has a strong welfare state, and the Italian civil society sector is considered to be a Welfare Partnership model in which TSO are involved in the provision of public services (Kerlin, 2013; Salamon & Sokolowski, 2010). The relationship between TSO and Government is characterized by a weak cooperation with regard to objectives and planning, but there is a strong functional interdependence between the two sectors and consequently each supports the other (Ranci, 1994). Central and local governments depend on Third Sector for the provision of public services and TSO depend on the public sector for financing their activities. The strong relationship with the governments have determined a Third Sector characterized by a significant number of TSO providing welfare services. Table 2 includes some highlights on the structure of Third Sector in Italy, with a specific focus on education, healthcare, and social services.

In Italy, there are about 301,000 TSOs (Istat 2011). The welfare sector, with a smaller number of units (17.1% of the total TSO), has the higher inflows of cash (29.7 million) equal to 46,5% of the total inflows of Italian TSO, and it also employs the majority of paid workers (74.2%). Looking at the income statement revenues (Table 3), the private sources account for 66% while the public sources represent 34%, demonstrating a significant contribution from the public. Public funding is significant, especially in welfare sectors: healthcare (68%), social assistance (56%) and education and research (42%). For almost a third of TSO operating in the welfare, public funding is over 50% of total revenue. Despite the financial dependence of the Third Sector from the public sector is still significant, the recent economic crisis has marked the reduction of the welfare state, and this reduction is also translated into a gradual downsizing of the state contribution for TSO. Table 3, provides a composition of TSO revenue.

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Table 2. Italian TSO and welfare services

TSO Industry	No. Volunteers (th)	No. Employees (th)	No. TSO	Cash Inflows (Mil Euros)
Welfare services	1.114 23,4%	505 74,3%	51.532 17,1%	29.731 46,5%
Education/Research	177 3,7%	121 17,8%	15.519 5,2%	8.123 12,7%
Healthcare	338 7,1%	159 23,4%	10.969 3,6%	11.378 17,8%
Social Assistance	599 12,6%	225 33,1%	25.044 8,3%	10.230 16,0%
Other industries	3.645 76,6%	175 25,7%	249.659 82,9%	34.209 53,5%
TOTAL	4.759	680	301.191	63.940

Source 1 Instat TSO Census (2011)

Table 3. TSO revenue composition

Type of TSO	Public Funding (Mil Euros)			Private Funding (Mil Euros)					(%) Public Funding
	Public Grants	Public Contracts	Total Public	Associates' Fees	Commercial activities	Donations	Other	Total Private	
Education / research	886	2.511	3.397	1.003	2.303	554	866	4.726	42
Healthcare services	314	7.457	7.771	373	2.283	403	549	3.608	68
Social assistance services	419	5.360	5.780	767	2.328	678	677	4.450	56
Total welfare services	1.619	15.329	16.947	2.143	6.914	1.635	2.092	12.784	57
Other services	1.641	3.317	4.958	14.667	5.021	2.951	6.612	29.252	15
Total TSO	3.260	18.646	21.906	16.810	11.936	4.585	8.704	42.036	34

Source 2 Istat TSO Census (2011)

The evolution of the cash inflows from 2008 to 2011 (Table 4) show the public budget cuts to TSOs. In particular, a reduction of revenue arising from the public contracts funded with local and central government grants.

Together with a strong relationship with central and local governments, the second dimension of the task environment that affect more strongly Italian TSO' business models is the regulatory framework that is characterized by the existence of laws overlaps, on one hand, and an activity-centred approach in producing regulation, on the other hand. Modern TSO are based on the Italian Constitution approved in 1948 that promotes and protect the citizens self-organizations. More recently, in 2001, the role of Third Sector in Italy has been strengthen through the incorporation, in the Italian Constitution, of the principle

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Table 4. Changes in public contracts and public grants (2008-2011)

	Associations (%)	(Social) Cooperatives (%)	Foundations (%)
Timeline	**2008 – 2011**		
Public Contracts	-4,3	+3,5	-13,1
Public Grants	-9,1	-15,5	-24,1

Source 3 UniCredit Bank Report (2011)

of subsidiary, together with the increase of regional autonomy, stating that public institutions at different levels of government should favour initiatives by individuals and civil society organizations aimed at addressing public needs (Colombo, 2008). Italian Constitution coexists with the antecedent regulation of the Civil Code of 1942 including the laws that define the general framework of TSO. From the Expansion Phase, the Italian law evolution has been characterized by the progressive introduction of special regulation, aimed at filling the gap in the Civil Code regulation in order to answer to societal changes. In particular, the Civil Code defines the main figures of TSO: Association, Foundations and Co-operatives.

Associations represent the most common form that the civil society can assume when self-organizing for a certain purpose. Foundations are furthered characterized by the disposability of assets devoted to a specific social aim, finally, cooperatives are firms owned, controlled, and operated by a group of users for their own benefit. Indeed, the special regulation introduces the frameworks for NGOs, voluntary organizations, Sports clubs, social cooperatives for the provision of welfare services (type A) or for integration of disabled people in the labour market (Type B), Banking foundations, corporate foundations. Associations for social promotion, and nonprofit organizations of Social Utility (ONLUS). ONLUS regulation, in particular, aims at defining the enabling characteristics of TSO for the access to preferential taxation as well as to public founding. In this context, the regulation of Italian Third Sector highlights different levels of overlaps: the first one between Civil Code and special regulation figures, and the second one among special regulation.

Crossing the Civil Code framework with the special regulation, different configurations of TSO emerge, in particular, in order to provide specific services, or operating in a specific area, a certain combination of Civil Code framework and special regulation is required (Table 5).

Furthermore, special regulation tends to list the services that can be provided under a specific legal form determining an activity-centred approach in the definition of TSO that is reinforced by the ONLUS

Table 5. Civil code framework and special regulation intersection

Type of Organisation	Associations	Foundations	Cooperatives
Voluntary organizations	Solidarity activities		
NGOs	International cooperation in developing Countries		
Association for social promotion	Promotion of social aims		
Social cooperatives			Provision of Healthcare, Social and Educational services (type A), and Services favouring the access to labour market for disabled (type B).

Source 4: Cavemago, D & Mariani, L (2016)

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regulation which includes a list of services that can be provided in order to access tax reductions and public financing.

Finally, a third level of overlap concerns, finally, the coexistence of Civil Code, special laws, and specific industry regulation: TSO work often in public regulated industries (i.e. healthcare, social services, labour market, education) in which the government regulation adds an extra layer of formalities to be completed. This also adds the need to coordinate the instances of various actors and bodies (for example, the juvenile court, the social workers, school districts), as well as the need to fulfil additional law enforcements, at different levels.

Focusing on the limitations to non-voluntary employment and commercial activities, governance models, and earning distribution, Table 6 offers a further representation of the complexity of Italian TSO framework of regulation. In particular, it is highlighted, here, how the provision of a wider range of services could be difficult under a unique legal form.

The Effect of the Task Environment on Italian TSO Business Models

The complex regulatory framework – joined with the strong dependence of Third Sector from public financing – affects the traditional business model of Italian TSO. Table 7 summarizes the major challenges that the TSO have to face in order to design and implement their business models in Italy, with reference to the Value Proposition, Value Constellation, and Profit Equation.

Table 6. Limitations of special regulation

Type of Organisation	Employees	Volunteers	Commercial	Governance	ONLUS	Dividends Distribution
Voluntary organizations	Paid work is excluded (art. 2, L. 266/91).	No Limitation	Revenues from commercial activities lower than 66% of total expenses.	Democratic governance model	Onlus by operation of law	Excluded
NGO	Conditions regulated by the law for overseas staff (L. 125/2014)	Conditions regulated by the law for overseas staff (L. 125/2014) as well as by the regulation of Community service (Voluntary Service). Decree 77/2002	No Limitation	No Limitation	Debated: Onlus by operation of law (according to L.49/1987) or On request (according to L. 125/2014)	Excluded
Association for social promotion	Prevalence of Volunteers on Employees	No Limitation	Commercial activities has to be ancillary, subsidiary, and related to the fulfilment of the institutional aims.	Democratic governance model	On request	Excluded
Social cooperatives	No Limitation	Max 50% of the associated	No Limitation	Democratic governance model	Onlus by operation of law	Max equal to the legal interest

Source 5: Cavemago, D & Mariani, L (2016)

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Table 7. Challenges for Italian TSO business models

	Dependence on Public Financing	Activities Centred Approach and Regulations' Overlaps
Value Proposition	Effect of goal displacement	Limitation of potential clients/users
Value Constellation	Public sector as the most important external relationship	Growth through nonprofit group
Profit Equation	Low diversification of revenues	Increase of cost of coordination due to: the management of the group; different legal fulfilments

Source 6: Cavemago, D & Mariani, L (2016)

As regards the effect of the prevalence of public financing on overall revenue sources, the first consequence on the business model, evidently, concerns the economic Profit Equation composition, which is characterized by a limited diversification of sources. The concentration of revenues implies a substantial lack of autonomy, as well as the increase in the risks for organizations whose development depend on the tenure for a relationship with the public administration.

Literature suggests that the dependence on any one type of income, including private contributions, commercial activity, or government funding can produce a goal displacement (Eikenberry & Kluver, 2004; Froelich 1999; Salamon & Anheier, 1998) affecting the Value proposition itself. The need of public administration for equitable treatment of the public, accountability, and standardization can limit the TSO responsiveness to the needs of user, and service variety, inducing TSO to take on functions that are not central to their initial purpose and, consequently, to modify the characteristics of services delivered.

The effect of goal displacement on the TSO Value constellation can imply changes in the operating activities in order to answer the government pressure for higher professionalization and bureaucratization. In this context, TSO business model has to be designed with the aim to reduce the risk to lose their administrative autonomy, still maintaining their unique character, avoiding to mirror the structure and behaviour of government agencies. With regard to the effect of the regulatory framework on the business model of Italian TSO, the main challenges concern the need to manage different legal forms, simultaneously, in order to both fulfil legal requirements, and operate, at the same time, in different fields. The activities centred approach implies that the scope of services able to be supplied under a specific regulatory frameworks, defined in advance and this reduces the niches of potential clients/users.

In order to avoid these barriers, Italian TSOs have traditionally resorted to the implementation of nonprofit organizations' groups. Since the operating activities of Italian TSOs are significantly reduced by the relevant regulation, strategies of service differentiation cannot be applied within a specific legal form. Rather, it is necessary to resort to combinations of different legal forms. The consequence is the emergence of nonprofit organizations groups that - under both a common label, and same leadership- carry out various activities in different sectors.

The effect of activities centred approach and regulations overlapping on the Profit equation of TSO is a general rise of coordination costs. Coordination costs, also referred to as organization costs (Masten, Meehan, & Snyder, 1991) or management costs (Demsetz, 1988) are the implicit costs of managing resources within organizations (Alston & Gillespie, 1989). Examples of coordination costs include administrative overhead, the costs of monitoring employees, and bureaucratic inefficiency (Anderson, 1985; Masten et al., 1991).

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In the case of Italian TSOs, the increase of coordination costs relates to the need to lead and manage the group of nonprofit organizations that, under different legal labels, have to fulfil the same end goal. With increasing complexity due to both the need to manage a group, on the one hand, and the need to face the multilevel requests of public administration, on the other hand, the requirement of integration and coordination increase. In particular, when complexity is low, hierarchy and organizational routines are enough to manage coordination, while when complexity rises, coordination requires additional tools such as working groups, ad-hoc task forces, and staff members specifically dedicated. The final effect is the overall increase of coordination costs.

SOLUTION AND RECOMMENDATIONS

At the end of May 2016, the Italian Parliament has approved the reform of the Third Sector (hereafter "the Reform") under the law 106/2016, in order to face the limitation of the fragmented framework, as described in previous paragraph. The opportunities provided by the Reform are here discussed with the aim to identify potential solutions and recommendations for the development of sustainable business models in Italian TSOs.

A crucial step will take place within 12 months from the Reform, the period after which the Government is required to issue decrees that will implement the Reform. In the meantime, several initiatives that could affect the business model of Italian TSO can be identified.

These changes can be summarized into: (1) simplification of the overall framework, (2) revision of TSO' activities list, (3) opening to a participatory governance model of public services, (4) and re-design of Social Enterprise's framework (Table 8).

With reference to the first point, the Reform lists some initiatives aimed at simplifying the TSO' regulatory framework. These includes the reorganization and revision of the rules relating to Third Sector through the Unified Code of nonprofit organization, which is going to collect and coordinate all existing provisions. Furthermore, the Reform involves the reorganization of both the registration of TSO, and other bureaucratic fulfilments, through simplified procedures. The collection of existing legislation into the Unified Code - which coordinates the rules of the Civil Code with that special laws, as well as special

Table 8. Reform effects on TSOs

	Simplification	Scope Enlargement	Participatory Governance	Social Enterprise
Value Proposition		Access to new forms of responsible business new categories of users		New categories of clients
Value Constellation		Review of core processes	Public Administration as a partner.	Introduction of new managerial competences Reduction of the use of nonprofit group
Profit Equation	Coordination costs reduction	New source of revenues		Coordination costs reduction New source of revenues

Source 7: Cavemago, D & Mariani, L (2016)

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regulations among themselves - can lead to a reduction of the overlaps mentioned above. Therefore the effects of simplification could have a positive impact on TSO business model through the reduction of coordination costs and, consequently, through the improvement of Profit Equation balancing.

Referring to the second point, although the Reform still maintains the "activities centred" approach of the entire regulatory framework, this also opens to a more flexible definition of the sectors. The Government is asked to identify the list of activities of general interest, civic purpose, and solidarity that the TSO have to play in order to access to different benefits. However, the Reform mentions the need to perform periodic updates to the list. In this way, it enables the TSO to take into account emerging social needs previously not considered, through the provision of innovative services in new industries (i.e. social housing and the fair trade). The increasing trend of nonprofit activities can lead to an even more significant impact on the business model of the TSO, for all three dimensions. In terms of Value Proposition, the greater scope can lead TSO to invest in new forms of social responsible business facing, in this way, the needs of new categories of service users. The effect of this expansion on the Value Constellation could involve changes in the phases of service provision, which influences the revenue composition of the Profit Equation.

As for the opening of participatory governance models, the Reform calls for greater involvement of TSO in policies. In particular, it envisages the enhancement of the role of TSO in the programming phase, at the local level, for both social services, and the protection and enhancement of cultural heritage, landscape and environment. In particular, the Reform recognizes and incentivizes the networks of TSO in order to increase their representation with the public administration.

According to the perspective of the participatory governance models, TSO are engaged in policies' definition, the consequence is the shift from the direct provision of solutions to public issues by local administrations, to a situation where the solutions are reached through mobilization of a variety of actors. Such involvement implies a renewed role of TSO whose behaviour is oriented by the national or local policies of the public administration, which, in turn, receives stimulation from a Third Sector that is particularly receptive to its territory's needs. The implication on the TSO' business model concerns, primary, the Value Constellation, with specific focus on the characteristics of TSO external relationship. Public administration has the opportunity to change its role from end-payer for public services, to those of peer-partner: the relationship between TSO and Government can turn from buyer-contractor to co-producers, and the way that the TSO relate with the public administration would be inspired by criterion of collaboration and mutual trust.

Finally, the Reform aims at modifying and implementing the previous – not compelling – regulations of the social enterprise. Approved in 2005, previous legislation had a marginal impact on the Italian Third Sector, probably because of the substantial lack of specific incentives. The approved reform integrates the regulation defining the social enterprise as a private organization that carries out business activities for the typical purpose of the nonprofit. The social enterprise may resort to legal forms for businesses, but allocates its profits primarily to achieve the social purpose.

Furthermore, it has to adopt procedures for responsible and transparent management by promoting greater involvement of stakeholders. The initiative that will be implemented in order to promote the diffusion of social enterprises in Italy will be a strategic opportunity both for existing TSO looking for alternative private resources, and for new social start-ups whose growth may be favoured by more flexible regulatory frameworks.

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The existing TSO moving toward the new framework of social enterprise could expand their Value Proposition through the identification of new categories of receivers. In particular, in a more entrepreneurial perspective, social enterprises have the opportunity to expand the scope of traditional TSO by targeting, in addition to the users of welfare services, also to customers in the market environments. For example, supporting the development of alternative forms of welfare - such as corporate employee welfare services - the TSO may offer assistance services to for-profit organizations. Corporate employees welfare services, in fact, often includes services typically provided by TSO such as personal services connected with sickness, bereavement, domestic problems, elderly and retired employees, or group services consist of sports and other social activities.

The use of social enterprise form by the TSO also leads to potential changes in the Value Constellation. First, whenever the conditions for the transition from the previous regulatory framework to those of the social enterprise would be accessible, the TSO, from a theoretical point of view, could simplify its governance model, by reducing the appeal of the nonprofit group, and the direct consequence would be the reduction of coordination costs. The social enterprise's regulatory frame provides that social business can be carried out regardless of the legal category, also drawing the shapes of the Civil Code specifically provided for for-profit organizations.

The second effect on Value Constellation regards, indeed, the need to introduce within organizational boundaries, new managerial skills that typically do not belong to the Third Sector, but whose development is needed as a pre-condition to successfully compete in free markets. Apparently, the shift to social enterprise is not an obvious choice for TSO, however this is an opportunity that would allow them to get an effect of diversification of revenues, with positive effects on the Profit Equation and, more generally, on the organizational autonomy of the medium-long term.

CONCLUSION

The literature highlights how TSOs in the Italian context are defined by the social and institutional contexts. Social and institutional contexts affect the business model development of TSOs. In particular, the effect of the task environment on TSOs is in contrast to the neo-institutional theory. A resilient Third Sector that, throughout history have survived in less favourable periods have grown over time through public financing, albeit in the presence of a fragmented legislation.

TSOs, however, are facing contraction of welfare expenditure and they are compelled to review their traditional business models. The transition of traditional TSO toward forms of social entrepreneurship can be a viable solution. In such a hybridization process, TSO business models must reflect organizational solutions incentivizing the use of entrepreneurial principles to organize, mobilize and manage for the creation of economic and social value. At the same time, through networking and cooperation, TSO can improve partnership building with other TSOs, for-profit organizations, and public sectors, shifting from the contractor-supplier approach to the co-production.

To cope the activities centred approach that characterizes the Italian TSO should move towards the growth and new opportunities approach and the identification and measurement of social impact. TSOs should develop internal managerial skills and measurement of impacts to grant the alignment of different stakeholder aims and to improve partnership and networking. At the system level, the shift from the welfare state model to an entrepreneurship social welfare model should be seriously reflected upon.

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KEY TERMS AND DEFINITIONS

Institutional Context: System of bodies, rules, regulation, policies, procedures and processes that characterize the task environment of a third sector organization.

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Profit Equation: Translation of the Value Proposition and Value constellation in terms of benefits and costs. It can be furthered decomposed into Social Equation and Economic Equation.

Social Business Idea: Outcome of an entrepreneurial sensitivity in identifying an emerging social need and the related sustainable answers.

Social Business Model: Actualization of a social business idea through the identification of the value proposition, value constellation and a sustainable profit equation.

Social Context: Combination of demographical, religious, racial diversities, and social capital peculiarities that characterize the task environment of a third sector organization.

Task Environment: Setting in which third sector organizations develop their business idea through a business model. The boundaries of this setting are defined by the institutional and social contexts.

Value Constellation: Ways in which third sector organizations provide their services through both the internal value chain and external partners support.

Value Proposition: Summaries of the characteristics of the value provided by the organization, as well as the relationships with the users.

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Chapter 48
The Permissibility of Crowd Funding Within South Asia:
A Comparative Analysis of South Asian Jurisdictions

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ABSTRACT

The chapter will extend upon the extant literature by considering the permissibility of crowdfunding practices within the South Asian region. There is a genuine dearth of research considering these matters, with little research considering the history and permissibility of crowdfunding methodologies within the noted nations. As such the contribution of the chapter is twofold, firstly it represents amongst the first coherent assessments of the use of crowdsourcing based fundraising methodologies within the South Asian region. Secondly it responds to the dearth of research considering the legal permissibility of such practices within the noted nations, while also contrasting the regulatory models of India, Bangladesh, and Sri Lanka with the regulatory models evidenced within selected OECD countries and pertinently the recently reformed model of regulation within the United States, specifically chapter 12 of the Jobs Act (2013).

AN INTRODUCTION TO CROWDFUNDING

Crowdfunding is best understood as the process by which a web based organisation seeks to procure funding from the general public through a web portal, the web portal enables unrelated business enterprises seeking capital to make equity within their entities available to investors. This was not permissible given the restrictions placed on public fundraising by the SEC Act.

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As asserted, Crowdfunding was largely motivated by individuals and organisations promoting profit motivated initiatives through crowdsourcing platforms, and also by the potential benefits to entrepreneurs associated with creating more enabling pathways to accessing startup capital. The existing crowdsourcing platforms (consider Kickstarter, IndiGoGo and similar platforms) limited promoters to accepting donated monies, or selling items for defined sums, with the provision of equity or profit sharing impermissible. However many treaded a unfamiliar and perhaps unexplored path between soliciting general support on behalf of project owners, and offering the possibility of equity sharing which may be conceived to be a security offering, under the technical definition.

The Need for Crowdfunding Provisions and the Howey Test

While it may not be apparent there is a critical distinction between individuals soliciting for support through web based portals, and offering items in exchange for such support and individuals and organisations making equity or profits from a venture available for distribution in exchange for monetary support (Securities and Exchange Commission v. W. J. Howey Co, 1946) . While many crowdsourcing models do not involve the issuance of securities in the conventional sense they may be in direct contravention with the Securities and Exchange Commission Act. N D Pope in 2010 noted that some for profit crowdfunding models may be in contravention of the SEC Act, under the rubric of Howey (Pope, 2010).

Additionally prior to the enactment of the JOBS Act, firms wanting to employ crowdfunding techniques when acting in accordance with SEC legislation faced an additional set of challenges. As such the impact of such reforms within the U.S. cannot be understated. The proposed chapter shall consider the permissibility of crowdfunding within the South Asian region with a pertinent focus on India, Sri Lanka and Bangladesh. The chapter is best described as a study in comparative law, considering the regulator provisions enacted within the United States and Australia, and contrasting the evidenced approaches within India, Bangladesh, Nepal and Sri Lanka.

Introduction to Title III of the Jobs Act (2013)

The introduction of the Jumpstart our Business Startups (JOBS) Act was a response to a significant economic slowdown evidenced in the United States. The Act while seemingly focused on job creation is in reality focused on enabling smaller enterprises to avoid onerous securities provisions enacted post the depression. Though the primary motivation behind the act was the easing of regulatory burdens for smaller enterprises, the act provides significant relieve to both small and large enterprises by exempting them from a broad range of seemingly burdensome regulatory pronouncements.

The bill received strong bipartisan support notwithstanding its' significant ramifications, and its unique nature. Proponents of the Jobs Act believe that it will bring much needed system liquidity to emerging organisations starved of capital due to the restrictive lending practices of the banks brought about by sectors recent conservatism. Title III of the Jobs Act is referred to as the Crowdfund Act, and represents perhaps the most intriguing part of the reform program. The provisions found within title III of the Act, enable the use of crowdsourcing methodologies in procuring start-up capital. While such methodologies have been employed within other sectors, to procure resources to address defined needs, perhaps most notably in the charitable sector, and more recently ingeniously in funding artistic works

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and consumer products, such approaches would be considered unlawful under the Securities Act (1933) and the Securities Exchange Act (1934). As such procuring capital has been a problematic exercise for start-up entities.

The recently enacted crowdfunding exemptions make the use of crowdsourcing methodologies possible within the capital market. The enacted provisions enable small start-up entities to procure capital through crowdfund offerings that exempt such offerings from registration. The provisions also exempt qualifying websites from broker registration, thus enabling the qualifying website to facilitate the collection of capital on behalf of the entity. The crowdfunding simplification provisions (herewith the Crowdfund Act) attempt to facilitate and actively support the use of crowdfunding techniques for capital raising through the enactment of section 4(6) offering registration exemption for capital raisings of equal to or less than $1 million. This exemption is enabled to the extent that individual investor restrictions are maintained; essentially that no investor exceeds the investment cap placed upon their crowdfund investments. The investment caps are based on net worth of prospective investors as well as income levels, though some ambiguity exists about which threshold prevails.

In facilitating these significant changes, the provisions create a regulated new entity form; the so called 'funding portal'. This new regulated entity sits somewhere between a broker, a closely regulated and scrutinized professional and a crowdsourcing website. The new intermediary must register as a funding portal, unless a registered broker. This new entity classification will undoubtedly bring with it a significant amount of ambiguity, given the 'broker like' role such intermediaries will play in the marketplace.

Bradford notes that the new provisions leave many ambiguities and inconsistencies for the courts to resolve. The mandatory disclosure requirements are asserted to be far too onerous and needlessly complicated and expensive for the small offerings that they are designed to facilitate. It is evident that these new provisions necessitate critical analysis; as such analysis is necessary to further understanding of this pertinent set of reforms. The current study shall afford a critical analysis of the most recent reforms considering a number of the ambiguities that exist in relation to the Acts in their present form.

The Origins of Crowdsourcing

Jeff Howe broadly considered the originator of the term crowdsourcing, describes crowdsourcing as a movement akin outsourcing, a source of low cost labour, whereby everyday people use their spare time and capacity to address problems, generate new content and even engage in high level R&D activities (Howe, 2006). Crowdsourcing is perhaps best understood as a distributed problem solving process. While under the original Howe (2006) definition the terminology was taken to mean the procurement of various services employing the internet as a form of replacement labour market, crowdsourcing is generally associated with the creation of content, ideas and solutions through the internet, though is not always associated with a replacement source of labour.

Crowdsourcing models have been used within a number of different sectors in response to a number of unique challenges. The models have been employed successfully within the music industry (Bandfund), to fund the fabrication of consumer electronics (Kickstarter) and to enable the competitive analysis of complex datasets (Kaggle). However to highlight only recent examples of the use of crowdsourcing models alone, would appear to pay scant regard to the use of such models prior to the advent of the internet. Charitable organisations have employed crowdfunding models to respond to a number of charitable causes,

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while political entities have used comparable models to raise funds for political causes. Crowdsourcing models existed well before the advent of the internet, but the internet has certainly served as a powerful enabling force, with such models now ubiquitous on the internet, and creating 'disruption' within a number of industries. Prior to the enactment of the JOBS Act, crowdsourcing models were limited in the manner with which they could procure funds. (Taku 2012) asserts that current crowdfunding platforms have generally adopted business models designed to avoid characterisation as a sale of security.

Kickstarter is arguably the most well-known of the crowdsourcing platforms, originally conceived as a web hosting service for what could be described as creative projects, but grew into something much larger, incorporating journalism, technology, and consumer products. Individuals seeking support lodge projects with Kickstarter that are evaluated based on the criteria set but the platform. If accepted the projects are listed publically on the entity's website and the site users can make contributions to the project. The platform requires that the project conveners offer something to the users that contribute to their project. The platform does not allow the parties raising money on the platform to share the proceeds of the projects with donors, nor can they provide equity to donors. Yet increasing a fine line was evident between the activities of crowdsourcing websites that enabled parties to raise development funds and early venture capital providers. Consider crowdsourcing websites for musicians such as Sellaband.com, promoters of this venture asserted that 'bands might let you get a cut of revenues'. Such claims draw into question whether the activities of the users of the platform constitute selling services, goods or whether they would be considered investments under the Howey test. This is highly likely given the broad applicability of the Howey test.

It is arguably this collection of issues that generated political interest in crowdfunding models, and their potential use as capital funding models, or equity raising models (and consequently their potentially deleterious impacts if left unregulated).

Reward-Based Crowdfunding

Reward based crowdfunding ranks amongst the most common forms of crowdfunding. Reward based crowdfunding entails the provision of non-monetary rewards being provided to crowd funders for their participation.

Equity-Based Crowdfunding

Unlike reward based crowdfunding, equity-based crowdfunding entails the raising of financial funding through crowd based mechanism. The funds raised bestow ownership rights onto the holders of equity funding.

Credit-Based Crowdfunding

Credit-based crowdfunding links Prospective borrowers with lenders. Lenders and Borrowers join lending clubs/platforms first lodging their credit requirements, which are then matched with groups of lenders/investors willing to meet their credit terms.

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Equity vs. Non-Equity Crowdfunding

Crowdfunding is best understood as the process by which a web based organisation seeks to procure funding from the general public through a web portal, the web portal enables unrelated business enterprises seeking capital to make equity within their entities available to investors. This was not permissible given the restrictions placed on public fundraising by the SEC Act. For the purposes of disambiguation it should be duly noted that, this chapter is concerned with equity based crowdfunding.

As asserted, Crowdfunding was largely motivated by individuals and organisations promoting profit motivated initiatives through crowdsourcing platforms, and also by the potential benefits to entrepreneurs associated with creating more enabling pathways to accessing startup capital. The existing crowdsourcing platforms (consider Kickstarter) limited promoters to accepting donated monies, or selling items for defined sums, with the provision of equity or profit sharing impermissible. However many treaded a unfamiliar and perhaps unexplored path between soliciting general support on behalf of project owners, and offering the possibility of equity sharing which may be conceived to be a security offering, under the technical definition (see Sellaband).

The Need for Crowdfunding Provisions and the Howey Test

While it may not be apparent there is a critical distinction between individuals soliciting for support through web based portals, and offering items in exchange for such support and individuals and organisations making equity or profits from a venture available for distribution in exchange for monetary support. While many crowdsourcing models do not involve the issuance of securities in the conventional sense they may be in direct contravention with the Securities and Exchange Commission Act. Pope (2011) noted that some for profit crowdfunding models may be in contravention of the SEC Act, under the rubric of Howey.

Additionally, prior to the enactment of the JOBS Act, firms wanting to employ crowdfunding techniques when acting in accordance with SEC legislation faced an additional set of challenges. Spring Street Brewing Company, sought to raise fund from the public through a DPO under regulation A of the Securities Act. The entity sought to raise USD 5 million and eventually raised approximately 2 million. Alan Klein the founder of the brewer Spring Street claimed that the entity faced a number of challenges when seeking to sell equity through a direct public offering over the internet. Klein's claimed the entity's experience could only be claimed to be a qualified success, noting the relatively poor conversion rate from those perusing the firm's prospectus online and eventually agreeing to participate in the DPO (Pope 2011). Klein asserted that the issues associated with the rate of conversion could be attributed to a number of critical factors, but they could be broadly defined as issues associated with information asymmetries, trust and reputational challenges, all of which could be addressed through the participation of trusted partners. Klein asserted that the absence of "an intermediary that is in the business of evaluating a company, doing due diligence, and putting its reputation on the line with the company reputation" was in part the reason for the outcome (ibid, 2011).

Pope (2011), claims that the most significant lesson to be taken from the Spring Street experience is that intermediation is not critical to the success of small fundraising activities, of less than 1 million. On the contrary it is asserted herein that the moderation of information asymmetries is critical to the ongoing participation of micro-venture capitalists, and that the role of intermediaries is critical to this. Moreover, the reporting standard associated with a Regulation A listing appears to assign greater

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responsibilities than the new crowdfunding provisions. While intermediation may not be critical to the procurement of a smaller quantum of capital, this should not diminish the onus placed on entities to ensure adequate disclosure. Failure to do so would potentially encourage 'boiler room' type scenarios that may have a deleterious impact on the overall model and prospects of crowdfunding under its current guise, in the long term. The pertinent securities' provisions and critical new crowdfunding provisions are considered presently.

AN ANALYSIS OF THE KEY PROVISIONS

The Securities Act (1933)

The existing securities provisions were enacted largely as consumer protections in the aftermath of a major financial crisis. The Securities Act (1933), arguably the first major regulatory apparatus concerned with the sale of securities, came in response to the stock market crash of 1929. The legislation sought to ensure that investors were adequately informed about investment opportunities; emphasizing disclosures aimed at helping investors make informed decisions. Prior to its enactment the sale of securities within the U.S. was governed by state laws. The adequacy of such provisions was called into question by the crisis that ensued, and the enacted provision sought to restore investor confidence in the financial system and in particular in the securities market.

The provisions sought to protect consumer interests by mandating higher levels of disclosure than were commonplace at the time of enactment. The 1933 Act necessitated that firms register a formal disclosure document to investors where securities were to be made available to the public. This meant that investors could access consistent high quality information from firms and make more informed investment decisions. The Act made unlawful any security offering that was made absent of the full disclosure document. Exemptions to the key provisions (Section 5) were possible under certain circumstances.

The Securities Exchange Act (1934)

The Securities Exchange Act (1934) gave rise to the Securities and Exchange Commission (SEC). In comparison to the 1933 Act, the 1934 Act is concerned more with periodic disclosures than the matter of registration. The critical change that came with the 1934 Act was the need for ongoing disclosures. The Securities Act, was concerned with the registration of securities and a formal disclosure document, the prospectus, and as such targeted at disclosures relating to fundraising and the conception of the company. The 1934 Act went further to consider secondary market trading activity.

Any company listed on a national securities exchange must find accord with the Act. In addition companies not listed on a national exchange may be required to be compliant with the 1934 Act, if they exceed certain shareholder or asset threshold levels. The asset threshold for triggering compliance was revised from $5 million to $10 million. The additional shareholder trigger remains at 500 shareholders (s12, s13, & s15). The act necessitates that companies lodge information with the SEC periodically (the quarterly 10-Q, and the annual 10-K), in addition to making known any matters deemed material to the entity, in an ongoing manner (Form 8K reporting). The 1934 Act also increased the obligations placed on entities serving as an intermediary in relation to the purchase or sale of securities. As such brokers and other intermediaries involved in the sale of securities must find accord with the Act.

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The Sarbanes Oxley Act

The Sarbanes Oxley Act (2002) (SOX) sought to improve standards associated with public companies, boards, management groups and accounting firms. The bill was seen largely as a response to a number of corporate failures, and accounting and financial scandals. The frequency with which these scandals arose, caused investors and regulators much consideration and served and the impetus for the reviews which led to the SOX reforms.

While the Act brought with it a significant number of sweeping reforms, for the sake of brevity, herein the provisions relevant to reporting requirements assigned to newly registered entities shall be considered. The relevant reporting provisions contained within s.404b, were the source of much debate given that they were perceived to be unnecessarily onerous by many, particularly in relation to smaller 'start-up' entities. Title 3 of the JOBS Act responds directly to s.404b.

Consider s.404 (b) "With respect to the internal control assessment required by subsection (a), each registered public accounting firm that prepares or issues the audit report for the issuer shall attest to, and report on, the assessment made by the management of the issuer. An attestation made under this subsection shall be made in accordance with standards for attestation engagements issued or adopted by the Board. Any such attestation shall not be the subject of a separate engagement." The provisions necessitate those newly conceived entities' meet significant initial reporting requirements presenting significant fixed compliance costs on such entities. These regulations are claimed to present significant operational headaches to the organisational leaders of newly created entities. Moreover, the pronouncements are claimed to unduly expensive for smaller entities.

THE CROWDFUND ACT (2012)

Title three of the JOBS Act, the CROWDFUND Act ranks amongst the most controversial in recent memory. Depending on the jurist consulted the act will have minimal impact or rank amongst the most impactful and disruptive. While the bill received strong bipartisan support there appears to be little consensus about the value of the reforms.

The motivation for the legislative reforms remain clear, the supporters of the bill, believe that it will serve as an enabling force helping smaller entities secure much needed capital during what has been a challenging time for global capital markets. The reforms seek to make the procuring capital by emerging enterprises more straightforward while also lessen the burdens placed on smaller public entities through recent consumer protections reforms. Specifically, the reforms respond directly to the specific capital raising restrictions within the Securities Act (1933) and the Securities Exchange Act (1934), and the reporting requirements associated with Sarbanes Oxley (2002). The reforms also enable non broker entities to serve as intermediaries, with a new entity classification conceived, affording a unique delineation to this new status of entity differentiating it from a 'broker' as defined by the Securities and Exchange Commission Act (1934).

Exemption From Registration Under the Securities Act

The new exempt entity may make use of crowdsourcing methodologies, enabling the creation of crowdsourcing micro-capital platforms. Critically section 4(6) of the act specifically exempts from registration

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entities raising equal to or less than $1 million. Exemption is only available to the extent that specific restrictions on private investor's caps are maintained, where investor caps are a function of either income level or an asset threshold level.

Exemption From s.404 of the Sarbanes Oxley Act (2002)

Another key reform is the roll back of the requirements of Sarbanes Oxley for smaller entities with revenues of less than 1 billion from the noted requirements of s.404 (b). This represents amongst the most significant changes to securities and company law emanating from the Act. The reform reduces the burden placed on new entities

Adequacy of Disclosure, and Consumer Protections

The Securities Act (1933) and Securities Exchange Act (1934) were both motivated by a desire to protect investors and promote enhanced disclosure. The provisions do however place a number of onerous requirements on entities trying to procure start-up capital, serving as an impediment to many start-up entities. The enacted reforms seek to respond to the challenges faced by start-up entities by creating simpler mechanisms through which capital can be procured.

However a number of theorists remain critical about the enacted reforms. Many fear that by diminishing the requirements placed on entities engaged in capital raising activities, and by enabling the participation of non-broker entities in capital raising activities, the potential for misconduct is greater. Of particular concern is the potential for boiler room type effects that would undermine any confidence engendered in the market mechanism and have a deleterious impact on investors generally. Further concerns relate to the adequacy of due diligence conducted in the first instance by 'funding portals' the non-broker intermediaries critical to the new scheme. Many are wary about the capacity of funding portals to complete this important task. Clearly given that such entities are not required to be brokers, and possess broker registration, this is certainly not an unwarranted concern. Further concerned parlayed by theorists and foreign regulator bodies include the uncertainties associated with returns from crowd funded investments given that there will be limited disclosure information released by entities seeking funding through crowdfunding initiatives, than entities securing funding through non crowdfunding based capital raisings.

The Potential Impact of Equity Crowdfunding Models on Capital Markets Beyond the U.S.

Sorrenson & Stuart (2001) assert that venture capitalists focusing of the provision of early stage funding focus their attention largely on local markets, given their comparative advantage in local markets. As such some theorists might contend that the impact of crowdfunding provisions within the U.S. will have a limited impact beyond U.S. markets, however such an assertion appears to be flawed. The claims of Sorrenson & Stuart (2001) are largely based on the advantage venture capitalists possess within their own geographic region, and a corollary of this assertion would be that the search costs associated with accessing opportunities beyond their own market make broader searches prohibitively expensive. Their advantage diminishes within different geographic territories because their knowledge is likely greatest within their own territory.

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As such it is plausible that the recent enactment of the crowdfunding provisions will have an impact on the venture capital market beyond the U.S. One possible implication is that many companies registered in less developed markets will find it more challenging to procure venture funding, within their own polities and as such may feel a greater pull to the U.S. market where opportunities to raise early stage funding are greater. While it is certainly true that such a draw already exists particularly in relation to many high technology companies, the implementation of crowdfunding provisions would appear to incentivize such movement further.

Firms operating within markets where limited venture capital is available might find themselves squeezed out by rival firms incorporated within the U.S. This is because the crowdfunding provisions reduce the discover costs associated with startup enterprises incorporated in the U.S. thus affording U.S. startups a distinct advantage over foreign firms. Foreign venture capitalists can now access opportunities within U.S. markets, with discover costs substantially lower than costs associated with investing in other markets.

EQUITY CROWDFUNDING WITHIN SELECTED OECD COUNTRIES

Australia

In light of the significant discussions taking place globally in relation to crowdfunding models, ASIC released guidance to clarify arrangements that may be regulated by ASIC under the Corporations Act (2001) and the Australian Securities and Investments Commission Act (2001). The commentaries suggested that a number of posited crowdfunding models may be unlawful under the Corporations Act and ASIC Act.

ASIC Commissioner Tanzer asserts that "Crowd funding, as a discrete activity, is not prohibited in Australia nor is it generally regulated by ASIC'. 'However, depending on the particular crowd funding arrangement, ASIC's view is that some types of crowd funding could involve offering or advertising a financial product, providing a financial service or fundraising through securities requiring a complying disclosure document. These activities are regulated by ASIC under the Corporations Act and ASIC Act and may impose legal obligations on operators of crowd funding sites and on people using those sites to raise funds. 'We want to make sure anyone involved in crowd funding is aware of these obligations to ensure they operate within the law and don't potentially expose themselves to penalties under the Corporations Act or ASIC Act'

The briefing also emphasised a number of risks associated with crowdfunding, and served as a cautionary note to those seeking to avail themselves to opportunities within the market. As part of its broader crowdfunding monitoring activities, ASIC detailed a number of risks associated with crowdfunding activities;

1. A risk of fraud being carried out through crowd funding websites. Website operators can help manage this risk by doing background and credentials checks on project creators to help minimise the opportunity for fraud.
2. A risk that funded projects are not completed and the project sponsors do not receive the rewards promised. As well as background and credentials checks, the website operators can manage this risk by assessing the viability of the project before it is posted on their website, requiring the proj-

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ect creator to provide more information on how and when they complete the project and consider requiring the project creator to report periodically through the website on their progress in implementing the project.

3. A risk that the money collected is lost due to the fraud or bankruptcy of the website operator before the money is passed on to the project creator. The website operator can manage this risk by holding all crowd funding money in a trust account separate from its own assets, avoiding excessive holding periods and implementing appropriate internal controls to ensure withdrawals are appropriate.

In relation to whether a crowd funding initiative is considered lawful the following appears pertinent. A crowdfunding initiative that merely procures gifted or donated sums without the possibility of a return may not be considered unlawful under the ASIC Act (Indeed a number of such vehicles/entities exist and operate within Australia, such as IndeGoGo and Kickstarter). This factor is amongst the most pertinent, the nature of the reward provided by the project promoter would be critical to whether an initiative would be considered unlawful. The nature of the reward offered and the structure of the crowdfunding offering would determine whether the arrangement would require an Australian Financial Services license, whether it constitutes a managed investment scheme pursuant to Chapter 5C of the Corporations Act, or whether it constitutes a fundraising activity under Chapter 6D of the Corporations Act.

Given the underlying realities of the Australian regulatory framework in relation to fundraising the CAMAC released a number of commentaries, most notably an exposure draft pertaining to the viability of crowdfunding models within Australia. Their proposal called for a change in the regulatory model. Essentially their proposition entailed changing Chapter 5C and 6D of the Corporations Act, to enable crowdfunding. More specifically, the CAMAC posited the following amendments to regulatory pronouncements;

1. That investors are permitted to invest a maximum of AUD $2500 into a company; with the sum of crowdfunding investment not exceeding an annual investment cap quantum of AUD $10000.
2. That companies are allowed to lawfully raise up to AUD 2 million during any 12 month interval.
3. That the issuing entity be required to change its entity status, from the conventional Pty Ltd status, to a new Exempt Public status as a precursor to fundraising.
4. That only “exempt public companies” would be able to raise equity capital through equity crowdfunding based mechanisms.

EQUITY CROWDFUNDING WITHIN SOUTH ASIA

Sri Lanka

The Securities and Exchange Commission of Sri Lanka is the primary financial markets regulator. The Sri Lankan SEC first established under Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987, and is the main regulator of the Colombo Stock Exchange (CSE), as well as Stock brokering firms and brokers directly. The entity also regulates financial market intermediaries, as well as publically listed companies and agencies providing ratings services. While no formal guidance has been offered by the Sri Lankan Securities and Exchange Commission, given the regulatory apparatus in effect, it is evident

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that crowdfunding as a discrete activity is unlawful under the Securities Act (2008) and the Securities Exchange Commission Act (2007).

The Securities Act (2008) is modelled on judicial pronouncements from the UK. In respect to the matter of the legality of crowdfunding within Sri Lanka the following is pertinent. A crowdfunding initiative that merely procures gifted or donated sums without the possibility of a return may not be considered unlawful under the Securities Act (2008). This factor is amongst the most pertinent, the nature of the reward provided by the project promoter would be critical to whether an initiative would be considered unlawful. The nature of the reward offered and the structure of the crowdfunding offering would determine whether the arrangement would require licensing, and whether it constitutes a managed investment scheme pursuant to the Companies Act, or whether it constitutes a fundraising activity under the Companies Act.

In relation to non-equity and non-debt based crowdfunding there have been a number of examples. The New York based Crimso has launched in Sri Lanka, and as received much positive press, with several funded initiatives. Additionally a number of Kickstarter and IndeGogo listings originate from within Sri Lanka indicative of the general level of interest in this new model of fundraising. There has been a dearth of discussion within Sri Lankan parliamentary dialogue in relation to crowdfunding activities. The Sri Lankan securities agency has not released commentary on equity crowdfunding.

Nepal

The major financial sector reforms within Nepal occurred in the 1980s. HMG/N and Nepal Rastra Bank have been implementing comprehensive Financial Sector Reform Program since 2001. HMG/N has strongly pursued financial sector reform across all aspects of the financial services sector. Nepali securities regulations do not provide for the permissibility of crowdfunding. The Companies Act, 2063 (2006) does not consider the matter of crowd based funding or posit alternative models of disclosure. The relevant Act, the Securities Act 2007 does not permit non broker intermediaries to engage in capital raising related activities as is permissible under U.S. securities legislation. The act was framed at a time when alternative fundraising methods such as equity crowdfunding were envisaged. In exercise of the power assigned through section 116 of the Securities Act, 2007, the Securities regulations and issue registration legislation was established. The legislation is silent in relation to crowd based fundraising methodologies. Equity crowdfunding as a discrete activity remains prohibited within Nepal.

The Foreign Investment and Technology Transfer Act, 1992 was formulated to promote the mobilization of capital to increase the competitiveness of Nepal's workforce and natural resources endowment. The act was amended in 2000, though the matter of equity based fundraising was not considered.

There has been little dialogue within Nepali Hansard in relation to crowdfunding activities. Moreover there has been little conjecture of such matters within the popular media within Nepal. Unlike the Indian securities agency SEBI, the Nepali agency has not issued any exposure drafts or memorandums in relation to equity crowdfunding. The absence of a local equity crowdfunding portal has meant that there is unlikely to be the same level of awareness and consequently impetus for equity crowdfunding.

Bangladesh

Within Bangladesh, the Securities and Exchange Commission (SEC) was established in 1993 under the Securities and Exchange Commission Act, 1993. The enacted model entails the Chairman and Mem-

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bers of the Commission being appointed by government, with the afforded respopnsibility to manage and administer securities legislation, notablty the Securities Act 1993. The Bangladeshi Securities and Exchage Commission is a statutory body, under the auspices of the Ministry of Finance.

The primary exchange, the Dhaka Stock Exchange was estabhished in 1954 (generally known as DSE). Post independence with the establishment of Dhaka Stock Exchange (previously known as the East Pakistan Stock Exchange) capital mrket indermediaries commenced activities within Bangladesh. The conception of the Investment Corporation of Bangladesh paved the way for fourther development and reform within the Bangladeshi financial services sector, and increased participation within the capital markets.

The Securities Act (1993) is silent in relation to crowdfunding type methods. The Securities Act (1993) is modelled on judicial pronouncements from the UK. In respect to the matter of the legality of crowdfunding within Bangladesh the following is of particular importance. A crowdfunding initiative that merely procures gifted or donated sums without the possibility of a return may not be considered unlawful under the Securities Act (1993). This most pertinent consideration is the nature of the reward provided by the project promoter would be critical to whether an initiative would be considered unlawful. The nature of the reward offered and the structure of the crowdfunding offering would determine whether the arrangement would require licensing, and whether it constitutes a managed investment scheme pursuant to the Companies Act, or whether it constitutes a fundraising activity under the Companies Act.

India

India has actively pursued financial liberalization for the past three decades. The current governor of the Indian Central Bank, Mr. has been championing financial sector liberalization since accepting the office in September. The Governor has frequently asserted that financial sector reform serves as a mechanism through which greater economic growth and pro poor advancement can be achieved. “Change is risky”, he has asserted, “But as India develops, not changing is even riskier.”

Indeed SEBI have been advancing such arguments as well. SEBI the Indian Securities agency has been the most proactive regulatory agency within the South Asian region in relation to equity based crowdfunding, encouraging dialogue and requesting public commentary. It is evident that crowdfunding as a discrete activity would be prohibited under Indian securities legislation. Pursuant to the Companies Act 2013 and additional SEBI regulations pertaining to disclosure; the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (ICDR), the raising of funds through a crowdfunding based mechanism would be considered unlawful. In light of recent development globally, SEBI asserted a desire in elicit more comment and discussion from within the Indian business community in relation to crowdfunding. The drafting of the discussion paper titled “Consultation Paper on Crowdfunding in India” is the first step in this regard, with SEBI asserting that no clear determination has been made in relation to either the desirability of crowdfunding provisions, and their potential enactment in the future. Rather SEBI has sought to stimulate debate into whether further revisions to the Companies Act 2013 would be amiable, and support economic growth and development, in line with the position of the Minister of Finance.

The actions of SEBI appear to be the most proactive, and consultative of any agency within the South Asian region. The move is pertinent in light of recent changes to the Companies Act 2013, which arguably make fundraising through private placements more challenging and rigorous. The revisions to the Companies Act 2013 appear pragmatic in light of events light the Sahara Ltd fundraising effort, but they do have the unintended consequence of making smaller fundraising efforts more challenging. The

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SEBI exposure draft in many respects is a response both to the global movement pertaining to crowdfunding and equity crowdfunding in particular, but it also serves as a counterpoint to the revisions to the Companies Act 2013 pertaining to private placements.

It is noteworthy to acknowledge that the Companies Act 2013 does afford mechanisms through which securities offers can be extended to Qualified Institutional Buyers. Ostensibly these provisions may prima facie, provide for the raising of equity capital through crowdfunding type schemes, albeit the existing provisions do no specifically address crowdfunding mechanisms. As such reform is required for crowdfunding to be formally enabled.

Under the SEBI introduced proposal SEBI would register approved platforms to operate as crowdfunding platforms, akin to the non-broker entity model enacted in the U.S. Firms would then be permitted to raise to Rs 10 crore during a given financial year through listing on the crowdfunding platform. Again in line with the U.S. framework and the CAMAC proposal, given the underlying risk associated with such mechanisms the mechanism will not be available to all investors, with only accredited investors permitted to participate in any equity fundraising. Logically the agency will permit institutional investors, companies, High Net worth Individuals and financial sound investors to participate in a fundraising call. The crowdfunding investment level would be capped consistent with the CROWDFUND Act and the CAMAC proposal albeit at a lower investment level of Rs 60,000 or 10 per cent of individual/ entity's net worth.

As such, this study has evidenced that crowdfunding legislation has not been enacted within any South Asian jurisdiction, with India the only nation to strongly conjecture and post draft legislation for public comment. Given this fact it is pertinent for policymakers within other South Asian jurisdictions to consider the potential viability of crowdfunding legislation within their polities. It would appear that only SEBI has afforded due credence to these matters, having released an exposure draft for public comment modelled on the U.S. pronouncements. Moreover the Indian markets have a greater level of understanding of crowdsourcing methodologies given the success of crowdsourcing entities within India, and more recently the success of non-equity based crowd funders such as Kickstarter within India.

CONCLUDING REMARKS

Herein it is contended that much can be learnt from the American experience, and while some hesitation may exist in relation to the adoption of similar provisions with Australia, to not afford due consideration to such provisions would be inapt. The implementation of the crowdfunding provisions will be closely followed by jurists and policymakers alike. If the crowdfunding legislative reforms have little to no impact on capital raisings and the market for venture capital, then the it is unlikely that analogous pronouncements would be impactful abroad, but the U.S. experience presents South Asian policymakers and regulators with a worthwhile opportunity to observe the impact of what is arguably one of the most significant small business reforms in living memory.

There will always be a regulatory contest between innovators and regulators appearing as a dialectic process. The process of innovation and regulatory cycle may be steadily gaining pace, as information and communications technologies continue to disrupt an ever increasing number of industries.

Edward Kane employed a Hegel (Kantian) dialectic approach in when describing the divergence and convergence that occurred between regulators and those the laws intend to regulate. Kane essential claim was that the dialectic process commenced with a regulatory framework, to which there was a response

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of regulatory avoidance, and subsequently regulatory change. We then observe a series of repeat iterations potentially going through an infinite number of cycles. As such in the view of Kane regulations are merely artefacts that motivate regulatory avoidance, and innovative new approaches to enable avoidance.

Kane (1972) asserts that creativity tends to be more evident amongst those seeking to avoid regulation, and that regulation is arguably a reactive device rather than a proactive mechanism. Essentially the core thesis proffered by Kane (1972) is that "regulation immediately begets avoidance… and there's much more creativity on the avoidance side, much more opportunity to play, to make moves that the regulators have to address. So we're always behind, until we get new regulation, which addresses some of the problems of the past, but that immediately starts the process all over again."

This situation is certainly true of the matters discussed within this paper. The Securities Act (1933) and Securities Exchange Act (1934) as regulatory apparatuses served their purposes well, however also served to stifle capital raising activities amongst SMEs, to the extent that the costs associated with raisings made the use of certain capital raising techniques.

Information and communications technologies have served as an enabling force, responding to this regulatory cycle from a bygone era. The internet and platform based crowdsourcing models have created alternative mechanisms through which resources can be procured.

The U.S. congress has sought to use these potential sources of disruption to the financial services sector as enabling tools to create employment opportunities and fund innovation. The JOBS Act notwithstanding some procedural uncertainties represents a remarkably forward thinking approach to the unique practices being adopted by platform sellers. Crowdsourcing models had the potential to supplant and potentially contravene securities legislation and rather that allow this to happen unabated, the lawmakers have enacted a policy that will seek to define how such practices are manifest in society.

The potential economic benefits are clear; if the increased costs associated with restricted/limited information disclosure are greater than the economic benefits associated with entities securing funding then then policy will have a deleterious impact on society. But the policymakers should be lauded for working with innovators to ensure the best outcome for emergent entities, and society as a whole. Striking a balance between the often dichotomous demands of commercial innovators, their rivals and the interests of consumers can be particularly problematic, and while the pronouncements enacted may be contentious they appear to strike the correct balance, finding that appropriate middle ground. While the policy appears to reside on the equidistant point along the spectrum that represents the interests of innovators/emergent entities and broader society, its effect remains to be seen, and will be followed with close interest.

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Chapter 49
Transformation of Business Through Social Media

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ABSTRACT

Social media are widely used in regular operations of many companies, including start-ups, small, medium and large organizations. The Social media are fundamentally changing the way we communicate, consume, collaborate and create. It creates one of the most transformative impacts on business. The most significant consequence of social media has been the shift of power from the institution to the individual. These shifts in the consumer-brand relationship have thrown up new challenges and opportunities for business organization. Social media have transformed the ways businesses from marketing and operations to finance and human resource management. Increasingly, social media are also transforming the way businesses relate to workers, allowing them to build flexible relationships with remote talent, to crowdsource new ideas, or to engage in micro outsourcing. Social media are increasingly being used in organizations to improve relationships among employees and nurture collaboration and the sharing culture. The purpose of this research is to explore the major changes which have taken place in organization because of social media.

INTRODUCTION

Social media are widely used in regular operations of many companies, including start-ups, small, medium and large organizations (Bell& Loane, 2010). The business environment in tandem with the technological developments has undergone an amazing transformation. Social media is a phenomenon that has transformed the interaction and communication of individuals throughout the world. It have transformed consumers, societies, and corporations with wide spread access to information, better social networking and enhanced communication abilities (Kucuk & Krishnamurthy, 2007). Social media is ‘‘a group of internet based applications that builds on the ideological and technological foundations of

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Web 2.0, and it allows the creation and exchange of user-generated content'' (Kaplan & Haenlein, 2010, p.61). Social networks are defined to be websites which link millions of users from all over the world with same interests, views and hobbies. Blogs, YouTube, MySpace, Facebook are examples of social media that are popular among all level of consumers (Sin, Nor & Agaga, 2012).

Worldwide, the social network user base is expected to increase from 1.47 billion in 2012 to 2.55 billion in 2017 (eMarketer, 2014). Social media usage in India as number of internet users in India reached 302 million users by December 2014 (EY, 2015). India is a key market for social media giants active as social media users in India grew to around 106 million and India is among the top three countries in terms of number of people using Facebook (100m+ users), whereas Twitter is seeing an increased user base of over 33 million (EY, 2015). The increased mobile web penetration is also seen as a key contributor to increased growth in active social media usage — 84% Facebook's 100 million users in India access it from their mobile devices. 81% of the brands surveyed considered Facebook to be the most important platform, while almost 48% of surveyed brands think that Twitter is the second-most important platform to be on, closely followed by YouTube (43% surveyed brands considered it to be the third–most important channel). Businesses are also establishing their own YouTube channels while actively producing, curating and distributing video content for promotional material and showcasing new developments for the brand. Meanwhile, Vine, the latest entrant in social media platforms, concentrates on short six second video snippets that can be shared using Facebook or Twitter.

The popularity of social media sites has also spread to companies and firms as part of their strategies. Research studies shows that 93% of Fortune 500 companies have accounts on social media sites (Barnes, Lescault & Holmes, 2015). 21 percent of Fortune 500 corporations had corporate blogs, 78% use twitter, 74% has Facebook, 84% has joined Glassdoor, 93% use LinkedIn and 13% use Instagram. More than 70 percent of organizations operating around the world are now active on social media (KPMG, 2011). Companies across variety of industries such as automobile, travel and tourism, banking and financial services, retailers, airlines fashion and education and many more using social media to tap opportunities in the market. The use it to build brands, promotions, product development, customer service, employee engagement and recruitments etc. In many organizations, the number of social media-specific roles is limited. Simply Measured survey of over 350 social media marketers found that 65% of teams have between 1 to 3 people dedicated specifically to social media (Simple Measured, 2015).

Now, ecommerce has come to occupy a centre stage in the way people transact business including shopping for clothing, accessories, fashion products, smart phones and consumer durables. It is clear that the mind set of an entire generation of shoppers (mostly young upwardly mobile people) is getting focused more on online purchases. Also, technology has made it easier for consumers to carry out financial transactions (netbanking, usage of credit & debit cards etc.). Web 2.0 is has transferred the Internet to a social environment by introducing social media, where individuals can interact and generate content online line (Lai & Turban, 2008). The aim of this research is to examine the role of Social Media (YouTube, Blogs, and Twitter etc.) and Social Networks (Facebook, Google, LinkedIn) and kind of business transformation takes place due to it.

E-COMMERCE TO SOCIAL MEDIA COMMERCE

The power of social networking is such that, the number of worldwide users is expected to reach some 2.5 billion by 2018, which is around a third of world's population (Statistic, 2015). An estimated half a

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billion of these users is expected to be from China alone and approximately a quarter of a million from India. The region with the highest penetration rate of social networks is North America, where around 60 percent of the population has at least one social account. As of 2015, over 70 percent of the United States population had a social networking profile (Statistia, 2015). Table 1 clearly shows that Facebook leads in number of active users, which is followed by YouTube.

The complete dynamics of eCommerce has changed over the last few years where people have started using the power of social computing. The ecommerce companies instead of mainly focusing on direct marketing and sales, retailers have started networking to reach out to a bigger mass, and using social connections to interact with people they would not have reached earlier (Bhattachary, 2015). Social media has brought in a huge change in the way businesses and customers interact. Customers have direct contact with merchants and can engage in real time with a retailer. The consumers can verify the authenticity of the brand, compare online with other similar products and then finally can make a decision. Retailers add social network plugins to their online applications to enable users to be interactive. In such cases, users have the option to login using their social networking credentials instead of creating a new profile which becomes cumbersome to maintain. Retailers start campaigns with incentives for sharing and referrals.

When shoppers make purchases, they are encouraged to share the name of the online store or their experience with their friends. In return they get loyalty points or rewards, which encourage repeat buying. When buyers share product or store related information or experience, their friends get to see it on social networks. This stirs interest among buyers' connections/friends to know more about the product and they can simply click on the link and visit the same store. Sites like Tumblr, Pinterest, Instagram, and Wanelo are becoming online catalogues for shopping ideas, fashion tips, and wish lists. Friends of buyers are also offered incentives or discounts to purchase, so they buy what they want and save some money. This expands customer base and creates awareness about the product among more people in the chain. In the whole process, retailers gain new customers, shoppers get rewards, and friends save money hence it's a win-win for everyone in the circle (Bhattacharya, 2015).

Pinterest and a handful of other platforms are started a phenomenon known as "social shopping"—a clever blend between typical social media and e-commerce experiences. The concept of social commerce was developed by David Beisel to denote user-generated advertorial content on e-commerce sites, and by Steve Rubelto include collaborative e-commerce tools that enable shoppers "to get advice from trusted individuals, find goods and services and then purchase them" (Cohen, 2011). Social commerce is defined as a form of Internet-based social media that allows people to actively participate in the marketing and

Table 1. Social networking sites activity in November 2015

Social Networking Sites	No of Active Users (Millions)	Activity
Facebook	1,550	1001 Million daily active Facebook users
YouTube	1,000	300 Hours uploaded every minute and 1 Billion+ views each day
Instagram	400	70 Million Photos per Day
Twitter	316	500 Million Tweets per day
Tumblr	230	110.1 Billion Tumblr Posts
Pinterest	100	1 Billion boards created

Source: Statista, 2015

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selling of products and services in online marketplaces and communities (Stephen & Toubia, 2010). Social commerce is a part of ecommerce that involves social media, which supports social interactions and user contributions to assist online buying, and selling of products and services. The social commerce term was introduced in November 2005 by Yahoo, which describes collaborative shopping tools like shared pick lists, user ratings and other user-generated content-sharing of online product information and advice. According to survey it was found that 35 percent of online consumers have made a purchase based on an advertising they saw on a social network (Statista, 2014).

Social shopping sites integrate social aspects, such as product sharing and front-facing user engagement. Examples of Social commerce include photo-sharing social networks such as Pinterest or Polyvore, or highly curated e-commerce sites with strong social components such as Etsy, Fab or Fancy. Niche services such as Airbnb, which is a social platform providing individuals to rent living spaces short-term lodging have also taken advantage of social networking features. Social networks are moving towards social shopping, with nearly every major network implementing buy buttons. According to recent data from Addshoppers, Pinterest is pushing about one-quarter of social commerce for their retail clients (Knight, 2014). Pinterest allows brands to showcase product as well as increase organic reviews and conversation. Social media sites are trying to cash in on their users by directing them to online shopping, but Pinterest& Twitter are poised to allow people to buy items they see on the site, where people share images of art projects, recipes and fashion items. Instagram has its own social commerce, expanding its advertising platform to allow businesses to offer a number of options including "install app," "download," "learn more," "sign up" and "shop now," feature. Just clicking on the button will take the user to either a section of the advertiser's mobile website in Instagram's in-app browser, or the Google Play store or Apple App store in the case of 'install app.' Social login, buttons and pins are some of common features of social commerce and Table 2 lists the common features and its meaning.

The transition from retail commerce to e-commerce has been gradual, but from e-commerce to social commerce is happening at a rapid pace with more and more users getting comfortable to shop with their mobile phones and while catching up with friends. Nonetheless, the share of social commerce is

Table 2. Common social commerce features

Social Commerce Features	Meaning
Social Login	Social login, also known as social sign-in, is a form of single sign-on using existing login information from a social networking service such as Facebook, Twitter or Google+ to sign into a third party website in lieu of creating a new login account specifically for that website.
Facebook Like Button	The Facebook "Like" button is a feature that allows users to show their support for specific comments, pictures, wall posts, statuses, or fan pages.
Pinterest Buyable Pins	Buyable Pins are a simple, secure way to buy products they discover on Pinterest. Using the new Buy it button, consumers that use Pinterest will soon be able to shop and securely checkout with the products they find on Pinterest - all without ever leaving the app.
Google Button	Google +1 button shows that you like or agree with something.
Rating and Review Button	A Review button has been added to certain types of Facebook Pages. Users have long been able to post recommendations on Facebook Pages known as Places Pages. A Places Page is one that includes a physical address and allows check-ins. These can be local businesses, entertainment and sports venues, restaurants, or any business that lists a physical location.
Product Recommendation	Recommendations feed displays the most recommended content on your site, using actions (such as likes) by your friends and other people.

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still relatively small (less than 5% of total e-commerce sales) according to Morgan Stanley, indicating huge scope for growth. In 2014, the estimated global social commerce revenue is projected to amount to 20 billion U.S. dollars and grow to 30 billion U.S. dollars in 2015 (Statista, 2015). Facebook is the top social commerce platform, driving more than two-thirds of mobile e-commerce traffic and boosting social media's quickly growing share of e-commerce web traffic. Facebook accounts for 50% of total social referrals and 64% of total social revenue (Smith, 2015). Despite the continued hype around social media, retailers are still figuring out how to best drive sustainable e-commerce purchases via social media. According to the Internet Retailer's Social Media 500 report, the top 500 retailers earned $3.3 billion from social shopping in 2014, a 26 percent increase over 2013, and well ahead of the average 16 percent growth rate for E-Commerce. The LoginRadius analytics research team has analyzed our 150,000+ customer websites 72% use Facebook login, 20% use google+ login and 3% use Twitter (LoginRadius, 2015). Social networks have become a vital component in the way people communicate. But this social networks will impact the way we as consumers currently shop and will have a big impact on the future of commerce.

SOCIAL MEDIA AND MARKETING PRACTICES

Marketing is essential to most businesses and is generally the most important aspect of any business strategy. Around 2 billion people worldwide use some form of social media which is around 28% of the world population (Simple Measured, 2015). Marketing via social is a priority for more companies than ever before. Social media may serve as a channel for many marketing activities including customer relationship management, customer service, buyer research, lead generation, sales promotion delivery channel, paid advertising channel, and branding. Today businesses realize that if they wish to reach their prospects and customers, their online presence in social media is a foundation of their overall marketing strategy. Social media marketing is the marketing strategies that organization employs in order to be a part of a network of people online. Social media has impacted and modified traditional marketing activities and communications. The unique aspects of social media and its immense popularity have revolutionized marketing practices such as advertising and promotion (Hanna, Rohan & Crittenden, 2011). Social Media applications like Facebook, LinkedIn, Twitter, WhatsApp&Viber are being increasingly used by both marketers and consumers to transact, build awareness of products & services and brand building. Online social networks (Facebook, MySpace, Twitter, YouTube, virtual communities, etc.), where individuals as members, construct public profiles to share their knowledge and their experiences, to post information about themselves and have contact with others who exchange and share similar interests (Cheung & Lee, 2010).

Customers are smarter than ever they are socially engaged and well informed. This new kind of buyer, Customer 2.0, develops opinions of our brands without ever viewing a single advertisement or listening to a sales pitch (Cognizant, 2014). Customer 2.0 can learn anything he/she wants to know about our products or services through social media. Social media websites provide an opportunity for businesses to engage and interact with potential consumers, encourage an increased sense of intimacy with consumers, and build all-important relationships with potential consumers (Mersey et al., 2010). Companies use these tools also for effective sales promotion and customer relationship management (CRM). Social media has also influenced consumer behavior from information acquisition to post purchase behavior such as dissatisfaction statements or behaviors about a product or a company (Mangold

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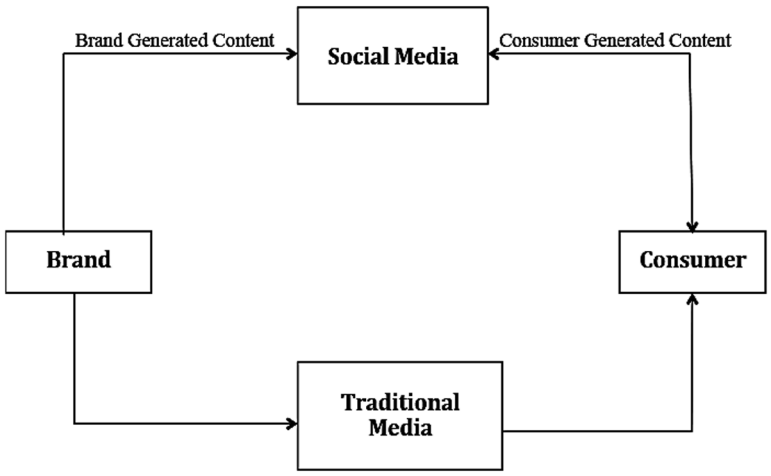
& Faulds, 2009). Social media has also influenced consumer behavior from information acquisition to post-purchase behavior such as dissatisfaction statements or behaviors (Mangold & Faulds, 2009) and patterns of Internet usage (Ross et al., 2009; Laroche et al., 2012).In the context of the digital era, the term "consumer engagement" typically includes the ways in which consumers and constituents engage with brands, companies or organizations through digital channels, such as the brand's website, blogs, social networking sites, and videos.

Marketing Communication on Social Media

Research studies showed that the communication by brands on social media positively affected brand equity and relationship equity (Kim & Ko, 2012). Brand's social media activities can be used to increase brand aware-ness and brand liking, promote customer engagement and loyalty, inspire consumer word-of-mouth communication about the brand, and potentially drive traffic to brand locations on and offline (Ashley & Tuten, 2015). Media propagation has changed the ways in which advertising messages are delivered and received. Due to the high costs incurred in delivering a mass audience, advertisers are moving away from television and investing in alternate media, such as social network sites, to reach their target customers. Advances in social media offer unprecedented opportunities to target consumers in increasingly personalized ways. The emergence of Internet-based social media has made it possible for one person to communicate with hundreds or even thousands of other people about products and the companies that provide them (Mangold & Faulds, 2009). Advertising and Brand Building using Social Media Social-network advertising enables brands to reach both mass markets and niche markets while targeting specific segments using the segmentation tools offered by sites (based on user behaviors and demographic data).

Today marketing communication is linked with the flow of communication through social media and traditional media. Figure 1. illustrates the new social media brand consumer communication model. The traditional media communication is mostly one way but social media communication is mostly two-way communication. The social media have both consumer generated and brand generated content. Facebook's

Figure 1. Social media brand- consumer communication



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emergence as an important marketing channel has largely due to brand pages as they establish direct communication with their fans and customers. Facebook fan pages allow a brand to create an online community of brand users through the social networking site. Brand can post an item of content on its page, and reach is the number of people who receive an impression of a piece of content. Ninety-six percent of Interbrand Top 100 Global Brands have a dedicated Facebook accounts and 94% posted content in the month of April. 50 million businesses are now using Facebook Pages, up from 40 million in April 2015, and more than 2.5 billion comments are made on these Pages per month (Facebook, 2015). The number of social networks a brand is active on dependents on the brand's audience is actively participating. The monthly active users (the number of people who sign in each month) for each of these networks provide context into why brand interest is so high.

Many top brands now maintain a Facebook page from which they serve posts and messages to connected users. This is a form of free social media marketing that has increasingly become a popular and important channel for marketing. Jayasingh & Venkatesh conducted a research to find the Facebook brand page activities for Indian brands. They selected 134Facebook Indian Brand Pages, categorized into their respective industry and then monitored the daily interaction by fans based on the type of posts. The total

Table 3. Facebook brand page interactions

No.	Brand	Total Fans	Total posts	Likes	Comments	Shares	Total Interactions	Average Interactions per post	Interactions per fan
1	Airlines	677920	479	229960	8515	9860	248334	519	0.37
2	Apparel	1333741	429	169248	2218	2314	173779	405	0.13
3	Automobile	2454462	692	1851019	22745	47118	1920881	2776	0.78
4	Consumer Electronics	2567726	733	683010	15875	27673	726557	992	0.28
5	Electronics - Phone	6505598	651	3693257	76582	72245	3842084	5898	0.59
6	Watches	752260	231	69615	2266	4161	76041	329	0.10
7	Bank	1721091	441	765545	15969	32128	813642	1845	0.47
8	Beverages - soft drinks	9882869	218	75478	17573	8281	101332	465	0.01
9	Beverages - Spirits	4340306	346	794128	14125	45432	853684	2464	0.20
10	FMCG Food	3445098	579	603364	109212	30577	743152	1284	0.22
11	Retail Food	4937737	1180	2812327	100337	55400	2968064	2516	0.60
12	Health	1251303	208	633432	7486	10573	651491	3129	0.52
13	Beauty	3404283	967	1015512	46313	45055	1106880	1145	0.33
14	Detergent	1392289	429	499102	14212	10501	523815	1222	0.38
15	eshop	3688091	2974	3050087	104897	55936	3210920	1080	0.87
16	Retail	4469225	614	682063	11081	8602	701746	1143	0.16
17	Sporting Goods	2697219	358	278605	3429	6104	288137	805	0.11
18	Telecom	6760033	564	2374288	62816	38653	2475757	4391	0.37
19	Travel	656665	833	149000	3930	12126	165056	198	0.25
Total		62937915	12925	20429040	639577	31257	21591353	1671	0.34

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number of posts of 134 selected brand pages is 12,925 and total interaction is 21,591,353 (Jayasingh & Venkatesh, 2015). Table 3. Facebook brand page interactions presents the total number of post, type of post and its overall interaction. The finding shows that average interaction is highest for offers and least for links. 89.5% of the posts are photos, which is followed by videos.

According to Cisco by 2017, video will account for 69% of all consumer Internet traffic. Videos are now making it into every interaction we're making online. From the launch of live video feeds on Twitter, the continued popularity of video on Facebook and Instagram, and the accessibility of high definition video on every mobile device. Video is the most powerful marketing tool being utilized now. People respond to the encapsulated storytelling modality of video on news and entertainment sites, as well as e-commerce sites of all kinds. Video can be used to convey corporate culture, introduce a new product, and even as a reputation management tool. YouTube is the leader in online video, and the premier destination to watch, share, and promote original videos online. YouTube is fully integrated with Google AdWords for video, leveling the playing field for businesses that want to reach new customers with online video.

Social media marketing has grown both in popularity and importance. Social media is no longer reactive function but it is integrated closely with many other marketing activities, and its share of attention, budget, and staffing needs is only continuing to grow (Simply Measured, 2015). Their survey of over 350 social media marketers found that 65% of teams have between 1-3 people dedicated specifically to social media. In 2015, there are an estimated 76,000 social media-marketing professionals in the workforce (Simply Measured, 2015). Social media activities can be difficult to quantify, and 60% of the marketers surveyed listed "Measuring ROI" as their top challenge (Simply Measured, 2015). The revolution of social media has a significant impact on the cooperation between organizations and consumers. The consumer's role has undergone a change from passive to co-creators of value.

Customer Relationship Management in Social Media Era

Web 2.0 tools reshaped the traditional CRM processes transforming them into CRM 2.0, by identifying and solving customer service issues, using forums, wikis and others (Schroeder, 2013). The social media influence the degree to which customers can engage with a company, and that the customer's level of engagement both affects and is affected by the company's approach to each of the three components of traditional CRM — acquisition, maintenance, and termination (Malthouse, Haenlein, Skiera, Wedge & Zhang, 2013). Social media and other new technologies have also enabled consumers to filter out advertising and compare prices with competitors from anywhere with mobile devices, and distribute positive or negative brand messages to a global audience. CRM must evolve if it is to survive in this marketplace, by producing contact points that engage the consumer and provide value to both the company and consumer (Malthouse et al., 2013). The technological developments and the growth of social media are also making possible innovative forms of business interaction and activity involving new types of business relationships. Social CRM integrates social media with CRM to optimize the social interactions with customers. Users, social media consumers and potential customers are demanding instant communication gateways. Social media will not replace CRM but bring forth a new generation of tools to support these social customers.

Customer service is undergoing a major evolution, with online communication moving away from private, anonymous, one-to-one channels toward public one-to-many channels that are mobile, social, and attached to real identity. Social customer service is rapidly becoming the new, critical channel to drive satisfaction and loyalty. Social media has already reached a high level of maturity as a communication

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channel. The business case for introducing social media customer service is supported by consumer research studies, which show that customers prefer using social media for its ease and speed of response when compared to traditional phone and email channels. Social care is different from traditional voice, email and chat support because social care conversations are public, often permanent and can easily go viral. The connection research showed that 37% of customers prefer using social media for customer service inquiries over traditional methods like telephone calls. Social listening is a study on real life social media conversations. The TCS research shows that companies spend an average of about$19 million on social media activities in 2013 and, on average, employ 56 people to plot their social strategy, listen and respond to consumer comments on public sites, and handle other tasks to stay in tune with social media discussions about their brands, products and practices (Tata Consultancy Services, 2015).

Social selling is when salespeople use social media to interact directly with their prospects. It is the process of developing relationships as part of the sales process. Today this often takes place via social networks such as LinkedIn, Twitter, Facebook, and Pinterest. Social Selling is gaining popularity in a variety of industries, though it is used primarily for B2B (business-to-business) selling. The main components of social selling are social prospecting, personal branding, employee advocacy and social relationship management. According to research findings, 75% of B2B buyers are influenced by information found on social channels, and 97% of the time cold calling is ineffective. Research has shown that the use of social media has a significant positive effect on sales. Salespeople using social media experience 78% greater sales than similarly situated salespeople not using social media. Social CRM is the new buzzword for businesses as they can reach out to customers online through social platforms like Twitter and Facebook and in turn, build loyalty and belief in their brands. The key advantage of social media is that it makes the businesses to respond quickly. Many companies today monitor online conversations about their brands and its competitors.

Risk and Monitoring Social Media

Although Social networks can help companies spread good news fast, it can also spread bad news just as quickly. Moreover, if customers want to vent their anger on your product or service, they can use your social network account. Managers need to understand how to handle those situations quickly and effectively. Also, as social media is not as widely moderated or censored as mainstream media, individuals can say anything they want about a company or brand, positive or negative. Today's customers act, and react, at lightning speed to your latest products, pricing plans and sales channels. They spread the word about their good and bad experiences with comments captured across a dizzying range of platforms. Social media command center is simply a dedicated area where a company's social media team can monitor and engage social conversation around their brand and market. The command center of the future is: valuable information that travels seamlessly between individuals, teams and locations. Contextual data that shows what is happening related to the brand and why its happening, allowing teams to make informed decisions. They demonstrate the work and results of your brand's social initiatives, then showcase these insights to other employees within the company.

But marketers need to quickly and cost-effectively collect social media data from various sources, analyze the data, and understand the results before sudden market changes undermine sales or damage their brands. This rapid response requires the discovery, extraction, cleansing and integration of a wider range of data than ever before. When rumors on social media threaten a product's reputation, or a complaint about an out-of-stock product signals an inventory crisis, marketers and brand managers

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need detailed information immediately. They must be able to analyze and correlate many more types of customer data, sense danger and opportunity in their customers' experiences much more quickly, and response much more effectively than ever before. It also requires social media tracking and analytic tools, natural-language processing to draw insights from text, advanced predictive analytics to aid decision-making and easy-to-use dashboards and reports.

SOCIAL MEDIA AND HR PRACTICES

Social Media has changed the today's human resource practices. The Wipro research findings shows that social media can be used in three areas Internal Branding, Collaboration and Communication and Hiring were considered almost equally suited for use of social media, with Internal Branding favored the most (Wipro, 2012). Most jobs are currently being recruited through social media and many organizations now use active recruiting, essentially becoming their own headhunters to locate potential future employees (Wipro, 2012). For example, the website Glassdoor.com, an employee feedback and job seeker forum site, allows members to provide "inside" information on company cultures, employees and salaries. Members rate their own organizations on various characteristics, and these data are then searchable by other users on the site. Information posted can be seen by other employees, customers or competitors. Even if an organization has no official social media presence, its employees may be creating one (Ployhart, 2014). Social media allows HR executives to monitor the activities of their employees. If employees are posting to their personal social media accounts during the day and those posts do not relate to work, or relate in a negative way, then the company can enforce its social media policy. Some companies allow employees to use social media throughout the day so long as their posts relate to the company in a positive way (Vassallo, 2015).

Traditionally organization use break room suggestion boxes, employee hotlines and closed room meetings to record employee concerns. Due to social media, employees can now share their experiences and suggestions as well as the bad experience in social media sites. A survey by the Society for Human Resource Management (SHRM) mentions that 54% of HR professionals believe it is very important for job aspirants to be present on LinkedIn and 33% believe it is somewhat important (Ring, 2015). Human Resource Department in organization use social media for employee communication, corporate branding, background checks, emergency notification etc. Social networking can potentially be a great tool for resolving questions or problems. With a large network at your fingertips, chances are someone out there has the answer or an idea.

Social Media and Recruitments

Talent acquisition is one of key area within many companies to use the social media. In the past, to recruit employees, organizations advertise opportunities in the newspaper; engage a recruitment consultant or, post jobs online via the company website or on popular job boards. This 'passive approach', as many claim, is on the way out. One of the biggest advantages of human resource managers using social media on the job is that it makes the recruiting process easier and more successful for the company. HR managers can post job openings on all the company's social media sites, including links to the listings on the company website. This makes it easier for the company to get the notice out to the public when jobs become available and for candidates to apply for those open jobs. Companies are also seeing more suc-

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cess using social media to recruit new employees as they can browse the social media sites of potential candidates to determine if he or she will fit in with the company culture (Vassallo, 2015). 69 percent of HR departments now use social media channels such as LinkedIn, Twitter and Facebook to assist with the recruitment process (Bennett, 2013)

Cybervetting refers to the practice of viewing social networking sites such as Facebook and Myspace, blogs and microblogs like Twitter and using search engines like Google and Yahoo! to obtain information about job applicants or to monitor current employees. Science Daily Research study on cybervetting shows that the majority of the individuals conducted cybervetting as part of their evaluation of a job candidate. Over 90 percent of companies use social media to recruit (Perkins, 2015). Much of this recruiting (94 percent) is currently focused on LinkedIn. About two-thirds of recruiters utilize Facebook when looking for people to fill positions, and just over half of hiring managers use Twitter to recruit. Mostly, these recruiters use social media to support traditional hiring channels by searching for candidates, posting jobs, and vetting applicants. The data shows that 55% of Job Seekers use social media for job search purposes (among Recruiters, the percentage of use for HR professional purposes were around 73%). In this regard, LinkedIn is largely the most used social networking site (35%) followed by Facebook (17%) (Zanella & Pais, 2014).

Social Knowledge Management

The social media exponentially increasing these interactions, a new paradigm must be created to manage the explosive growth of knowledge associated with social interactions. The organization have shifted to social media that connect people, break down silos of information and reach beyond the boundaries of the office to enable to creation of innovative practices that re-ignite the collective intelligence. The primary goal of knowledge management is to "improve organizational performance by enabling individuals to capture, share, and apply their collective knowledge to make optimal decisions…in real time" (Smith & Farquhar, 2000, p. 17). The disruptive force of social media is forcing organizations to rethink their traditional knowledge management paradigms. Informal social networks have always existed in organisations but remained largely hidden. The emergence of social networking technologies makes the informal networks visible. Social networking websites can be one of the fastest ways to obtain information. Social networking websites provide an opportunity for management to have faster contact with their subordinates. If there is an issue that needs immediate attention, a manager can send a message through social networking websites and the internet to their employees to get the information they need to make a decision (Baker, Buoni, Fee & Vitale, 2015). "Organizations are actively leveraging the power of social networks to find new business opportunities, new groups of like-minded individuals and companies, and new sources of industry specific wisdom, advice and expertise" (Wilson, 2009). Social networks can act as a tool to help the company reach out to both potential employees and customers.

Another way social media has impacted human resources is that companies are now beginning to communicate with their employees using social media. Some companies will talk to employees on Twitter to discuss company events so the public can learn about them. Other companies use messaging apps such as Google Hangouts to talk with employees in one location or all over the world (Vassallo, 2015). CEOs who learn how to harness the power of social media can greatly improve the flow of information among their employees, while managing shared knowledge with their partners in unexpected new ways. This appealing outcome is fast becoming the norm for a new breed of cutting-edge Social CEOs (Drumwright, 2014). Social CEOs use internal crowdsourcing to identify knowledge assets or informa-

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tion resources from a distributed pool of contributors within their companies, or from their partners and suppliers. Crowdsourcing tools include open surveys and user-generated knowledge systems to aggregate and share the information (Drumwright, 2014). Employees can contribute, comment and vote on mutual ideas about how to improve business tasks and services. Through this application of collective intelligence, the best ideas soon bubble up to the top. Enterprise social networking tools offer community and collaboration features like profiles as a core component, blogging, bookmarking, RSS, wikis, and the creation of self-defined, self-managed online communities.

The importance of external contacts and networking was illustrated in a study by Cross & Kartzenbach, which found that around 90 percent of the information used for decision-making by senior company executives came from their informal networks rather than formal reports or databases (Cross & Katzenbach, 2012). Web 2.0 tools influence training processes since information is becoming user driven and companies face transitions toward shared data, user generated content, and user experience. As a result, training activities are not bound to a specific geographical location or time frame: webinars take place all over the world and blogs, RSS filters, forums, wikis, and podcasts may enhance the training experience (Smits & Mogos, 2014).HR Managers must recognize that social media important parts of their organization. The information no longer flows in one direction from the sender to the receiver; instead users now generate their own content. This has created new opportunities that can also add value for HR departments.

FUTURE RESEARCH DIRECTIONS

The usage of social media is evident from this study by both organization and consumers. Opportunities for further research include, continued study of social media adoption in various industries and how it transforms the traditional business processes. The future research need to be conducted to find out how businesses today adopting social media and measure its impact on customer and employee relationships. Researchers should also attempt to understand what types of social media initiatives work best for organizations of different industries and what business functional area is best suited for this new channel. Additionally, the social media communication channel should be tested in the field to check if it can deliver measurable business results for small, medium as well as large corporation.

CONCLUSION

Social media have fundamentally transformed the relationship among business, employees and consumers. The companies need to accept that today's business model is consumer driven and developing strong relationships with customers through engagement on social media platforms can help achieve business growth. The variety of social media touch-points provides greater opportunities to influence the consumers buying process at different stages. It's clear that social media have most significant impact on the day-today work for many customer-facing activities. It is necessary for today's organization to engage more employees, customers and external partners through social media, then achieving benefits and measuring them in a systematic way. It is clear that many more organizations will be adopting social media to achieve additional value from this new channel. Social media has not only opened new ways of communication and distribution throughout all industries, it also created new business models, which

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relay on participative communication in real time. As business functions are digitally transformed and new technologies become more fully integrated into everyone's jobs, it is increasingly important for all workers to have high degrees of digital literacy.

Keeping the customer engaged and managing them both emotional and physical, in term of time spent and the frequency of usage and interactions with organization are very important today. Social media has become an integral part of the consumer pre-purchase and purchase decision. The consumer now has convenient channel for expressing his views and also viewing others views in a public space. The social media has changed the world of technology as well as business, with the last few years. The revolution of social media has a significant impact on the cooperation between organizations and consumers. The consumer's role has undergone a change from passive to co-creators of value. It has become necessary for the business to understand this change and embrace this new technology.

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KEY TERMS AND DEFINITIONS

Customer Engagement: Consumer engagement is defined as the interactions between a brand and its customer.

Customer Relationship Management: Customer relationship management (CRM) is a term that refers to practices, strategies and technologies that companies use to manage and analyze customer interactions and data throughout the customer lifecycle, with the goal of improving business relationships with customers, assisting in customer retention and driving sales growth.

Cybervetting: Cybervetting refers to the practice of viewing social networking sites such as Facebook and Myspace, blogs and microblogs like Twitter and using search engines like Google and Yahoo! to obtain information about job applicants or to monitor current employees.

E-Commerce: Is the buying and selling of goods and services, over an electronic network, primarily the Internet.

Internal Branding: Internal Branding is the set of strategic processes that align and empower employees to deliver the appropriate customer experience in a consistent fashion.

Social Commerce: Social commerce is a subset of electronic commerce that involves social media, which supports social interaction, and user contributions to assist online buying, and selling of products and services.

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Social Media: It is a collection of online communications channels dedicated to community based input, interaction, content sharing and collaboration.

Social Media Marketing: Social media marketing (SMM) is a form of Internet marketing that utilizes social networking websites as a marketing tool.

Social Shopping: Social shopping is an e-commerce methodology in which the shopping experience is shared with a social network of friends and contacts.

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Chapter 50
Turning Marketing Students into Active Citizens:
The Learning of Consumption and Social-Related Marketing in Thailand

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ABSTRACT

This chapter discusses the learning of consumption and marketing within the context of social-related issues. The objectives are to expand dimensions of marketing education into a wider perspective beyond the economic focus to the social domain. Exploring the different contexts can help uncover a deeper perspective beyond general concepts of consumption and marketing. Moreover, considering the social aspect can enhance a longer perspective of business beyond current profit maximization, particularly in the 21st century with its emphasis on sustainability. The learning process can follow the four main steps of understanding the problem, introducing the solution, engaging participation (with real actions to support the project or organization), and evaluating output and outcome. These processes are elaborated together with examples of real practices and summarized learning derived from the classes conducted in Thailand. Not only can this benefit the students, but also the overall business and the society by turning marketing students into active citizens.

INTRODUCTION

The 21st century demands people who can understand and manage the balance of people, planet, and profit realities. To create business people who have a good grounding in understanding beyond business knowledge to appreciate cultural literacy, ethics, analytics, and sustainability, it is better to begin early with education. With today's focus on more collaborative efforts, it is crucial to develop people who can become active citizens. For business school students, this means their contribution not only in donating allocated profits (aka philanthropy), but also incorporating social development into their everyday practices. Furthermore, society has recognized the need and called for action from the business sector to take part in improving social conditions.

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"Consumption and Marketing" is the subject fundamental to most businesses, particularly marketing, since it involves analysis of consumer behavior and its implications for developing marketing strategies. Overall, the topic includes how to explore and interpret consumer psychology, sociocultural influences, and consumer decision-making. With its essence of understanding relevant groups and delivering values matching their demands, this subject of Consumption and Marketing is in fact applicable to many other contexts such as international relations, technological advancement, and social development. For instance, many countries have been focusing on acquiring soft power through the promotion of cultural values, entertainment, or commercializing products and services in other countries. This concept is based on the ability to influence others by way of cooperating rather than the traditional coercion (aka hard power) (Nye, 2004). Thus, understanding Consumption and Marketing is central to the programs. Another example is the technological advancement of alternative energy, which relates to the way in which people consume and save energy as well as success of marketing efforts in breaking into the dominant fossil fuel market. For social development, Consumption and Marketing can be utilized to stimulate changes in people's behaviors, for instance, bike riding and recycling to reduce global warming.

Realizing the importance of Consumption and Marketing and its implications in different contexts, this chapter aims to connect the subject to the goal of developing business school students who seek to generate meaningful initiatives beyond achieving business profits to creating real benefits to society. Particularly, the chapter features summarized concepts of how to organize the learning and engage students' participation in social development projects. Based on the classes conducted in Thailand, where active citizenship has become a principle concern, this specific case approach demonstrates both overview perspectives of Consumption and Social-related Marketing and example practices related to the country's contextual situations.

CONSUMPTION AND MARKETING IN SUPPORT OF SOCIAL DEVELOPMENT

Social development refers to the need to put people first in attaining sustainable growth and a better quality of life. With its central role to address complex relationships between societies, states and communities, social development requires collective efforts of all stakeholders where all can contribute according to their interests and capabilities. In the past, the business sector was generally viewed as the source of donations since business operations tended to be disconnected from social development activities. Therefore, their allocated resources were mainly contributions, in cash or in kind. In the early days, the concept of corporate social responsibility (CSR) began with the goal of upholding ethical practices in managing business and later extended to the acquisition of resources and production of products and services with considerations of public benefit. Table 1 explains the development of CSR. Over time the practice has become integral to the corporate strategy. Therefore, it is evident that more businesses are now organizing their own initiatives to support social development while there has been increased use of business knowledge in a variety of social development projects.

Consumption and Marketing is one of the areas in business practice that can directly yield benefits in support of social development. The subject involves an interrelated relationship between analyses of consumption behaviors and development of marketing to satisfy the needs, wants, demands, or desires of target consumers and hence produce returns (e.g. sales, profits). The focused topics include understanding of "consumer psychology" which refers to the internal influences (i.e. motivation, perception, learning,

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Table 1. The development of CSR

Though it is claimed that CSR is not a new development, the publication of Howard R. Bowen's book, Social Responsibilities of the Businessman in 1953 seemed to mark the beginning of this concept. Bowen explicitly called on business leaders to always uphold ethical principles in making business plans and decisions. In 1954, Peter Drucker stated in his widely recognized book, The Practice of Management, that the practice of public responsibility must be considered as one of the major goals of business development. From the firm basis initiated previously, CSR in the 1960s continued to be extensively discussed, mainly in terms of the meaning of CSR and its relevance to the economy. This extended the notion of CSR beyond general ethics. William C. Frederick, in his article "The growing concern over business responsibility" (1960), referred to the responsible use of society capitals (e.g. natural resources, cultural assets) in furthering the business and the economy. Joseph Mcquire, supported this broader view of CSR in his book, Business and Society (1963) and suggested that business should take into account the general public beyond the markets and matters related to the specified business only. Others, such as Milton Friedman, the author of Capitalism and Freedom (1962), argued that the responsibility of business is to maximize profit for the shareholders. This is consistent with the comment by T. Leavitt from the Harvard Business School who emphasized that corporate welfare makes good sense as long as it makes good economic sense. In this period, CSR was mostly analyzed at the macro socioeconomic level, and there were some questions about the economic value of CSR since it could not be calculated directly as could other business transactions. Entering the 1970s, the debates continued with some attempts to reach a compromise. While Milton Friedman insisted in his 1970 article titled "the social responsibility of a business is to increase its profits", he remained open to the possibility that some acts of social responsibility could lead to long-term profit for the company. On the contrary, Keith Davis, stressed the "Iron law of responsibility" (1967) and explained that when the company does not adhere to social responsibility, it will lose its considerable position in society to the other businesses who will assume such responsibility instead. Despite the opposite standpoints, it is observed that both recognize that benefits for business can simultaneously yield benefits to the society. This is regarded as the enlightened self-interest model that demonstrates the transformation of CSR from normative ethics to a concrete understanding of its causes and effects. With the more specific approach, CSR in the 1980s moved towards more micro-analytical perspectives with a focus on stakeholder engagement. Thomas M. Jones proposed in the article, "Corporate social responsibility revisited, redefined," to emphasize the process of CSR rather than the input and output as illustrated earlier. During that time, Peter Drucker revisited his view from the 1950s and wrote the article, "The new meaning of corporate social responsibility" (1984), suggesting the shift from viewing CSR as a general principle to a strategy that can enhance better returns for business. Subsequent research supported the concept with evidence of a direct relationship between social contribution and business performance. Tangible and clear benefits led to the expansion of CSR from the 1990s until now with continued studies in both academic and practical aspects which suggest that CSR is essential to business profitability. Thus, CSR has now become one of the core business functions central to the corporate strategy rather than being a separate, additional unit.

attitude, personality) that affect consumers' decision-making processes. Motivation is the driving force within individuals that impels them to consume. Next, consumption is based on what consumers perceive to be reality including information from both sensory input and subconscious perception. During consumption, consumers continually learn or acquire knowledge that serves as feedback and provides the basis for future, related behavior. Consumers then form an attitude or a learned predisposition to behave in a consistently favorable or unfavorable way with respect to a given object in a specific situation. The inner psychological characteristics both determine and reflect consumer personality, which explains how a person responds to the external environment, for instance, marketing strategies.

Besides the internal influences, there is a wide range of external factors in "consumer sociocultural backgrounds" such as culture, cross-culture, subculture, and social class. Culture represents the sum total of learned beliefs, values, and customs that serve to direct the consumer behavior of members of a particular society. However, globalization drives the impact of cross-culture which describes the similarities and differences between the consumers of different societies or nations. Next, members of the same society may be segmented based on subcultures such as generation, gender, ethnicity, and religion. Consumer society may also be categorized according to different social classes which indicate consumers with relatively similar social status and lifestyle.

Consumer sociocultural backgrounds and consumer psychology both play important roles in "consumer decision-making." During the process of decision-making, consumers must recognize that a need exists, make a pre-purchase search, and evaluate alternatives before deciding to try, and later repeat purchases

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if they are satisfied in the post-purchase evaluation. This information becomes consumers' experience and serves to influence their future behaviors.

Though theories of consumer behavior, with the three major aspects of consumer psychology, sociocultural background, and consumer decision-making, are mainly developed based on the business perspectives, learning this subject can also support the other missions. In this case, it can help identify target a group of people to engage in social development, analyze their behaviors and prepare strategies that can persuade them to take action. These implementations of Consumption and Social-related Marketing are demonstrated in initiatives ranging from charity-based activities (e.g. fundraising) to more business-oriented functions (e.g. selling merchandise to raise funds for social causes) and finally the development of a new model such as social enterprise, which combines a business practice with social development concept.

Fundraising is one of the major means of gathering support from people who want to help further social development. From a business perspective, soliciting donations can be quite challenging and different from normal selling practices because donors must be sold on supporting the causes rather than the benefits of any products or services. The strategy must engage learning of the social issues, which can sometimes be too distant and complicated, and persuade belief in the efforts to realize some additional benefits beyond the good deeds. Fundraising strategy has been extensively studied by the non-profit sector. But recently it has been extended to integrate learning of other relevant subjects, e.g. consumption and marketing, and digital marketing, which can promote advancement of both social administration programs and marketing education. An example from a world-famous campaign in 2014, the ice bucket challenge, demonstrates how awareness of the Amyotrophic Lateral Sclerosis (ALS) disease was raised via direct learning i.e. dumping a bucket of ice water on one's head to experience numbness caused by the disease. Additionally, by filming one's own act, donating, and sending a clip to challenge other nominated participants to do the same, this strategy, combining altruistic, entertaining, self-congratulatory, and social motives, has become one of the most successful viral marketing and crowd funding campaigns. It was reported that the ALS Association received almost 80 million USD from 1.7 million donors in one month, while the organization raised only 64 million USD funds in the whole of 2013 (TIME, 2014).

Next, the subject of Consumption and Marketing can be used in more applied business initiatives such as selling merchandise as part of fundraising strategies. Currently many social development organizations are trying to become more independent and sustainable by not relying solely on donations or grants but selling products or services to generate income. An example is the sale of UNICEF cards and products which reached a historical high performance of 77 Million USD in 1995 (UNICEF, 2014). But with the change of consumption (e.g. on-line communications), this business has declined and UNICEF has decided to change the business model from centralized, in-house operations to third-party licensing and local sourcing. This helps increase the variety of products that suit local consumer interests, and brings better returns on investment, while leveraging the brand equity. A similar idea can be observed in cause-related marketing when a business sells specific items (e.g. limited editions) with the communicated objective of raising funds for some identified social cause. An example is Product Red launched in 2006 that has since become one of the largest cause-related marketing campaigns with a number of global companies (e.g. Apple, Nike, Coca-Cola, Starbucks, Gap) featuring their products with the red color and licensed brand, (PRODUCT)^{RED}, stating the portion of their profits to be donated to the Global Fund to help eliminate HIV/AIDS in Africa. It was reported that Product Red has contributed 150 Million USD to the Fund (Global Fund, 2010).

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Finally at the business model level, Consumption and Marketing can be applied in operating a social enterprise that is a business, either for-profit or non-profit by its structure, working to achieve the goal of social development rather than maximizing returns for shareholders. The definition of social enterprise remains quite broad, from running a normal business but allocating a major part of profit to address social causes to running a business operating with the goal of addressing social causes at the same time. An example is Grameen Bank, the Nobel peace prize-winning microfinance organization in Bangladesh working to provide small loans to the underserved people who do not have access to formal sources of finance to be used in pursuing normal livelihoods, such as self-employment. Unlike the conventional financial institutes, Grameen Bank does not require collateral but utilizes mutual trust among community members to drive success of high repayment. This social enterprise was recognized for its efforts to create economic and social development from grass roots with the performance of more than seven million borrowers averaging 100 USD each in 2006, when the award was received (Nobel prize, 2014).

With the greater impact of understanding and applying Consumption and Marketing in support of the broader contexts such as social development, business schools are therefore responsible for promoting such knowledge and skills among their students in order for them to become meaningful human resources in society. However, despite the significance of this subject, it is not always easy to engage business schools students, or any other people, to become active citizens. Based on the continual efforts in conducting Consumption and Marketing classes in Thailand and attempts to engage students' participation in social development, this chapter discusses how to facilitate such learning with the objectives of expanding *dimensions* of marketing education into a *wider* perspective beyond the economic focus to the social domain. Exploring the different contexts can help uncover a *deeper* perspective beyond general concepts of consumption and marketing. Considering the social aspect can enhance a *longer* perspective of business beyond current profit maximization to the emphasis on sustainability. It is necessary to clearly communicate these objectives to students in order to promote real and strong interest in advancing their studies while, at the same time, contributing to the development of active citizenship.

LEARNING CONSUMPTION AND SOCIAL-RELATED MARKETING: THE CASE OF THAILAND

Thailand is a Southeast Asian country with a population of approximately 67 million. The country was an absolute monarchy for over seven centuries until the 1932 Revolution that led Thailand into the era of democracy with a constitutional monarchy. The movement towards Western modernity (e.g. in politics and economics) was criticized as being abrupt and alien to most people at that time. Hence, during the early phase of democratization, the country still depended on the authorities while ordinary people were not much involved in the country's development as they believed that the government could exercise power in their best interests. It was the civil uprisings against oppression in the 1970's that gave rise to the power of the people. Though people's participation was given more emphasis, barriers in the Thai political context still resulted in rather inefficient bureaucracy with the domination of entrenched interest groups (Rigg, 1991) such as the army, politicians, civil servants, and business tycoons. Most efforts were aimed at advancing the country's economic growth capitalizing on the country's abundant resources and its strategic location in the region.

In spite of the growth of Thailand's economy, this approach seemed to disregard human and social development. Like many emerging countries, Thailand is facing the problem of the increasing gap between

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the rising growth of economy and the lagging improvement of social standards. Evidently the advancement of the business sector and economic expansion does not translate into better quality of life for most people but in fact creates further problems of inequality. In Thailand, the problem of income distribution seems to be enduring, with the top 20% earning more than half of the income share (54% in 1998 and 55% in 2007) and the bottom 20% earning less than 5% (4.58% in 1998 and 4.3% in 2007). In terms of social inequality, there exist variations in the quality of the social services (e.g. education, healthcare) provided to Thais depending on their socioeconomic status. Some disadvantaged groups, especially the poor, have restricted access to the judicial system, administration process, and public resources. While those who can earn more seek better opportunities to improve their standard of living, those at lower levels of the pyramid are left with minimal welfare benefits. This can potentially cause separations and breakdowns not only on a national, but also on a global scale in today's interconnected world.

Nevertheless, the economic progress of Thailand continued until the financial collapse in 1997 leading to the major Asian economic crisis. Realizing the need to focus on sustainability, subsequent programs were redirected towards incorporating all aspects of political, social, and economic development. Unfortunately, though this effort was intended to engage all relevant stakeholders, only a few influential groups (particularly from the business sector) participated still with the aim to take advantage of the country's policy at large. To gain support from the general public, more emphasis was placed on short-term returns in relation to some political agendas (aka populism). The mismanagement has yielded disorder and fragmentation in the country as witnessed in the continual civil unrest over the past few years until the military government took control in 2014.

Currently the major sentiment in Thailand is that everyone is accountable for the country's development. From the business perspective, many businesses have now taken serious steps to advance their efforts in CSR. Prayukvong and Olsen (2009) suggested that many companies in Thailand are involved in philanthropy and there is a dramatic increase in CSR discussions, initiatives, awards, and workshops, as well as institutes such as the Corporate Social Responsibility. Wellbeing research involving 100,000 people in Thailand (Khon Thai Monitor, 2012) revealed a lack of satisfaction with business involvement, specifically in the creation of substantial and long-term benefits for society. Comments suggested the need for businesses to reevaluate their approaches such as changing from event-based CSR activities organized by the CSR department to engaging everyone in the company and combining CSR into their everyday practices. Thus, it is crucial to let business people become aware, prepare, and collaborate to tackle challenges in other aspects such as social development. Particularly with the rather close-knit, collectivistic society of Thailand, business and other sectors are quite interrelated. As witnessed, many business persons have become key opinion leaders in matters of sociopolitical development and they are compelled to join forces in solving multiple problems in the country. Moreover, with the less structured establishment of social welfare and benefits, well-designed socially and environmentally responsible products and services can to a great extent influence the wellbeing of the general public. Therefore, promoting business engagement in improving the social conditions can significantly contribute to the better development of the country. These various efforts represent a good platform to learn about Consumption and Social-related Marketing in Thailand.

Additionally, due to unique characteristics of Thai culture, learning from this specific context can help advance descriptive understanding of the subject. For instance, one of the most important cultural values, inculcated in the dominant influence of Buddhism, is to be considerate and try to help people who are suffering (Vichit-Vadakan, 2002). Merit making is widely practiced through philanthropy, charity, sponsoring, volunteering, or sharing. It is believed that this might help improve conditions in the future

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of this or the next life. Thus, it is evident that Thai people can be quite generous in giving, from small-scale responses to begging, to large-scale disaster donations, with no doubt or query about the cause and how the money is being handled. When interacting with other people, it is important to maintain smooth relationships and avoid causing inconvenience or trouble (aka *kreng-jai*) to others (e.g. by asking for detailed information or monitoring processes). The prompt willingness to share can help speed the initial efforts but at the same time inhibit the continued cooperation because of less concrete engagement. As a result, Thailand is ranked in the top 5 countries according to the 2012 World Giving Index, averaging 76% of people in the country donating money in the month prior to interview, but achieves a lower level of active citizenship with only 18% of people engaged in volunteering (Charities Aid Foundation, 2012).

This leads to intertwined problems such as dependence on the authorities and corruption because people rely on the materialistic means (e.g. money) rather than volunteering which requires more understanding and engagement in the development process. It is stressed that civic participation can help promote greater efficiency, more accountability and transparency of resource allocation and development in society (Fung & Wright, 2001). Hence, increasing active citizenship is the key to genuine and sustainable poverty alleviation, as it can enhance ownership and commitment among diverse groups of people (Chambers, 1983), promote collaborative networks, and finally help reduce the mounting problem of inequality that has been present strongly among communities with passive citizens.

TURNING MARKETING STUDENTS INTO ACTIVE CITIZENS OF THAILAND

Realizing the importance of promoting active citizenship in Thailand, it seems quite natural that the youth would be the right target because they are more open and full of energy. Similarly at the global level, Youth and active citizenship are widely discussed as the young people are perceived as 'citizens in the making' (Marshall, 1950, p. 25) and therefore they have become the main target of policies to increase active citizenship over the past decade. The recent research of 4,000 young people, aged 18-25 years, in Thailand illustrated that more than half expressed their desire to see change in society and specifically demanded that the country's leaders practice good governance with no corruption for the people's benefit (Khon Thai Youth Monitor, 2014). Interestingly, while the youth in Thailand are aware of the problem as well as the need to improve the nation, when asked about their contribution, more than half mentioned passive roles such as not causing problems to others and being a good student, explaining that they are too young to make a difference.

From a business school perspective, there is a serious need to foster students' (who represent the leaders of the younger generation) active engagement. However, it is recognized that learning must be carefully designed so that students become motivated and engaged in understanding and applying the subject (i.e. Consumption and Marketing in this case) in support of the broader context such as social development. As proposed by Jansen, Chioncel, and Dekkers (2006), educating active citizenship can be achieved by linking the context of practice to the content of learning. Students should learn to critically analyze information about the particular context in conjunction with overall situations. Next, they should be facilitated opportunities and access to experience a wide range of citizenship activities as well as how to monitor and evaluate the practices. This chapter proposes that the learning process can follow the four main steps of understanding the problem, introducing the solution, engaging participation (with real actions to support the project or organization), and evaluating output and outcome.

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In the following section, these processes are elaborated together with examples of real practices and summarized learning derived from the Consumption and Marketing classes conducted at the Sasin Graduate Institute of Business Administration, Thailand (AACSB, EQUIS). The main approach for this course is to facilitate opportunities for students to attain hands-on experience from group assignments to in-class exercises, fieldwork, and projects. These various initiatives present broader opportunities to explore the different pedagogical approaches. Moreover, with a mixture of local students (half of whom have been educated in Western countries) and foreign full-time and exchange MBA students, the discussion also sheds light on the topic of cultural diversity.

Step 1: Understanding the Problem

Understanding the social problem is fundamental to any further development. A deeper view of the issue can lead to more opportunities to overcome the challenges while producing more active citizens who can identify the options and limitations inherent in social development practices. But how to connect with business/marketing students who may not be familiar with, or have little interest in, many social subjects can be difficult. To elaborate on current situations and explain major causes of the problem, both macro perspectives (e.g. impact on relevant stakeholders) and micro perspectives (e.g. personal stories of the affected group) are needed. The macro view can help emphasize the importance of the matter and bring it closer to students' lives, while the micro stories can help move them emotionally.

An example is derived from the case of Yaowawit School described in Table 2. Yaowawit is a boarding school founded to care for orphans from the Tsunami in 2004 and later expanded to include other disadvantaged children. When discussing the case, students were first provided with macro information about the large-scale troubles that many unfortunate children are currently facing in the country, ranging from poverty to low quality of education, psychical and mental health problems. These have consequently led to a multiplicity of entangled social concerns such as drug addiction, violence, crime, all of which can eventually affect everyone's lives. Like most case studies, many claimed solutions to these problems lie in education. Yet there has never been enough support from government welfare alone. Looking closer at the micro perspectives of Yaowawit children's backgrounds, all have been subjected to various kinds of trauma from a young girl being abused by family members to a homeless boy wandering around to find food from garbage. Hearing so many of these stories (with due respect to the children's privacy and confidentiality) immediately engages students into serious concern about the situation and the need to take part in tackling the problems of this vulnerable group in society.

Learning from the Yaowawit case suggested that it is important to make students feel involved and accountable for the situation. While both macro and micro perspectives are needed, cultural differences among students could also play an important part. It was observed that students with Western backgrounds (e.g. growing up or studying in Western countries) seemed to pay attention to learning about the overview (macro) information such as inquiring about education policies, and foster care systems while those of the Asian (i.e. Thai) background seemed to be moved by the individual (micro) stories. With regard to CSR perspectives, it was suggested that the Western ideas seemed to focus on laws and disciplines whereas Thai concepts are based on the individual's spirit (Prayukvong & Olsen, 2009). Nevertheless, both perspectives have their limitations as the macro information can be too distant and create the perception of the problem being too large to handle while the micro, emotional information can be too personal and susceptible to change. Therefore, to gain thorough understanding of the problem both perspectives must be combined in order to reach both cognitive and emotional commitment.

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It should also be recognized that there might be different segments of business/marketing students who have different degrees of interest in social issues. Thus, in the initial stage some students may show hesitation or even resistance to participation. However, all must be encouraged with the underlying belief that everyone wants to be a good active citizen when opportunity allows. Additionally, true learning about consumption and social-related marketing requires real practice or first-hand experience beyond conceptual analyses in the classroom.

Step 2: Introducing the Solution

After contemplating the social problem, the students should then be introduced to selected development projects with supporting information such as background, vision, mission, main tasks and responsibilities. Besides this general information, the discussion must also incorporate the management aspect of the project or organization such as strengths and weaknesses, opportunities and threats, strategy development, implementation (marketing/communications, operations, human resources, financial management), and performance evaluation. Organizing this in the form of case discussion with specified challenges can stimulate dialogue with students and lead to more engaging questions (Ackerman, Gross, & Perner, 2003). While content about the social interventions is important, it should be emphasized here that the purpose of learning for this group of business/marketing students is in the implication of consumption and marketing to support such an approach. Therefore, the focus is not on discussing social work but the relevant management, specifically marketing, areas such as how to communicate the program in order to attract interest and gain collaboration from stakeholders, and how to generate more revenue from donations and businesses.

Examples derived from the classes indicate that there can be quite a few challenging issues stemming from students' investigation of the management of social projects or programs. Business school students particularly can be goal-oriented and focus on effectiveness and efficiency (Vansteenkiste, Lens, & Deci, 2006). while many social development organizations are running with the goal to promote other aspects (e.g. wellbeing) regardless of high operating expenses and low returns on investment. For instance, when discussing the management and operation of Yaowawit, many students directly or indirectly criticized the school's premium offerings from resort-like facilities to extra learning of English, sports, and computer training. Such dialogue is in fact quite helpful as it can lead to better understanding of the school's concept, which believes that basic education is not enough for these disadvantaged children to find their own ways of breaking out of the vicious cycle of problems. They need extra qualifications to move forward so they can hold their own in the future.

This process also helps highlight concerns or reservations that students may have regarding the social development project, while the Q&A provides opportunities for students to learn about any queries they may encounter and how to handle them in the next step. Jansen, Chioncel, and Dekkers (2006) stressed the need to promote communicative interaction in resolving conflicts of interest and interpretation as it helps building participatory competencies of active citizens, while learning to question any rationales behind the current practices can raise awareness of the context-bound nature of the social developments. In this case, arranging discussion in the dialogue format can serve as a platform to exchange different and constructive perspectives. As an example in the abovementioned case of Yaowawit, the vision of the German founder, Mr. Philipp Graf Von Hardenberg, was that every child deserves to receive the best possible chance and the school should foster a positive attitude in the children to strive for a quality life so they can maximize their potential and eventually can lend a hand to others in need. Yet, in the

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Table 2. Yaowawit School case

The Tsunami of December 2004 caused widespread devastation in the southern part of Thailand. The tidal wave swept away lives, properties, and hope. Many people were left homeless after 58,550 homes were destroyed and another 6,824 homes were damaged. In addition, 882 children were orphaned. But just as these unfortunate victims were sinking down under the devastating effects of the tidal wave, they were pulled back to life by many helping hands. One of the efforts was through the kindness of the Children's World Academy Foundation which aims to provide education, (food and shelter) and living support to children in need between four and eighteen years of age. Mr. Philipp Graf von Hardenberg, an entrepreneur and the founder of this organization, initiated the Yaowawit public welfare boarding school opened in April 2006.

I believe that the most important parts of my vision were and are …one, the children must be able to break out of the vicious circle of poverty by receiving a fundamentally first class school and vocational education. Two, Yaowawit School must be a project mainly run and supervised by Thai people. And lastly, Yaowawit School must be able to generate its own income so all people involved feel responsible for the future of the project. – Philipp Graf von Hardenberg, Founder

Hardenberg's attempts, together with support of several friends and partners, made possible the realization of the Yaowawit School project. The school, situated on a large 22 hectare plantation in the village Kapong, is approximately 125 km north of the city Phuket and about 65 km east of the tourist spot KhaoLak. The school is located in an orchard outside Kapong village with a unique landscape of hills and valleys, tropical forests, creeks, lakes, and gardens.

Yaowawit School was originally designed to support children and orphans who suffered from the tsunami aftermath. Later it was extended to include disadvantaged children living in poverty or tolerating unacceptable social circumstances, e.g., being forced into a life of begging or prostitution. The school mission is to provide a community of well being and care where children can obtain a first class education and practical training. The curriculum is designed to meet Thai educational standards, the students' needs, and the regional situation. Children will not only learn the required academic subjects but also acquire practical skills, craftsmanship as well as entrepreneurial spirit and knowledge. Students will grow up and learn bilingually, in Thai and English, as well as learning from an early age how to use computers and the internet. To provide a firm foundation for the future, students of Yaowawit will receive practical training in areas that complement Southern Thailand's businesses such as farming and tourism.

Currently, the Yaowawit School has about 130 children and is accepting around fifteen kindergarten children every year. Each month, the school has to bear expenses of approximately at 30,000 USD, of which fifty percent is for salaries and the other fifty percent is used for food, gas, electricity, etc. To date, the school has relied mainly on income from fund raising. However, an ever increasing scarcity of resources and many unfortunate events around the world has made it more difficult for the Yaowawit School to rely solely on international donations.

Realizing the need to stand on its own, the foundation and the school started, as planned from the beginning, projects that can help reduce costs and have the potential to generate income. Among these, farming is a high priority because it is one of the most important businesses in southern Thailand. In the school plantation, children learn about agricultural ecology and at the same time produce food to supply the school's meals. These agricultural products such as latex from rubber trees and palm oil are expected to provide financial returns in the future. Yet the school is concerned that an abundant supply and competitive market will make it difficult to bring profit particularly the school is located far from the downtown leading to heavy transportation costs. While the school is struggling to find more sources of income, its expenses soar because more children are accepted and the older ones are entering the level of education which the school is not yet ready to provide. Sending them to other secondary schools nearby requires additional funding for transportation, food, and personal expenses.

Because PhangNga province is well known for its beautiful national parks, islands, and beaches, the tourism business attracted Hardenberg's interest because it can not only generate income but will provide the children with lucrative jobs in the future. Before the tsunami, over two million people per annum visited the province with the peak at 2.89 million people in 2004. Almost 65% of these visitors were foreigners, 53% from Europe (particularly Scandinavians, Germans, and Swiss) and 33% from Asia. For international visitors, the main purpose of their visit was pleasure (about 95%) while the domestic visitors' ratio was pleasure (70%) and business (30%) e.g., meetings, seminars, company visits, exhibitions. Most tourists who choose PhangNga prefer seclusion and a peaceful time with their families. With the significant effort of both private and public sectors to rebuild tourism businesses after the tsunami, the situation has improved remarkably with more domestic tourists traveling to PhangNga. Most international visitors are still Europeans with many from Germany, Scandinavia, and the UK, while the Asians are mainly from China, Hong Kong, and Taiwan.

Early in 2007, Yaowawit School initiated a small hotel project, Yaowawit Lodge, with two mutual objectives; to provide practical training for their children in the hospitality business and to generate income to cover the school's running costs. Because tourism is a significant business sector in the southern part of Thailand, it is good to support young Thais to find career opportunities in this field. The first phase of this business had four buildings with a total of twelve guest rooms as well as a guest lounge and a lobby with a restaurant located in the school's commons building. Currently students participate in the hotel operation as part of their education on a voluntary basis. Trained staffs instruct them in English communication, manners, and service. Children also learn directly from practice in the housekeeping, laundry, and kitchen units. For other activities, hotel guests can walk to the school's plantation and orchard. They can also take an excursion tour with children guiding them to visit neighboring villages only 5 km away. Guests can also visit the two temples in the village that cooperate with Yaowawit School.

Adapted from Nuttavuthisit, K. (2008). Yaowawit School Kapong, Kellogg School Case 5-308-500.

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eyes of many people living in the developing countries, they see many more children who can barely make ends meet each day and they are familiar with projects running at minimal cost. Such a difference between helping children to survive versus to thrive must be addressed because it involves the different business models and management/marketing strategies. The group discussion concluded that Yaowawit School must project clear positioning of being a place to create social change agents who can not only lift themselves up but create a ripple effect on others. This would then justify the need to engage premium services. But it was found that such a distinct concept would be well accepted only among certain groups of people in Thailand, as reflected in almost 100% of donations coming from abroad. This can be explained by the social psychology theory which indicates that individuals from collectivistic cultures are motivated to avoid failure while those from individualistic cultures are motivated to pursue success in life (Lockwood, Marshall, & Sadler, 2005). Though this understanding can help plan segmentation and targeting of potential donors, to achieve sustainability it is necessary for social development projects to also promote local involvement and contribution (Greensmith, 2002). This leads to further discussion on how to respond to such issues. The next process explains one of the efforts to engage participation among business school students and other relevant stakeholders.

Step 3: Engaging Participation

Though the sharing of ideas about how to tackle challenges of project management can already be considered a good contribution to social development, the matter still requires concrete action beyond thinking and making plans. Thus, in this stage students are engaged in activities with platforms designed to facilitate their learning and the implications of consumption and marketing, while at the same time producing results (e.g. raising funds) to support the social project or organization. Examples are activities to solicit donations or applied business practices such as selling souvenirs prepared by the organization and taking part in social enterprise projects with opportunities to learn the total business process.

From the case of Yaowawit School, prior discussion illustrates the need to promote more local involvement and contribution. At the basic level of donations, students are engaged to plan and activate fundraising activities with reference to strategies such as friend raising, special events, direct marketing, sponsorship, and customer (i.e. donor) relationship marketing. Realizing the need to overcome some reservations among the locals who may not buy into the school's concept (i.e. to thrive rather than to merely survive), the students thought that direct experience would be one of the main mechanisms to enhance learning of this different model and to encourage support. With the chosen target segment of business people in their networks, students decided to organize a charity event to bring the group to join various activities at the school ranging from touring the site and its neighboring community, to farming, and teaching children extracurricular subjects. The event resulted not only in significant funds raised but also future opportunities to invite business groups to interact with the school.

Summarized learning from the activity was that students seemed to be uncomfortable with soliciting donations particularly with the tough proposition of Yaowawit School and no urgent circumstances (e.g. natural disaster) to endorse the activity. This is congruent with the current situation worldwide of lacking good personnel, resources, and management systems in the field of fundraising (Bell & Cornelius, 2013). Hence, most strategies implemented (at least in Thailand) are through personal networking. Though this approach may produce fast and easy returns, it is mostly restricted to interpersonal relationships rather than the real causes and the projects. Additionally, this method makes it difficult for new organizations

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with limited connections to successfully reach donors, and cannot yield long-term benefits. Students came to the conclusion that in this context it was good to begin with personal networks but then to continue through some other systematic approaches to fundraising.

Next, besides asking for donations, students were encouraged to practice selling items or merchandise from the social development organizations to generate additional revenue. While Yaowawit School was still in the early stages of product development (e.g. lemongrass tea from the farm), students were introduced to other projects from UNICEF (selling souvenirs such as stationary and greeting cards) and the Thai Red Cross (selling commemorative coins to raise funds for the new building of the King Chulalongkorn Memorial Hospital), both of which have a variety of products and price ranges. Each group of students would begin by selecting and analyzing their target segments before planning and conducting marketing strategies. To enhance learning of diversity, students were assigned to work with different groups of consumers, arrange a different mix of products (souvenirs) and pricing, and sell products at different venues. In all cases, supporting materials (e.g. official brochures, banners, receipts) were provided to endorse credibility of the activities and avoid students incurring expenses.

Summarized learning from these activities is mainly derived from opportunities to directly interact with real markets and customers, particularly those whom students may not be familiar with such as the lower income group, or the older people who can become supporters of these projects. From their experience of being in the market students, particularly those with an international background, could observe cultural differences. Amusingly, those students who could not speak Thai became magnets through their attempts to communicate the good will. Here, students could see the different consumption behaviors and how to approach the target market. For example, students mentioned that they could reach the baby boomers early in the morning at the park and it was critical to attract the opinion leader because they could easily persuade others in their peer group to contribute via their social media networks. In this case, products serve as a medium to open up and connect the social issues with the general public's attention and eventually this could lead to further donations which remain the major source of income for most social development organizations. To apply this to the case of Yaowawit, it was suggested that this approach could help tackle challenges of the school being too premium to attract donations, but support through the buying of merchandise would be possible.

Finally in the more business-oriented state, students were engaged in the social enterprise projects which provided them with direct opportunities to make use of business knowledge and skills in support of social development. At Yaowawit, there is Yaowawit Lodge created for students to gain professional training in the hospitality sector and for the school to generate additional revenue. The goal is for the school to eventually become sustainable and be less dependent on donations. Students learned from the real case that this hotel, situated far from the beach and tourism areas, could attract very little interest among tourists on vacation. Therefore, they suggested targeting different groups such as businesses and other school communities who might be interested in organizing activities (e.g. bonding trip, camping) at Yaowawit and, with its mission to support disadvantaged children, it could also be incorporated into their social responsibility projects. This idea has been realized and has successfully raised a continuous stream of income for the school up until today. Students also learned about focusing on subsegment of schools or academic-related groups because they have shared common interests in organizing activities that can be easily combined with the school's arrangements. It also promotes Yaowawit children's interactions with friends and teachers from other school communities. Interestingly, most partner schools are international schools in Thailand or from abroad, probably due to the common approach regarding

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children's development. An example of continued relationship is the Hong Kong International School's summer camp organized every year as a part of their social conscience education program.

Besides Yaowawit Lodge, students were introduced to another social enterprise project, Pan Kan, a charity shop developed to sell donated items to raise funds for scholarships for needy children under the care of the Yuvabadhana foundation. Established in 1993, this organization has sponsored more than 5,000 children to finish high school, vocational school, or university. For this project, students had a chance to operate their own pop-up retail shops in designated venues during the specified period (with permission to use the space free of charge as part of the University's activity). Here, they had to work through the whole process from market identification and consumption analysis to sourcing (e.g. asking for donations of used items), arranging products, pricing, displays, logistics, promotions, and more. Here, students learned how to solve problems and adapt their strategies accordingly, which can help connect creativity with social responsibility as well as generate identification and commitment to the causes (Wildemeerschet al., 1998). One student group, assigned to work at a busy fresh market, saw that despite the high traffic most people were not paying attention to anything other than food and groceries. So they tried to walk around calling interest to their shop, but they learned that this would interrupt the other vendors' businesses. Later, they changed their approach to introduce this business to the other vendors and gained collaboration from them to help invite customers to visit the shop.

For students, it is crucial to highlight that the primary objective of these organized exercises is learning and engaging students in planning and conducting activities, rather than measuring the end results (e.g. amount of money raised). The group mentioned earlier could not achieve high sales performance at the end, but gained impressive involvement from the community which can also serve as a significant mechanism to promote social development projects.

Step 4: Evaluating Output and Outcome

After the exercises, students were asked to evaluate output according to their prior analyses and strategic plan. Each team needed to give a presentation on their selected target segment, how they analyzed this segment's behavior, planned and performed strategies leading to their outputs. Importantly, evaluation would be based on their own plan and performance rather than comparing the returns across different groups. In fact, students might collect a small amount of donations from the low-income group but achieve high success regarding their plan to promote participation with no boundary. In this stage, management teams from the social development organizations would be invited to share their views with students and collect new ideas for their future development. They could assist in the process of connecting the outputs with possible outcomes such as analyzing to what extent these efforts could become scholarships for disadvantaged students under support of the organization, or how the activities conducted could help broaden the organizations' collaborative networks. The management teams must be open and acknowledge that engaging volunteers, specifically the business school students, could lead to greater and longer lasting impact despite some imperfect results and the extra effort needed. As Wenger (1998) suggested, learning of social practices enhances how to participate rather than the end result. Such perspective must be emphasized as some NGOs might prefer to gain only resource support, especially from the business sector, instead of collaborating with students, as they might be concerned about the complex nature of the social issues or want to control management and operations internally. There might also be some doubts about the sincerity of business entities which need to be clarified.

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To summarize the learning process, all proceeds from students' activities were then combined into the class donation to the organizations, and for their future reference and engagement every student would be presented with a certificate from the organization to acknowledge their contribution. For example, the recent activity to sell commemorative coins for the Thai Red Cross raised 32,500 USD within ten days. This will contribute to the expansion of the King Chulalongkorn Hospital, a public tertiary hospital serving about 1.4 million patients a year. The other pop-up retailing for Pan Kan totaled 4,000 USD sales in one day, or scholarships for 20 underprivileged children.

Finally, each student would submit a short essay to reflect on individual experiences. This reflection process is important after any activity since it allows opportunities for students to review and integrate their learning. Moreover in promoting active citizenship, this process can help connect awareness of social conditions and developments with personal life themes and bring students to attain underlying meanings of experiences. Examples from the real practices are shown in students' feedback after class (and even after graduation). Many of them still recall and talk about such experiences while some have become supporters of these and/or other social projects. For instance, one Japanese alumnus has brought a group of people from his organization to visit Yaowawit every year. Other alumni said these activities (stated in their CVs) are normally discussed in job interviews and the experience could bring quite insightful conversations with the companies. Those who felt reluctant at the beginning even noted (in the evaluation) that the initiative had given them new perspectives in making a difference and they felt proud to have taken part. This is consistent with Jansen, Chioncel, and Dekkers (2006) who suggested that the sense of communality could arise from encountering experience of togetherness and sharing of symbolic meanings or emotional events.

CONCLUSION

Business and society are interdependently related as business is initiated from the ability to analyze and promote opportunities to fulfill the needs of people in the society. Such an approach yields better satisfaction for the people as well as producing higher returns for business. In our modern economy with its forces of capitalism and globalization, it is ever more evident that society is being driven by business progress. Thus, in today's more complex world with its serious and fragmented issues, further involvement of business in tackling and preventing problems is needed in order to promote shared happiness and sustainability. As CSR has become increasingly emphasized, the concept has become the common reference point for individuals and organizations who want to contribute to society.

The movement is quite apparent in the case of Thailand, an emerging country with a positive growth of economy which has, at the same time, faced serious sociopolitical problems due to mismanagement and the lack of contributing efforts from the people. Particularly, the business sector has benefited significantly from the country's resources and economic expansion but contributed further problems of inequality and separation. This has led to a call for the responsibility of business people to play a bigger role in social development. This concern is quite apparent and the best and most fundamental way to begin is to start from education. Many business schools around the world have responded accordingly, to the extent that some schools announce the vision to produce business leaders who can make a positive difference in society. Nevertheless, despite the desire to see change, it is not always easy to make the change especially among the business school students who will have to manage a balance of other expectations such as making returns on investments of shareholders.

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This chapter features the summarized learning from examples of MBA classes conducted in Thailand. While the subject of Consumption and Marketing can connect with the goal because it enhances better understanding of the target group of people and devising of strategies to persuade them to take action in support of social development projects, the subject also requires care in the design of processes to facilitate the integrated learning. Here, the four main steps from understanding the problem to introducing the solution, engaging participation, and evaluating output and outcome are discussed together with the use of techniques such as problems, practices, and projects. In each class, students are introduced to problems from various sectors (business, social, etc.) at both domestic and international levels and they are encouraged to practice tackling the multiple challenges with focuses on analyses of target customer/donor behaviors and development of marketing strategies. Finally, students will be able to apply knowledge and experiences into their projects or activities. Through this process, students can learn about relevant theoretical concepts but in a more engaging and pragmatic manner. As a result, students will be able to further develop their analytical, creative, and theoretical skills. Analytical skill denotes the ability to collect, analyze, and present information in a logical and coherent manner. Creativity includes, for example, innovative and thought-provoking ideas, fresh and different viewpoints, and unique techniques or styles. Theoretical skill is the ability to employ or engage some concrete concepts/theories of consumption and marketing.

Besides learning the subject, Consumption and Marketing, this process can enhance students' understanding of the wider, deeper, and longer (sustainable) perspectives as it expands the boundary of marketing education from a business/economic focus to the social issues, and from class-based to experiential-based learning. Empirical evidence from the real practice demonstrates such effort being well received because unlike some businesses which may be limited to specific interest groups, social problems are close to the heart and lie in the hands of everyone. Not only can this benefit the students, but also the overall business sector and economy, to move in the direction of sustainability. The learning from the case of Thailand can bring insights into the 21st century marketing education and emphasize ongoing initiatives promoted by various business schools to integrate diversity, ethics, analytics, and sustainability into their programs. Ultimately, this learning can impact on society by turning marketing students into active citizens of the country and the world.

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KEY TERMS AND DEFINITIONS

Active Citizen: A person who actively takes responsibility or participate in the area of public or social development.

Consumption: An act of consuming product, service, idea, or concept influenced by psychological factors (e.g. motivation, perception, learning, attitude, self-concepts and personality) and sociocultural factors (e.g. family, social class, culture, cross-culture, subculture).

Fundraising: An effort to gather money for social development projects.

Social Development: A process to benefit people and the society.

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Social Enterprise: An organization that applies business strategies for the benefit of public or social development.

Social-Related Marketing: A strategic process of identifying demands and exchanging values in support of social development.

Sustainability: An ability to sustain itself and to continue in the future.

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Chapter 51
Corporate Social Responsibility and Sustainable Business

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ABSTRACT

In this article, the authors propose an analysis of the corporate social responsibility (CSR) concept together with an emphasis on the role it plays in the context of sustainable development. The article includes a synthesis of the various theoretical approaches to CSR, an overview of the development of CSR practices at a national and an international level, certain authors' for and against arguments are related to generalising these practices, trends regarding CSR practices at international level, as well as an analysis of the CSR practices in Romania. The research conclusions express the author's own points of view on the development of corporate social responsibility initiatives at company level and the related benefits thereof.

INTRODUCTION

The environment in which business is performed is more demanding and dynamic than ever before. At the same time with the permanent pressures from shareholders related to making profit, companies must live up to higher and higher expectations on behalf of stakeholders with regards to transparency and taking responsibility. The authors make a synthesis of the specialised literature, indicating that the idea of corporate social responsibility meant first of all changing the perspective on business, from a mainly financial performance-oriented model, to once with wider interest in life quality, preserving resources and meeting the general interests of society. Namely, a vision which is circumscribed to the sustainable development principles.

At present, a company's social responsibility implies more than donating money to social causes or doing charity, but it refers to that honest and upright attitude the company is self-governed by, performs

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its mission, respects its values and stakeholders, as well as the way in which it communicates and assesses the impact its activity has. A socially responsible attitude means making sustainable investments in the community where the activity is performed. In this context, 21st century company managers must turn social responsibility into a business tool – corporate social opportunity.

Under the pressure of regulations, more and more companies (mainly, but not limited to, multinational ones) have started integrating the social responsibility activity into their management strategy and communicating completed projects in their social commitment annual reports, in addition to the financial-accounting ones. This trend is also embraced by companies in Romania, country where recent studies have shown that the general public is more and more interested in socially committed campaigns, and consumers are more and more informed and demanding. Romanian companies must understand that responsibility towards society can be a strong element of differentiation, as consumers are more open to messages from companies that aim at the sustainable development of society than to messages from those that are perceived to be focused on profit alone. Moreover, the Romanian market has become more and more competitive and companies must find relevant solutions in order to establish emotional bonds with the public. All these are factors that currently make CSR a powerful tool in building and expanding a brand.

THEORETICAL IDEAS REGARDING CORPORATE SOCIAL RESPONSIBILITY

The specialised literature has recorded in time various and eve contradictory definitions of and approaches to this concept.

A chronological presentation of the main authors who contributes to the CSR concept development was made by Carroll. In 1999, Carroll published a vast research whose topic was the evolution of the definitions given to the concept of corporate social responsibility. Although he identifies theoretical references dating back to the 1930s – 1940s, he decides to place emphasis on the intervals after 1950, namely what he considers to be the modern era of corporate social responsibility (Carroll, 1999). Thus, Carroll considers Howard Bowen to be the father of the theoretical CSR concept, with reference to the latter's paper written in 1953 and titled *Social Responsibilities of the Businessman.* Bowen defined corporate social responsibility as being "… the obligations of businessmen to implement those policies, to make those decisions, or to take those directions which are accepted by society in terms of values and objectives…" (quote in Carroll, 1999).

In 1973, other authors, Eilbert and Parket wrote "…that the best way to see social responsibility is that of a good neighbour. On the one hand, it means not doing things that cause damage to the neighbourhood. On the other hand, it can be seen as the voluntary acceptance of the obligation to help solve the neighbourhood's problems…" (Eilbert & Parket, 1973).

Carroll, in a paper published in 1979, considered that CSR "… implies managing the business in such a way that it is economically profitable and it observes the law, ethical principles and social matters." Carroll brought into discussion four aspects of the concept and called them *the corporate social responsibility pyramid*:

- **Economic:** The responsibility to make profit for the shareholders;
- **Legal (Judicial):** The responsibility to observe the laws;

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- **Ethical:** The responsibility to adhere to the social, moral rules, etc., other than the legal ones;
- **Philanthropic:** "…the responsibility to play a role in the voluntary support provided to a part of society…" (Carroll, 1979).

Dahlsrud (2006) in his turn, identifies five aspects of the social responsibility concept:

- **Environmental Aspect:** It takes into account the companies' integration of certain environment protection interests into the performance of their economic activity;
- **Social Aspect:** In which social responsibility is presented as a relationship between the company and society, and the company's role is to contribute to the development of society;
- **Economic Aspect:** In which social responsibility is presented as financial aspects (responsibility to shareholders);
- **Stakeholders Aspect:** In which we analyse the stakeholders that the company must take into account (employees, suppliers, customers, community);
- **Voluntary Aspect:** In which social responsibility is seen as an activity performed by the company, whereby the company sets higher standards in its activity than those set by the legislation in force.

In the Green Paper elaborated by the European Commission in 2001 – *Promoting a European Framework for Corporate Social Responsibility,* CSR is defined "…as a concept whereby companies integrate social and environmental interests into their business operations and into their relationship with stakeholders on a voluntary basis, being aware that a responsible behaviour leads to the company's long-term success…" *(European Commission, 2001).*

OECD considers CSR as being "…the multitude of actions taken by companies in order to consolidate their relationships with the communities in which they operate (Gordon, 2001). Falck and Heblich (2007) consider that social responsibility is understood as a voluntary corporate commitment to go beyond the implicit and explicit obligations related to what conventional corporate behaviour implies…" (Falck & Heblich, 2007).

In the ISO 26000 Standard on Social Responsibility, social responsibility is defined as "…an organisation's responsibility for the impact of its decisions and activities on society and the environment, through ethical and transparent behaviour, which contributes to sustainable development, takes into account the stakeholders' expectations, complies with the legislation in place and is consistent with the international behavioural rules, is integrated throughout the organisation and implemented in the organisation's activities…" (ISO, 2010).

It is important to mention that not every author shares these opinions. The most famous critic of the CSR practices is M. Friedman, in whose opinion a company's only objective must be to maximise profitability for the shareholders. In his approach, only people have responsibilities, considering the company as an artificial person with artificial responsibilities. In his book, *Capitalism and Freedom*, he emphasises that "…there is only one social responsibility of the business – to use its resources and to be involved in activities oriented towards increasing profits, taking into account the rules of the game, namely free competition and avoidance of fraud and deceit…" (Friedman, 1962). In 1970 in *The New York Times Magazine,* Friedman stated that "…a company's only responsibility is to produce welfare for its shareholders…" (Friedman, 1970).

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Other arguments made against the CSR practices are synthesised by Bowie and Duska in their paper published in 1990 (Bowie & Duska, 1990):

- **The Corporations' Obligations to Do Good Cannot Be Extended Endlessly:** Higher and higher pressure on companies to contribute to solving certain social problems could lead to making it more difficult for them to obtain profits;
- **There Is No Moral Authority That Sets Hierarchies of Social Needs:** Company managers, accustomed to decisions based on economic and financial criteria, will be in a position to make decisions based on moral reasons. Thus, business will influence social priorities, which must remain within the decision scope of public authorities;
- **The Relationship Between Ethics and Business Must Be Realistic:** After all, the end goal of business is to make profit. Businesses do not have the moral responsibility to do good.

In terms of the companies' motivations, opinions are also varied. Armstrong and *al.* (2013) say that current pressure related to companies' taking CSR actions "…interferes negatively with their strategy, distorts the allocation of financial and human resources and increase the probability for irresponsible decisions." Other authors (Halpern & Snider, 2012) say that certain companies perform CSR programmes only to take the public's attention away from the ethical problems triggered by their core operations, to clear their image or because in fact their products and services are harmful to the consumers' health or the environment (companies producing weapons, tobacco, alcohol, etc.).

We may identify a few general ideas in these theoretical debates:

- The corporations' social responsibility is a phrase that defines a certain type of behaviour on the part of companies as social actors, behaviour which is meant to lead to an improvement in the quality of life for the community the respective company is part of;
- This activity is a voluntary one, in addition to the legislative duties imposed by each country;
- The concept is quite old, and there has been an increase in interest in it in the past two-three decades, but it still has no clearly defined "boundary", only actors with responsibilities undergoing change, government – private sector – civil society;
- Although the facts show that they are not a passing trend, but tend to become a legitimate part of the business environment, CSR practices continue to be quite controversial and open to debate at world level.

HOW IMPORTANT IS CSR FOR BUSINESS?

The first institutional effort to promote and implement corporate social responsibility at international level is related to the *Business in the Community* initiative, in Great Britain, in 1982, in the context of very high unemployment in this country. The initial purpose was to create the organisational framework for action in which companies (30, initially) to become involved in increasing the level of employment in the local communities, and it evolved towards social investments and, eventually, to what we consider CSR today.

As international institutions (United Nations (UN), European Union (EU), Organisation for Economic Co-operation and Development (OECD)) became aware of the fact that the companies' adopting the

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CSR principles is subsumed to sustainable development objectives, there surfaced the need to create international standards in order to define the desirable corporate behaviour and the indicators whereby it may be assessed, namely a series of recommendations and principles that encourage CSR initiatives.

Thus, we must mention the UN Global Compact programme, operational since July 2000, namely a network made up of United Nations agencies, companies, unions, universities, civil society organisations, government institutions, etc. The programme has 10 important principles organised in 4 domains of interest: human rights, labour standards, environment and fight against corruption. UN Global Compact requests companies to embrace, support and adopt this set of fundamental values voluntarily.

The importance of CSR at world level is proven by the collaborative effort made to create the ISO 26000 Standard on Social Responsibility in 2010. This standard meant creating a unitary value framework in the field of social responsibility, so as to harmonise the multitude of codes, rules, certifications and standards in the social and environmental fields. This initiative supports all companies "…in achieving long-term economic benefits, incurring reduced social costs and generating minimum adverse effects on the environment…" (ISO, 2010). ISO 26000 is a document that provides guidance to all types of organizations, regardless of their size or location, on:

- Social responsibility concepts and definitions;
- Social responsibility tendencies and characteristics;
- Social responsibility principles and practices.

In 1999, the *Dow Jones Sustainability World Index (DJSW)* was launched, the first global index used in measuring the financial performances of companies that are leaders in the field of social responsibility at world level. Lately, more and more investors take into account this index when they decide to invest in a certain company, firstly because the "…introduction of social responsibility policies promises the creation of sustainable value and, consequently, ling-term benefits…" (Mandache, 2007). Secondly, because such companies are expected to have superior performances as compared to the others, due to better risk management. Currently, there is a wide range of indices which measure the companies' social performance and which are key reference to investors. Among them, we mention: FTSE4Good Index, Global Challenges Index, MSCI World ESG Index, STOXX Global ESG Leaders, STOXX Sustainability Indices, Dax Global Alternative Energy Index, Hang Seng Corporate Sustainability Index, etc. (Jankalova, 2015).

At present, voluntary involvement in the community life is a must for a company that wants to ensure not only financial success on the market, but also the respect of those among whom it operates. According to a survey performed in 2015 by Cone Communications and Ebiquity (Cone Communications & Ebiquity, 2015) nine out of tem consumers consider that companies must do more than just to make profit, namely they must approach social and environmental issues. The research includes responses of nearly 10,000 consumers from countries like the United States, the United Kingdom, France, Germany, Canada, Brazil, China, Japan, and India. Consumers perceive more and more clearly the messages conveyed by the companies' social actions and they are more and more inclined to buy "green" products. 81% of the consumers are willing to buy and consume fewer goods in order to preserve the planet's natural resources or they would buy the goods/services of a less known producer about whom they know that it has high CSR standards. 62% of the consumers would accept to work in a company that is thoroughly involved in social responsibility and environmental activities, for a lower salary than the one offered by a company which is not committed to social and community actions.

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Reputation Institute published in 2016 The CSR RepTrak, a vast survey of the consumers' perception of the CSR performances of the top 100 companies worldwide, according to their reputation. The survey is based on over 100,000 interviews performed in 15 countries in Europe, Asia, North America and Latin America. Together, the GDPs of the countries in which the interviews were performed exceed 75% of the global GDP. The survey emphasises the connection between the companies' success and the stakeholders' attitude to them. Whether we are talking about consumers, authorities, sponsors or speakers, stakeholders pay attention to the companies' performance and reputation. 73% of the interviewed consumers would recommend the companies with high reputation score in terms of CSR. Whereas companies with low scores related to CSR perception would be recommended only by 17% of interviewees. The survey also shows the fact that the companies in the top 100 in terms of reputation invest on average $50m annually in CSR activities, yet only 35% of the interviewed consumers believe about the 100 companies that they act as good citizens, supporting society and the environment, and only 40% believe they behave ethically and transparently in business.

Beyond the survey results and the debates, more and more companies, which are aware of the obvious benefits of taking on social tasks, both in terms of creating a competitive advantage, and by promoting a positive image, and which are also animated by philanthropic sentiments, incorporated CSR into their long-term development strategies (Katsoulakos et al, 2004).

Therefore, a company's success depends crucially today not only on the economic and financial operations, but also on the way in which managers know how to tackle ethical and moral issues and the relationship with stakeholders. CSR programmes help companies set themselves apart from the competition and gain the customers' brand loyalty. As they meet emotional needs, "CSR programmes are also a good opportunity to communicate brand values in a memorable way…" (Oprea, 2011).

Other benefits of social responsibility actions for companies may be summarised as follows:

- Better risk forecast and management;
- Competitive advantage and supply differentiation – CSR increases the company's competitiveness, in an economy where consumers and customers make purchasing decisions according to how socially responsible are the companies they buy goods and services from;
- Improved operational efficiency;
- Increased ability to recruit, develop and keep valuable staff. For any company operating in a strongly competitive environment, the employees' brand attachment is essential (Oprea, 2011);
- Increased capacity to build efficient relationships in the supply chain. Companies have been put pressure on suppliers for many years to deliver better and cheaper products, now it also becomes important how thoroughly they respect the sustainability principles;
- Increased ability to manage changes in the business as well as in the political-social environment;
- Easier access to funding.

GLOBAL TRENDS IN THE CSR PRACTICES

Various authors emphasised in their research ways in which companies underwent the process to incorporating CSR policies in their permanent activity agenda. Becoming committed to social responsibility was dominated by multiple changes in the corporate values and by an alternative approach to creating business value.

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Hohnen and Potts identified "…ten factors that have influenced the development of corporate social responsibility at international level, in the past decades…" (Hohnen & Potts, 2007):

1. **Sustainable Development:** CSR is seen as potential solution to problems such as the incorrect use of natural resources;
2. **Globalisation:** CSR may increase positively the impact the global level businesses have on local communities;
3. **Governance:** CSR provides internationally acknowledged tools regarding human rights, the environment and anti-corruption policies;
4. **The Impact of Multinational Companies:** The way in which big companies behave has become an issue of general interest because their influence on political social and environmental systems is greater and greater;
5. **Communication:** In the CSR context, modern communication technologies give the possibility to improve dialogue and partnerships;
6. **Financial Capital:** Investors are more and more interested in supporting socially responsible businesses;
7. **Ethics:** A responsible type of approach may lead to improving the relationship of the company with stakeholders, to increased transparency and to higher ethical standards;
8. **Consistency in The Approach to the Community:** Companies should have the same high standards in terms of caring for environment and the community regardless of country;
9. **Leadership:** Lately, we have become aware of the limits to governmental initiatives in terms of comprising all the problems in a community more efficiently. CSR provides possibilities for action in those areas in which regulations seem improbable;
10. **Business Tools:** Adopting more efficient CSR programmes may lead to boosting reputation, higher market shares, ensuring customer loyalty, etc.

Regarding the global trends in CSR practices, we may pinpoint the following directions:

- **Increase in Transparency and Reporting in Terms of CSR Practices:** Reporting and disclosing social responsibility practices will continue to intensify undoubtedly, given the public interest and the changes in regulations. In this sense, we reiterate the fact that the European Parliament and the European Union Council adopted, in 2014, Directive 2014/95/EU on the disclosure of non-financial information (social and environmental factors) by companies of public interest in the European Union, which have over 500 employees. This information includes *policies, risks and results related to social, environmental and human rights impact, diversity, anti-corruption aspects, etc.* According to the Directive, transparency in terms of such information contributes to measuring, monitoring and managing the companies' performances and their impact on society. The changes brought along by Directive 2014/95/EU were transposed into the member states' legislations until 6 December 2016. When information disclosure is requested, the member states foresee that the mother-company can rely on the national frameworks (currently non-existent in Romania), on the EU ones (e.g. Eco-Management and Audit Scheme) or the international ones (e.g. United Nations Global Compact) etc. The Directive entered into force in 2017 and will have an impact on approximately 6,000 European companies. It is estimated that approximately 2,500

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of them are already involved in reporting sustainability, as they reached the conclusion that these reports may be a competitive element of differentiation on the market;

- **Stronger and Stronger Positioning of Responsible Companies:** The growing impact of the corporate community on society and common good means that citizens and consumers expect that the companies' power and influence should be exerted in a responsible manner. Nowadays, companies are not only considered public enemies, causes of environmental disasters, of financial scandals and crises, but, at the same time, they are perceived also as solution to global problems. Nowadays, companies are expected to do more in the areas which used to be the exclusive scope of the public sector - ranging from healthcare to education, to investments in the community and in environment management;
- **Supporting the Development of New Markets:** Companies nowadays have moved away from their role of "user of resources" to that of market "creator". Direct foreign investments aim more and more at creating and accessing new markets, and less at merely using cheap local resources. Overcoming obstacles to economic growth, such as civil violence, uneducated labour, poor infrastructure and the lack of sustainable sources of energy, water and soil, is now the focus of businesses and on the agenda of all multinational companies;
- **The Global Commitment to Social Responsibility:** There are numerous companies actively involved in and with substantial initiatives on all key markets. After 2000, social responsibility began to be seen as an integral part of the company's business strategy – the 21st century is the "responsibility century". The concept of sustainable business developed, having as drive *the triple bottom line* – the 3 Ps – People, Planet, Profit (term coined by Elkington in 1994). In this context, we must reiterate the fact that the UN General Assembly adopted, at the end of 2015, 17 Sustainable Development Goals (SDG) for the year 2030. The 17 SDGs are equally targeted to both underdeveloped states and regions, and the developed ones. Thus, until 2030, the world states have committed to eradicate poverty and famine, to fight inequality and injustice and to take active measures regarding the protection of the environment. A major role in achieving these goals will be played by the representatives of the business environment (United Nations, 2015).

AN OVERVIEW OF THE SOCIAL RESPONSIBILITY PRACTICES IN ROMANIA

At the beginning of the 2000s, Romanian companies resorted to responsible practices only to align with a European and international trend or because they understood them as a form of rather less expensive advertising. But in time, as the Romanian economy became more and more competitive, local companies began to realize the advantages of this social approach, as prerequisite for increasing their reputation and consolidating their market share (Oprea, 2011). Decision makers in Romanian companies began to understand that, far from being a simple exercise for image improvement, social responsibility programmes are an efficient business tool. The result is that corporate social responsibility begins to change from a marginal phenomenon into a mainstream one in Romania as well.

Yet, the obstacles to this process were not few. Among the main causes for the slow incorporation of the social responsibility principles into the local business culture we find:

- The depreciation of ethical values at the time of the centralized economy;
- Lack of private capital maturity and identity;

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- Organisational culture at an early stage;
- The economic environment lacking transparency;
- The hostile and discouraging political environment;
- Lack of specialised information sources;
- Numerous legislative changes.

In the past years, Romania has undergone a process of harmonising the legislation on human rights, labour conditions, environment protection, energy, transparency in administration, equality of chances, corruption, etc., and there is a legislative framework for each of the domains associated with social responsibility. But the problem "…for all companies is that they are facing an entire legislative jungle and, most often, they do not have the material and human resources to do more than simply comply with the requirements of this complex legislative framework…" (Barbuta et al, 2014).

Other factors that discouraged the social responsibility practices in SMEs, both in Romania and in other European states, are summarised in a survey from 2006: lack of managerial culture on the part of shareholders and administrators, paternalistic and authoritarian management style, conservatism, lack of transparency, rejecting innovation in business practices (Murillo & Lozano, 2006).

In the National strategy for the promotion of social responsibility 2011-2016, there is an SWOT overview of the CSR practices in Romania until 2010. The following are emphasised as obstacles to the development of a more responsible business environment: little knowledge of the CSR concept at the level of decision makers in companies, as well as corruption and lack of public policies in the field. At the same time, an aspect that may be capitalised on in the future is the consumers' positive and open attitude to the companies' involvement in the community/society (see Table 1).

In the Strategy, three major domains are identified, in which action must be taken in order to promote CSR in Romania:

Table 1. SWOT analysis of the CSR practices in Romania

Strengths	**Weaknesses**
• The company's openness to the social responsibility concept • Involvement in CSR initiatives on the part of multinational companies and of some of the large Romanian companies • Continuous increase in the number of initiatives of CSR type and of good practices • Increasing level of the consumers' interest in the products/ services of socially responsible companies	• Insufficient knowledge of the social responsibility concept • Lack of fundamental surveys and research on the level of knowing and implementing CSR in Romania • Poor knowledge and involvement of small and medium-sized enterprises in CSR initiative • Corruption, with direct effects on the business environment and on its capacity to implement CSR practices • Insufficient development of a business culture based on moral values
• Generating competitive advantages for Romanian companies on the European and international market • The opportunity to learn, take over and adapt good practices and lessons learnt from the experience of other more developed countries • The customers' positive attitude to the companies' commitment to the community/society	• The lack of coherent public policies to promote CSR • Delays in adopting acceptable standards in CSR related fields (e.g. the environment) as compared with other EU member states • Insufficient involvement of public authorities in promoting and implementing CSR
Opportunities	**Threats**

Source: The authors' processing from Guvernul României. (2011). Strategia Naţională de promovare a Responsabilităţii Sociale 2011 – 2016.

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1. Creating a favourable framework for the development of CSR, both at central and at local level, by the public authorities;
2. Promoting the use of social responsibility at organisation level in Romania;
3. Actively involving the public sector in initiatives of CSR type.

Yet, since 2011, progress has been made in the CSR field, initiative increased both at implementation level within companies, and at the level of performing surveys and research or proposing public policies. We will list the most important surveys and analyses made in Romania in the past 5 years, whose objective were to: analyse the CSR activities performed in the local business environment, provide companies with a comparative analysis tool and increase in the level of awareness of the CSR domain in Romania.

A survey performed in the interval 2011-2012 in the project "Partnership for development" by the Bucharest Chamber of Commerce and Industry (CCIB), European Social Action Network (ESAN) and the Assistance Centre for Non-Governmental Organizations CENTRAS targeted the social responsibility of 500 companies in the regions where the project was performed, with emphasis on actions for the employment and social inclusion of underserved categories. The most important results of the survey were (CCIB & al, 2011):

- 76.19% of the interviewed companies had social actions mentioned in their development strategies;
- 27.50% of the companies included in the project had never performed any social responsibility project;
- In terms of domains of actions, the prevailing ones were environment protection (33.33%), education (30.56%), healthcare (12.5%) and culture (8.33%);
- Most implemented programmes targeted socially responsible business practices (30.14%), and philanthropic actions (20.55%). Fewer companies chose programmes that aimed at promoting a cause or at marketing related to a cause;
- Most programmes were performed at local level, and fewer at regional and national level. The environment in which it was intervened was mainly the urban one, with a ratio or 34.04%, followed by the rural one with only 9.75%;
- 61.19% of the interviewed companies had never published CSR reports and only 16.42% elaborated such documents in proof at the time the survey was performed.

In 2015, the company The Azores launched *Romania CSR Index 2015*, performed on the basis of an analysis of the commitment of the top 100 companies in Romania to the sustainable development of society. To assess the companies' performances, The Azores analysed the corporate websites as well as the CSR and financial reports for 2014. The communication documents published by the companies were assessed according to three European and international references: Directive 2014/95/UE, Global Reporting Initiative G4 Standard and Dow Jones Sustainability Index. The index includes 36 quantitative indicators, organised into 9 categories: Corporate governance and transparency; Diversity; Economic impact; Environment; Human rights and Anti-corruption policy; Employees; Consumers; Community and philanthropy and Supply chain. The analysis showed interesting aspects, such as (The Azores Sustainability & CSR Services, 2015):

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- The most active companies in the CSR field in Romania are found in the following industries: non-alcoholic drinks, beer, building materials, oil & gas, banks and telecommunications, and the least active ones are the companies in the pharmaceutical, media, supply and tobacco domains;
- Responsible companies in Romania are generally concerned with aspects such as protecting water resources and energy efficiency, education, but also with the development of communities and the employees' job-related training;
- Of the 100 assessed companies, 30 companies had never published any information about CSR. Of the companies that publish reports/newsletters, many include only data about donations to local communities or about the employees' voluntary actions, which leads to the erroneous perception that CSR refers only to philanthropic activities. In addition, few companies use social and environmental performance indicators, which does not allow stakeholders to make a comparative analysis with other companies and assess the impact objectively.

The most important measure of social responsibility in Romania may be considered the survey performed annually beginning with 2013 by Ernst&Young Romania & CSR Media. The latest report is based on a questionnaire administered in the interval 25 April – 25 May 2016. The report analyses the responses of 150 executive managers in the local business sector and specialists in the field of social responsibility. The survey indicates that 88% of the companies who answered the 37 specific questions are already involved in social responsibility actions (Ernst&Young Romania&CSR Media, 2016), as compared to only 69% in 2014. This result indicates actual progress in the field of CSR practices in the Romanian business environment. The most important conclusions of the survey are:

- Romanian companies understand by social responsibility involvement in the community (26%), sustainable business strategy (21%), business ethics (16%), responsible management of the supply chain (11%) or significant interactions with stakeholders (10%);
- Although the two main reasons for which companies became involved in CSR projects in the past year remained the fact that it brings along acknowledgement and visibility (56%) and the fact that this activity is part of their public relations strategy (46%), these are decreasing as compared to the previous year. Instead, there are visible increases in motivations such as: our shareholders request this commitment (40%), the company's financial value increases (25%) and we are forced by the company's policy (21%). There is evolution that indicates a strategic approach to CSR activities and more openness to the stakeholders' requirements;
- Companies continue to be interested, to the largest extent, in intervening in the field of education (75%). Also, there is increased focus on the healthcare field (61%), as well as the environment (51%);
- 76% of the companies say they have a CSR strategy/policy. Of these, most (52% of the interviewees) have a local strategy they implement, whereas 24% state they implement the strategy received from the mother-company. Although they do not have a dedicated policy or strategy, 21% of the interviewees still implement individual CSR projects;
- There is significant decrease in the ratio of companies that provide financial aid (philanthropy), from 80% in 2014, to 69% in 2015, and we notice a diversification in types of initiatives;

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- The main tools used in communicating CSR commitment remain the company's website for 66% of the interviewees, and news releases for 59%;
- In 2015, almost half of the interviewees had an average budget per project of up to EUR 5,000, and 45% of the companies benefitted from budgets ranging from EUR 5,000 to 50,000 per project. Only 2% of the companies, compared to 5% in the previous year, said they performed CSR projects with an average value ranging from EUR 100,000 to 500,000 or more.

SOLUTIONS AND RECOMMENDATIONS

By analysing the results of all these surveys, we may identify the following ideas about the CSR practices in Romania:

- Romanian companies mostly have knowledge and general ideas about what the social responsibility field implies;
- The local legislative framework includes reference to domains related to CSR and it is mostly harmonised with the European one;
- The tendency to intensify the companies' commitment to CSR actions is visible, and the projects are more and more numerous from one year to another;
- For a long time, there was this erroneous perception in the Romanian business environment that CSR is a marketing or public relations activity, and not a society impact management activity;
- The development strategies of many companies include social objectives, but their implementation is not always seen in reality;
- The most active companies in the CSR field are multinational ones, and they include CSR in the company's general strategy; Romanian companies, most of which operate according to a traditional organisational structure, tend to place social responsibility as a peripheral activity;
- The intervention scope is limited especially in sectors with the most publicised problems, such as education, healthcare, the environment etc.;
- Regarding the types of programmes, these focus mainly in philanthropic actions, socially responsible business practices or social marketing programmes, but the range of actions has undergone a visible diversification trend in the past 5 years;
- Companies in Romania do not involve stakeholders much in making decisions about investments in CSR initiatives and they usually do not organise meetings and consultations in order to determine their needs;
- There are very few projects targeting the development of the rural environment;
- Interest in publishing the data about sustainability is relatively low among large companies in Romania, and the lack of transparency issue is obvious;
- Companies use only to a small extent the performance indicators related to sustainability (CSR Key Performance Indicators), except for certain multinational companies that are harmonised with the policy of the group they are part of;
- The public authorities' involvement in stimulating the business environment to adopt sustainable policies is still insufficient, although progress has been made in terms of implementing a public-private partnership.

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The European tendency is that sustainability will become an integral part of a company's business strategy and, to an equal extent, CSR reporting will become a significant part of corporate communication. These tendencies, together with the ever stricter legislation on publishing information related to the economic, environmental and social impact, will put pressure on companies, including Romanian ones, to be more transparent and more interested in investments in sustainable development. In this respect, we mention that over 700 companies in Romania prepare to elaborate non-financial reports beginning with 2017, according to the provisions of Directive 2014/95/EU. The directive had as timeline for incorporation into the legislations of the member states the date of 6 December 2016 and it implied a notable legislative effort to modify the Fiscal Code, Corporate Law, Accountancy Law, Banking Law and the Romanian Government emergency Ordinance on the corporate governance of public enterprises.

Consequently, the Romanian companies that will develop CSR practices in the following years should consider the following recommendations:

- To develop the necessary expertise at the level of shareholders, management team and in the company's culture;
- To develop their own CSR standards and policies using good practices in their field of activity;
- To identify correctly the community's problems and to ensure that there is correspondence between the company's profile or industry in which it operates and the social area it approaches in order to maximise the effects of its actions;
- To set up sustainable partnerships with NGOs, governmental agencies or local public authorities;
- To be more transparent with regards to the economic, social and environmental consequences of the company's activities;
- To involve stakeholders in defining a coherent and sustainable CSR policy;
- To encourage their employees to be more and more involved in CSR projects;
- Not to overlook the subsequent monitoring of performed projects (social audit, impact assessment, etc.).

CONCLUSION

Until not long ago, being socially responsible in business meant observing the laws. Nowadays, social responsibility implies much more, it involves meeting numerous stakeholder expectations. The concept of corporate social responsibility nowadays extends beyond a social programme performed at a certain time, an individual charity campaign done by a company, sporadic philanthropic actions or an intense public relations activity.

Social responsibility is no longer optional for companies. Social responsibility, even if it is "voluntary", actually starts being an obligation, whether it is about the pressure from regulations, or about the pressure from stakeholders in large companies. The increased level of competitiveness in the business environment and the decrease in natural resources, the instability of the economic and political environment are factors that make it necessary to implement new business models – more responsible ones. In this context, companies that want to be identified in the environment in which they operate must strategically manage their dialogue with the stakeholders. Only this approach allows them to identify and rank the expectations of various social and business partners, to balance their interests, thus minimising on the long term the risks that might affect their reputation.

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Regarding Romanian companies, they have made obvious progress in the past years in terms of developing and implementing social responsibility projects, in partnership with NGOs, but also with the public sector. Even if CSR commitment was a practice initiated by the branches of multinational companies, it is no longer an abstract concept for companies in Romania which gradually become harmonised with this global trend.

Stakeholders such as consumers, the media, the online environment, NGOs have put pressure so that Romanian companies become aware of the responsibility they have in solving social matters and promoted, through various channels and tools, the successful projects and responsible organisations.

From the surveys presented in this article, we may notice an obvious increase in the number of social responsibility initiatives and projects in the past 5 years, which indicates the Romanian business environment has become mature and responsible. Yet, what is debatable is the extent to which these activities are actually integrated voluntarily in the company's core business. Surveys indicate that, in most cases, these are individual initiatives, and not necessarily a coherent and clear strategy. The exception is represented by multinational companies that are already harmonised with global standards. Therefore, it is time for all Romanian companies to rethink their approach to commitment to society and take CSR to the next level, namely that of sustainability (Ernst & Young, 2016). This means starting to see social responsibility from a strategic approach and integrated into their business, rather than a peripheral activity.

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Chapter 52
Business and Social Media:
Collaboration for the Sixth Discipline

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ABSTRACT

*During the 21st century, businesses benefit from two key components of effective innovation: social media and collaboration. This chapter provides an in-depth analysis to study the interrelatedness of these components. Featured in this chapter are classroom exercises to deepen the learning of students. By providing multiple recent social media examples, the reality of the integral ways in which social media permeates our lives is delivered. Introduced in the chapter is a sixth discipline, an extension of Senge's five disciplines of collaboration. Through the presentation of a new leadership model based upon the six disciplines, the impact of social media is examined. The conclusion of the chapter contains definitions of the concepts introduced. The use of social media has been and still remains a strategically keen tool in business effectiveness.**

INTRODUCTION

Social Media and Business

During the 21st century, businesses have benefited from the use of two key interventions: social media and collaboration. What is included in the context of social media? We can only say what is included today because tomorrow will bring new innovations. Social media uses any form of electronic communication connectivity used to enhance collaboration and sharing of information through the internet. Technical support for social media are electronic tools such as, smartphones, tablets, laptops, and desktops. Technical tools that are digitally connected to social media venues are those such as Facebook, Twitter, LinkedIn, Instagram, Google +, Pinterest, Clouds, and Reddit feeds (Mickahail & Andrews, 2015). These are the well-known social media of today but for tomorrow, the trends reported are wearables,

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drivables, flyables, and scannables. Present day examples are Google glasses and watches (the purchase and use of wearables has doubled every month since 2012), self-propelled cars (prototypes are running in California), personal drones, and bar code futures (Meeker & Wu, 2013).

There is no question that the use of social media is a strategic direction for business. As the latest innovations enter the market during each business cycle, the reasons for business utilization of social media proliferate. "Consider recent statistics, the number of mobile connected technological devices count more than the number of the entire population of the earth (Cisco, 2013). The average users of cell phones check their text, phone, and Internet contacts on their phones 150 times per day (Meeker & Wu, 2013). Fifty billion devices will be connected to the Internet by 2020 (Vestberg as cited in GIGAcom, 2013). The average North American uses a mobile device 141 minutes a day and 90% of all Internet traffic in 2017 will be video (Advertising Age Mobile Fact Pack, 2013). Globally, the US ranks 10 in the number of new Internet users from 2008-2012 while China, India, Indonesia, Iran, Russia, Nigeria, are all above the US (Meeker & Wu, 2013). From these predictions and facts, it is clear that social media as a corporate tool for profit, is growing exponentially every year" (Mickahail & Andrews, 2015).

Social Media for Business Innovation-Senge's Disciplines and Collaboration

Senge first brought the terminology of disciplines as they relate to *learning organizations* to the forefront as the preeminent guru in his 1990 work, *The Fifth Discipline.* Senge's five disciplines are needed for developing modern collaborations for innovation and fostering essential change in business delivery models through social media.

The five disciplines cultivate what Senge (1990) called learning organizations. The disciplines are personal mastery, mental models, shared vision building, team learning that together form systems thinking, which is needed for necessary change. "All five of Senge's core learning capabilities are actionable collaboration in culture, dialogue, and context revealing the potential of globalization in how we interact with social media (Mickahail & Andrews, 2015).

Because Senge's (2013) core learning capabilities are tied together with collaboration, a case can be made that collaboration is the *sixth discipline* for 21st century business innovation. Caldecott (2013) wrote that the success of Inventor Thomas Edison's "collaborative culture" nurtured 20th century innovation. Senge's ideas support Edison's in promoting a growing culture of team communication and collaboration and subsequent business innovation that meets consumer needs of the 21st century and beyond.

SECTION ONE: RECENT INNOVATION FOR COLLABORATION, CONNECTIVITY, AND PRODUCTIVITY

Social Media From Telephones to Media Convergence

The US has been a leader in Internet use internationally since 2008 with social media securely anchored as a profitable American business industry. From 2012 to the present, Internet use in the US was overshadowed by the rapid use of the Internet by citizens in China, India, Indonesia, Iran, Russia, and Nigeria on smartphones so that now the US ranks 10th in the world for Internet use (Meeker & Wu, 2013). Media convergence and collaboration brings information from rural third-world farmers to CEOs of Fortune

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500 companies. As the price of the smartphone drops, more and more previously unconnected countries will open up vast new opportunities for business to profit from Internet users' access to commercial social media promotions, advertising, and products.

Rural Third World Communities: India and Smartphones

With over 900 million mobile devices, India has 350-400 million Internet connected devices and 150 million smartphones (IDC 2014). In a report from CyberMedia Research, during the first three-months of 2014, 14.5 million Samsung, Micromax, and Nokia brand smartphones were shipped into India. The three mega companies comprised 67% of India's smartphone market.

Naturally, a smartphone boom is anticipated for the rest of 2014 as entry-level smartphones are planned to go for a low 2,500 Indian rupees ($42 US), these early sales numbers may push the smartphone ownership to be available to all in India's market. Many third world citizens without laptops will benefit greatly from connected smartphones (Aulakh, 2014).

Rural Indians and others from developing countries have found the smartphone equipped with social media apps useful for a variety of business and social reasons. Because most people in developing countries lack access to laptop computers, smartphones now fill the gap. Many activities can be accomplished with smartphones where the activities use to demand access to computers. However, in rural communities of the developing world the lack of computers no longer has to limit collaboration and interaction. Smartphones can help farmers by providing weather information and updated market prices for farm related commodities. Indian farmers are able to use Skype to contact agriculture scientists and discuss crop issues. They may also buy and sell needed supplies, such as fertilizers and tools. Smartphones can also assist in promoting rural distance education, by facilitating the use of augmented reality applications to learn collaboration. Connected students can access Massive Open Online Courses (MOOC) classes and engage in online homework groups. They may also play educational games.

Mobile Banking in the Developing World

Several mobile cash options are available in the developing world, such as Airtel money, a common cash alternative service in India. Airtel money may be the future of money and commerce in Asia (Aulakh, 2014). Airtel money is becoming more widely accepted in India and other countries and there are more than 1 million users. Beyond the convenience of using Airtel to transfer money to friends and pay bills, the Airtel's technology app also enables migrant workers, of the many Indian states, to transfer money to their families while providing convenience for Indian workers. Without this service, migrant workers need to wait in bank lines at 6 am in order to transfer money before they start work. The money transferred with Airtel is instantly transferred at any time of day. Another cash option, M-Pesa is the prevailing tech currency in Africa (Aulakh, 2014).

Social Media Apps for Global E-Commerce

An example of the impact of social media benefits to grow and expand business ventures is the potential presented in Facebook's new accelerator, FbStart. Although Facebook has always offered special business benefits to companies featuring apps on Facebook pages, the new FbStart accelerator is designed to help startups create mobile apps at an affordable price. FbStart works by encouraging people to share

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information from business apps on their Facebook walls. As the sharing network for the business apps expands, the businesses become more reliant on Facebook to grow more business leads, and Facebook becomes harder to replace. Facebook spokesperson Shankar, sees a Facebook partnership with profitable companies seeking to connect with startups, as all benefit from the tools of FbStart apps (Dormehl, 2014). FbStart is the first generation of apps that promote collaboration while breeding more online business ventures.

Technology Trends: Current and Emerging

"A new generation of usercentric, open, dynamic Web, with peer production, sharing, collaboration, collective intelligence, distributed content, and decentralized authority in the background" has become known as Web 2.0 (Sinha, 2012). Web 2.0 includes collaborative components of instant messaging, discussion forums, web conferencing, blogs, wikis, social networking, and social bookmarking.

For emerging trends above and beyond Web 2.0 there are the wearables: Google glasses and smart watches. They provide the impetus for buyers and users of wearables to join the wave that has doubled every month since 2012. The sensory apps are also here. They are specialized apps developed to revolutionize medicine to regulate the user's blood sugar, heartbeat, and measure his or her blood pressure. These specialty apps are incorporated into a smartwatch to assist your fitness goals. Another sensory app, Biorhythm for Sony 2 SmartWatch, monitors a person's health daily. By referring to the user's birth date, the biorhythm program attempts to predict various details of a person's life through simple calculated cycles. This app breaks the cycles into three categories: physical, emotional, and intellectual.

A user may monitor his or her alcohol blood content level. The Sober Up app for Pebble lets him or her count the number of drinks and estimate his or her alcohol blood level. Or perhaps the user would like to try a breakthrough app on Googleglass. With this app, for Photoglassic Memory for Google Glass, the user will never forget. It helps him or her remember and recall people, places, and things by adding them to his or her memory bank with a picture and geo-tag.

The scannables assist business by making a purchase easier to buy with a single swipe of a bar code. The new self-propelled car prototypes are in use providing tours to visitors in Southern and Northern California. Business and personal drones are raising issues about privacy and security rights across the land. In the future, a new era transcending technology convergence will be the ***contextual tech*** era defined by the integration of technology into daily life.

Media Convergence

All the above trending examples are manifestations of *media convergence*, (when different digital media meet and function on a mobile device). The definition of convergence as it applies to new media was defined by Jenkins (2006) in that

By convergence, I mean the flow of content across multiple media platforms, the cooperation between multiple media industries, and the migratory behavior of media audiences who will go almost anywhere in search of the kinds of entertainment experiences they want.

For businesses in the early 21st century, the most important digital media device is the growing international use of the smartphone. Current discussions revolve around the subject of laptops, which are

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fading as fast as smartphone users are increasing. The factors that have contributed to this phenomenon are the increasing affordability of the smartphone and *cloud based Internet connectivity*. A shift is occurring in which the smartphone, a previously inaccessible technology is suddenly affordable and more connected, making them more accessible. This has served the developing economies by bridging a long existing *digital divide* between the developed and developing worlds. Presently, Singapore touts the highest level of connectivity per person despite the fact there are few laptops. Kenyans use their phones to transfer money to family across the continent.

Social Media Entrepreneurs in the Developing World

Recent statistics document the proliferation of mobile phone use with the Mobile phone use has reached 80% in the African continent. In 2005, 3% of Kenya's GDP was transferred with mobile money. The number rose to 31% by 2013. African entrepreneurs are benefitting from the promotion social media provides (Slaughter, 2014).

Developing countries' economies are bolstered by micro-business loans from organizations such as Ashoka where craftswomen are encouraged to form collectives around their indigenous craft culture, through weaver, silversmith, textile and mosaic collectives. Western franchises such as Avon, Amway, and Tupperware are creating micro entrepreneur inroads into Asia and Africa. Internet social networks benefit from tight marketing and customer service networks to promote their wares, Mixit of South Africa boasts six and a half million users, while over fifty million Africans access Facebook (Slaughter, 2014).

Section One Summary

Reduction of the digital divide can occur through collaborative social media innovative use. There has been a prevailing concern that those without technical literacy and access to tools would be left in the dust of technological progress. With the availability of smartphones in all corners of the earth, the sky is the limit on what can be achieved through social media collaboration.

Collaboration through social media becomes the new driver of strategic direction in design, production, service, marketing, delivery, and continuous improvement as shown with the MasterCard case. Social media with its exponential growth has become a forerunner in determining strategic direction in companies and personal live. Just as the middle class rose as a result of the Renaissance in Europe, today an emerging new middle class in the developing world is benefiting from an era of disruptive change with global connectivity and collaboration into tomorrow.

Section One: Discussion Review and Small Group Exercises

I. Bridging the International Digital and Economic Divide

- **Discuss the Scenario:** How to promote more business profits for a Weavers's Collective in Mumbai, India?
- What social media campaign would you use?
- How would the collective use the smartphone to manage finances and payments?
- How would the collective communicate with prospective buyers from the West?
- *Design* a page in Social Media (Facebook, Twitter..) to promote the Collectives weavings

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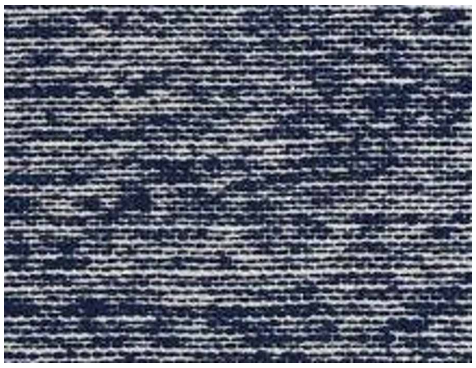
Figure 1. A weaver's example.



- What is special about your product? What audience are you trying to reach?
- What are your financial goals?
- *Explain* how social media apps will help grow new business ventures. What dangers exist? Please include as many new concepts introduced in Section One as possible in your answers.

II. Business Orientation Today Requires Strategic Collaboration: The Case of Mastercard

Successful business ventures today require companies to plan using *strategic collaboration* to promote economic sustainability and growth. Many Internet based businesses depend on increasing smartphone use to promote and advertise their products through social media.

Just a few years ago many businesses feared the impact of social media and users who may post negative comments. Although the possibility of negative user comments on social media still exists, savvy businesses have also seized the social media as a chance to build the company brand.

MasterCard developed a social media staff training program to make their employees the company's social media representatives. Each employee is now a MasterCard brand ambassador. Those who are not *digital natives* at MasterCard are trained by *digitally literate* employees so all may participate and reduce the *digital divide*. These changes required new collaboration among the employees. MasterCard's social media training program was initiated with Conversation Suite, a social media listening program created to highlight the multitude of digital interactions about the MasterCard brand (Meister, 2014). Social media has further increased the company's employee collaboration as MasterCard's brand ambassadors, promote the company's success. Conversation Suites is a main piece of a four part strategy to educate, empower and encourage the 8,000 MasterCard employees in this endeavor.

SECTION TWO: COLLABORATION, SOCIAL MEDIA, AND CLOUDS

Six Disciplines Needed for Learning Organizations Ready for 2020 and Beyond

Senge (1990) has traditionally been "anointed" as the organizational leadership guru since publication of his book, *The Fifth Discipline*. The premise of Senge's (1990) work is a learning organization is vital

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not only for business sustainability but for businesses to be organizations excelling in accomplishing organizational goals. Furthermore, to be a learning organization, five disciplines must be in existence (Senge, 1990). The four initial disciplines Senge (1990) identified were personal mastery, mental models, shared vision building, and team learning. These four are linked together with the advent of the fifth discipline: systems thinking-the ability to make connections clearer and to find the leverage points in a system (Senge, 1990). An effective system is a union of components linked together to accomplish a shared goal. Systems thinking brings together the other four disciplines to guarantee a thriving organization brought about by a fusing of theory into practice. However, without the preliminary four disciplines, systems thinking becomes hollow and devoid of the force required for excelling organizations. Without these five disciplines, organizations cannot continue to grow and to excel in accomplishing strategic goals (Senge, 1990).

A behavior necessary for the five disciplines to be congealed into one piece of art, collaboration, a participatory process, is required (Senge, 2013). Personal mastery cannot be accomplished in isolation but requires association with others for knowledge and wisdom to grow (requiring collaboration). Mental models are the schema by which the world is understood. To understand one's mental models, there is the necessity of holding a mirror pointed inwardly revealing the internal pictures that must be brought to the light and analyzed for goodness of fit in the equations of life. To analyze and determine if mental models are working effectively, they must be exposed and objectively critiqued from various viewpoints (requiring collaboration). By definition, vision building that is shared can only be accomplished through input and consensus with others. Building a shared vision is at the center of leadership and employee success (requiring collaboration). Learning with teams is a fundamental concept that emphasizes the need for an end goal of group cohesion. Team learning is initiated with dialogue in developing the expertise needed to bring the vision into fruition (requiring collaboration). System thinking is nearly impossible with only individuals trying to see whole patterns. Instead related forces are necessary to see the interconnectedness of the parts (Senge, Scharmer, & Winslow, 2013). Every part's action influences the actions of other parts just as when humans are part of the equation, everything and everyone is connected (requiring collaboration).

Therefore, as all five disciplines in order to function require collaboration, collaborative behavior could be perhaps considered a sixth discipline. This sixth discipline is a necessary component linking together all of the other disciplines in moving into the decade of the 2020s and beyond.

In recognizing how the five disciplines are related to social media, one sees the natural ability of social media in bringing people together. In achieving the sixth discipline, a learning organization sees the digital, virtual world of relationships being built effectively for use in developing social media. The potential of globalization is contained within the culture (way we interact), dialogue (technical abilities), and context (technical accessibility) of how we collaborate with social media.

Collaboration has been known to be a key characteristic of innovation since the time of Thomas Edison, who consistently collaborated even into his 8th decade with others in generating ideas for consideration as components of innovation. Edison saw collaboration as a vital component required for continued innovation of a learning organization. A learning organization cannot stand without the three legs of information (job aids, webinars, podcasts, knowledge portals), formal training (self-paced e-learning, virtual classroom learning), and collaboration (blogs, wikis, networking, chat, surveys; see Figure 2).

How can collaboration be achieved in the global, digital world existing today? The answer is in front of us all, through effective use of social media. Social media, therefore, becomes a necessary component in learning organizations, brought to the forefront of importance in acknowledgement of the potential

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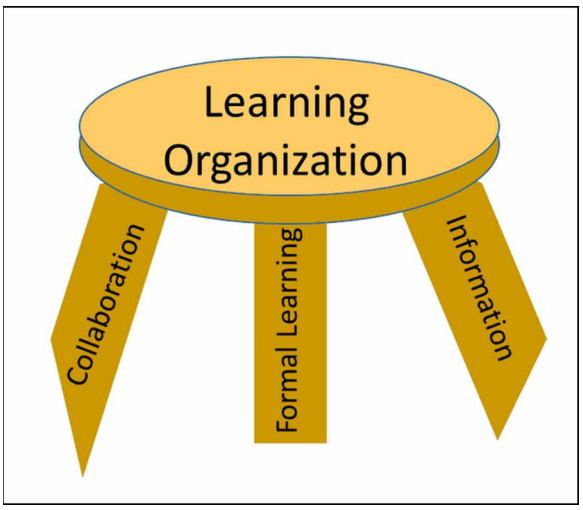
Figure 2. Three legs of a learning organization: Information, Formal Learning, and Collaboration are all needed for the stool to stand supporting a learning organization.



for both synchronous and asynchronous collaboration. The lack of geographic boundaries presents the opportunities for a collaboration infrastructure that is conducive to learning organizations in the generation of knowledge work.

Google, Amazon, Microsoft, and Apple exemplify a corporate culture in a creative collaboration model that stagnate businesses seek to emulate. This paradigm shift promotes and stimulates employee creative collaboration resulting in innovations and greater profitability in a thriving 21st century corporate culture.

Social media, instead of prescribing actions, brings suggestions of actions to users wherein communication is not just direct but collaborative and where consideration of the utility of tangential directions of communication are recognized as necessary for creativity occurring through these interactions that are unpredicted. The resulting tension from wondering off a path of defined dialogue can be loosened by drawing reality toward the vision and snapping the vision back to reality.

What Is Up in the Clouds? Any Information Needed, Wanted, or Desired

Where is all of the information going from business and social media (see Figure 3)? The trend is up and into the clouds, clouds of computing solutions. Information technology accessed via the Internet can be called *Cloud*. A cloud has four primary categories: Infrastructure, Database, Platform, and Software. Each of the categories can be differentiated by a) which users interface with the category, b) having technologies that are transparent, and c) no technology can be accessed from the level above (see Figure 4).

For the user, data is accessible from anywhere and the hardware used to access the data is interchangeable, meaning the user is not limited by the specific machine being used to access the database. To the user, data access appears free of downtime and errors because of the technology's infrastructure of elasticity and scalability. Specialized apps will connect tomorrow's media to the data of today due to the broad platform compatibility of the apps.

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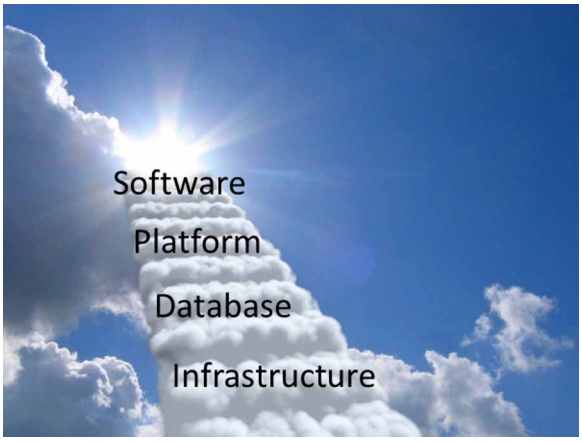
Figure 3. Where is all the information going?

Figure 4. Four categories make up the cloud computing system.



The Future Is Contextual Technology-How Will Business Change to Meet the Consumer?

Georgia Tech researchers Anind Dey and Gregory Abowd defined *contextual tech* in 2001. They described ubiquitous all-present computers, with abilities to sense the objective and subjective features of a stated scenario. Contextual computers will promote the ability to understand and act in the moment based on where we are, who we're with, and past experiences. These advanced artificial intelligence devices would serve as our sixth, seventh, and eighth senses.

Data graphs make it work. Jump, a business strategy firm, has identified four data graphs essential to the rise of contextual computing: social (connections), interest (likes, curiosities), behavior (what's done), and personal (all beliefs; Mortensen, 2014). These four data graphs are tracked by companies to market products that match the user's profile online. The personal and behavior graphs are not as well developed but social media is finding a way to harness this information for global business development. In a decade, it's predicted *wearable intelligence* will be available.

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Section Two Summary

As Senge (2013) reported, collaboration is central to learning organizations and a requisite factor and catalyst of organizational change. Therefore, it is proposed that collaboration be the sixth discipline of a learning organization. The inherent collaborative mechanism of social media makes its use intrinsic to a learning organization. In accessing today's data, cloud computing is becoming more and more the trend. Cloud computing allows for the access of data through machine interchangeability. The future holds limitless possibilities with technological advances today and tomorrow.

Section Two: Discussion Review and Small Group Exercises

I. A New Business Venture: Utilize Social Media for Collaborative Learning

- *Discuss*
- Even though Social Media presents many benefits, what disadvantages exist for Businesses? How can product ratings and reviews impact business ventures?
- *Design* your group venture complete with Social media apps.
- *Explain* how the apps will help grow your new business. What dangers exist?

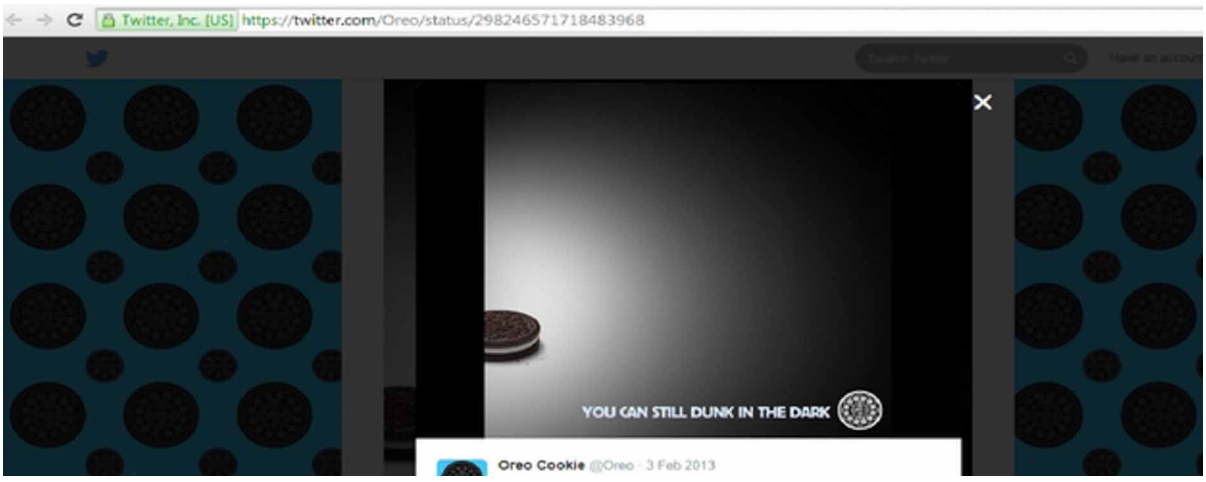
II. Oreo at the Super Bowl: A Sweet Tweet

Ad Age (2013) recognized the digital Oreo ad campaign with an A lister Award for its popular Super Bowl strategy. When the lights went out at the 2013 Super Bowl, Oreo earned the spotlight with the words: "You can still dunk in the dark." It was a "sweet tweet" that grabbed national attention and multiple awards.

Discussion questions after viewing link: https://twitter.com/Oreo/status/298246571718483968

1. Did you see this tweet? Or did someone you know see this tweet around the 2013 Super Bowl?
2. What made this tweet so powerful?

Figure 5. You can still dunk in the dark



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3. How is this ad an example of business use of *media convergence*?
4. Is the ad effective? Why?
5. Would this campaign work in Japan or China or Nigeria? Why, or why not?

Follow up Exercise: Small Group Huddle! Develop a Twitter Campaign!

In small groups discuss how you would develop a Tweet campaign for your favorite food brand, (Cheetos, Doritos, Kashi, etc.).

What would you emphasize in seven to nine words? How would you launch your campaign to ensure success? Share your ideas with your group and then with the class through Twitter.

NOTE

This chapter was adapted from Mickahail, B., & Andrews, K. (2015). Collaborative innovative leadership and emerging social media technologies. *The Refractive Thinker® – An Anthology of Higher Learning: Volume IX: Effective Business Practices in Leadership and Emerging Technologies*. Las Vegas, NV: The Refractor's Press.

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KEY TERMS AND DEFINITIONS

Cloud Based Internet Connectivity: Or connectivity-cloud is another word for internet and cloud connectivity that holds the connotation of enterprise networking without businesses having to purchase server hardware and software. It does not have delivery of a product but of a service.

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Collaborative Culture: Involves a commitment to and action for the needs of the organization and individual without competitive actions.

Contextual Tech: Involves ubiquitous computers, utilizing situational computerized cookie type technology. Tech that is able to sense the objective and subjective aspects of a given situation. A way computers will extend human ability to perceive and act in the place where they are, who they're with, and their past experiences. It is specialized machine intelligence that will serve as humanity's sixth, seventh, and eighth senses.

Digital Divide: Is a gap of economic and social inequality based on human access to, use of, or knowledge of information and communication technologies. The divide within countries, such as the digital divide in the United States, refers to inequalities between individuals, households, businesses, or geographic areas, usually at different socioeconomic levels or other parts of the country.

Digital Native: Is a concept authored by American writer Marc Prensky in 2001 to describe the global' dominant generation of post millennial. Prensky defines digital natives as those born into an innate "new culture."

Digitally Literate: Describes those with the skills to use information and communication technologies to find, evaluate, create, and communicate information, requiring both critical thinking and technical skills

Learning Organization: Is an entity composed of individuals adept at generating, gathering, and conveying knowledge in order to create what they want to create.

Media Convergence (MC): Is the merging of computing and information technology companies, telecommunications networks, and content providers from the publishing worlds of newspapers, magazines, music, radio, television films, and entertainment software. MC brings together the "three Cs"-computing, communications, and content.

Tech Convergence: Is the process by which existing technologies merge into new forms that bring together different types of media and applications.

Sixth Discipline: Is collaboration as the next discipline necessary for a learning organization to exist to its fullest capacity.

Wearable Intelligence: Is machine intelligence that can be worn. It is the next step in the evolution of computing platforms (from desktop to mobile to wearable).

ENDNOTE

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Chapter 53
Managing Small Business Social Responsibility (SBSR) in Formalized Network Using a Euclidean Perspective

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ABSTRACT

This chapter deepens the knowledge of inter-firm collaborations to address sustainability issues between SMEs in adopting small business social responsibility (SBSR) approaches. The study investigates the role of formal network contracts (FNCs), where aspects of SBSR are formalized into legal agreements between the networkers. For this purpose, the authors identify three management implications declined as sub-variables: control, consensus, and consistency. Institutional theory and, specifically, isomorphism and normative theory of CSR are used as lenses through which to analyze the results. The methodology applied is a deductive qualitative content analysis, while results are shown using an Euclidean perspective. The study discovers the use of FNCs to clearly govern consistency and consensus, more than to control and audit sustainability herein the network. In addition, it demonstrates a relation between network size and use of the tool.

INTRODUCTION

The anthropocentric view of sustainable development considers the presence of the humans with their activities as an inseparable part and a menace of the future of our Planet (Griggs et al., 2013; Reid et al., 2010). Consequently, the sustainable development of our society cannot be reached without the sustainable development of corporations, as they are outputs of humans' activities (Wigginton, 2016). Despite the evident disparities between large corporations and small businesses in adopting socially and

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environmentally responsible management practices, both are called to take a firm commitment towards the society and the environment without exception (Tilley, 2000). However, small and medium-sized enterprises (SMEs), micro-businesses and individual entrepreneurs can respond to such commitment with their limited resources, struggling with external forces, precarity, uncertainty, complexity and ambiguity (i.e. post 2008 crisis). Nonetheless, small businesses have considerable social and environmental impacts if considered in their totality (Perrini, 2006). In recent years, the academic interest towards the so-called Small Business Social Responsibility (SBSR) increased and scholars have just begun to analyse a fragmented phenomenon. The variety of the acronym SMEs includes: medium-sized companies that account for 1% of all European companies; micro businesses (92.8%) and small businesses (6%) that cover 98.8% of the entire European economy (according to the European definition of SME, in Eurobarometer, 2016) (European Commission, 2016). For this study we address sustainability, CSR and stakeholder management as related concepts, according to the Euclidean demonstration of closeness given by the study of Fassin et al. (2015) regarding the European as well as the Italian context.

Unfortunately, scholars continue to stress the lack or inconsistency of the existent tools to address sustainability issues at company level (Horisch, Johnson, & Schaltegger, 2015; Johnson, 2013, 2015; Johnson & Schaltegger, 2016). The lack of knowledge, resources (time, financial and human) and practical suitability of the such tools are limiting the development of theories on SBSR. Mainstream CSR theories are often developed having in mind large companies (Spence, 2014; Vázquez-Carrasco & López-Pérez, 2012). A solution to overcoming traditional limits of SBSR may rely on business model changes (Lai, Lionzo, Stacchezzini, & Rossignoli, 2015). Emerging studies are combining effective ways to overcome SBSR barriers through the adoption of collaboration strategies and strategic network alliances (Freeman, Edwards, & Schroder, 2006; Håkansson & Snehota, 2006; Kirkels & Duysters, 2010; Lee, Kelley, Lee, & Lee, 2012; Swoboda, Meierer, Foscht, & Morschett, 2011). The paper specific aim is to deepen the relation between network alliances and sustainability.

BACKGROUND

Despite the fact that the literature on inter-firm collaborations boasts many contributions, few studies directly address how and to what extent SMEs may use formal and informal collaboration to achieve social and environmental outcomes. Existing studies are mostly related to network performances, to interpersonal and organisational features and the distribution of power between network members (Keast, Brown, & Mandell, 2007; Keast, Mandell, Brown, & Woolcock, 2004; MacGregor, 2004; M. Mandell, Keast, & Chamberlain, 2016; M. P. Mandell & Keast, 2008; O'Donnell, 2004; Storey, 1994). The purpose of our study is to deepen the knowledge of inter-firm collaborations to address sustainability issues between SMEs. We locate our study in a national context of Italian SMEs that exploit the introduction of a juridical tool called Formalised Network Contract (FNC) to start-up network agreements (Baldo, 2011; Cantele, Vernizzi, & Ricciardi, 2016; Cardoni & Tiacci, 2013). In general, FNCs are devoted to boosting entrepreneurial internationalization (Haddoud, Jones, & Newbery, 2017; Kenny & Fahy, 2011; Lee et al., 2012) or to exchanging knowledge, research and development on new product and services (de Jesus Pacheco et al., 2016; Kirkels & Duysters, 2010; Konsti-Laakso, Pihkala, & Kraus, 2012; Mazzola & Perrone, 2013; Mazzola, Perrone, & Kamuriwo, 2016; van de Vrande, de Jong, Vanhaverbeke, & de Rochemont, 2009). FNCs are formed through interconnected bilateral or multilateral contracts, and they

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differ from other traditional forms of collaborations (such temporal agreement, consortia, joint ventures, etc.), as the contract itself manages outcomes related to specific business programs, compositions of the network and content. Turning back to our research question, our paper explores the management of sustainability inherent the network of SMEs through the use of two different theoretical lenses. The first is the contribution given by institutional theory to explain why SMEs must conform to the rules and belief systems prevailing in the environment (Di Maggio & Powell, 1991); in particular, we use isomorphism to explain the link between structural and procedural changes that lend the organisation legitimacy (Dowling & Pfeffer, 1975; Lindblom, 1994; Suchman, 1995). Secondly, we derive insights from reflexive regulation, the attempt to norm-making SBSR through the use of the networks. Crane (2010) called it governance, as the way that organizations go about managing partnerships through formal rules and procedures. In his research, he claimed the need of more studies on how cross sector partnerships should be organised and managed, how authority and decision-making powers should be allocated and how performance should be evaluated and reported.

The paper proceeds as follow: section 2 presents the literature review on the main barriers of SBSR and the opportunities given by formalised business networks in the institutional context; section 3 discusses the hypotheses development considering the theoretical lens above mentioned; section 4 is dedicated to the methodological discussion; section 5 presents the findings, while, at the end, section 6 provides discussions on the results of our analysis. Conclusions alongside managerial and social implications end the paper.

MAIN FOCUS OF THE CHAPTER

Issues, Controversies, Problems

A Discussion Over the Main Barriers of SBSR and the Potential Role of SMEs Networks

SMEs and their business networks can be considered relevant economic actors supporting the economic growth of territories (von Høivik & Shankar, 2011). Studies on SBSR confirms that SMEs face several issues in implementing a sustainable behaviour creating a situation of general unsustainability (Ahmad & Krishnan, 2017). The first issue regarding SBSR is due to the lack of resources to adopt social and environmental management practices or to comply environmental regulations (Avram & Kühne, 2008; Battaglia, Bianchi, Frey, & Iraldo, 2010; Williamson, Lynch-Wood, & Ramsay, 2006). The lack of time, finance, staff and expertise can limit the positive intention of entrepreneurs representing an insurmountable constraint to the adoption of SBSR business practices (Lepoutre & Heene, 2006; Russo & Perrini, 2010; Spence & Rutherfoord, 2001, 2003). The second issue is related to external pressure coming from suppliers and customers, especially when these customers are large corporations (Spence & Rinaldi, 2014; Vurro, Russo, & Perrini, 2009). As a consequence, SBSR should be consistent and strategically oriented to the business to become effective and produce factual results (Castka & Balzarova, 2008; Jenkins, 2006). Third, because most of the sustainability tools are developed having in mind large corporations, SBSR is perceived as distant from the core business, a business cost, or neglected (Horisch et al., 2015; Johnson, 2013, 2015; Johnson & Schaltegger, 2016). Definitely, size matters (Baumann-Pauly, Wickert,

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Spence, & Scherer, 2013; Fernandez & Camacho, 2016; Tomšič, Bojnec, & Simčič, 2015; Vázquez-Carrasco & López-Pérez, 2012). One way to overcome the size problem can and should be represented by the so-called business networks.

A business network can represent a secure ecosystem to address sustainability issues safeguarding managerial organisation and governance and the internal value creation dynamics (Taurino, 2015). Sharing common social and environmental problems is typical of corporations operating in the same area or in the same business sector or supply chain (Battaglia *et al.*, 2010). As such, adopting collaborative networks give coordination and synergy among business partners in the process of addressing sustainability issues (D'Alessio, 2008; Noran, 2010). The network approach is suitable to coordinate the actions of networkers governing their synchronicity (time), localisation (space) and type of interactions (Floridi, 2009; Murillo & Lozano, 2009). The adoption of CSR in the network represents a managerial innovation denoted by its effect under structural, interactive and cognitive dimensions (Abdirahman, Sauvée, & Shiri, 2014; Santana, Vaccaro, & Wood, 2009). Network model becomes a mean to address the limitations faced by the SMEs when they try to implement CSR individually. Instead of maintaining CSR as a reactive-defensive strategy and as a pure support function to reduce risks and costs for shareholders, CSR must be taken to the next level as a fundamental value creation driver (von Høivik & Shankar, 2011). According to von Hoivik and Shankar (2011), the network is the pivot of a new value creation process that unlock organizations in achieving an increased ethical awareness. As part of a cluster of individual companies, those that are faced with resource challenges can improve their organisational capabilities, such as specialised staff, leadership, and management capabilities (suppliers-buyers' relations) (Vurro, Russo & Perrini, 2009). A feature of our study is the focus on formal network. Formal network can be defined as organizations that bring entrepreneurs together in order to share business information and experience for mutual advantage (Parker, 2008). While chambers of commerce, corporate roundtables and associations may play a key role for the advancement of CSR knowledge between small entrepreneurs, our study focuses only on networks that promote information sharing between SMEs entrepreneurs and where only SMEs entrepreneurs are involved. Small business owners appear to esteem formal business networks by and for small entrepreneurs more than any other form of formal network such joint agreements, business groups etc. (Chell & Baines, 2000). From a business ethic perspective, corporations are moved to adhere to a network considering four criteria (1) intention, shared goals and participative activities in the practice of networking; (2) exchange of resources and transmission of information and knowledge or/and learning these from other network actors; (3) the exercise of power of each actor toward other actors; and (4) the behavioural and ideological influence within a network (Melé, 2009).

Institutional Context of Formalized Business Networks

Introduced in Italy in early 2009, FNC is a juridical tool allowing two or more enterprises, on a purely contractual basis, to pursue the goal of individually and collectively increasing their capacity for innovation and their competitiveness in the market. The Italian formal network is as a specific contractual agreement aimed at bringing together firms to co-produce, co-market, co-purchase or co-operate in product or market development (Ferrari, 2010). Italian law defines the main guidelines for SMEs wishing to adopt a networked model, while companies are free to define the purpose, the management of the network, goals and sub-objectives within the network programme (Cerrato, 2016). According to Ricciardi et al. (2014), 75% of the total business entities within these network contracts are individual

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businesses, partnership and limited companies, i.e., the typical organisational structure of entrepreneurial and small-medium enterprises (SMEs) (Ricciardi, Cardoni & Tiacci, 2014).

The pool of FNCs are becoming popular between business and management scholars as they pose several organisational challenges to research and managerial implications (Aureli & Forlani, 2015; Baldo, 2011; Baldo & Aureli, 2012; Cardoni, Rossi, & Tiacci, 2011; Cardoni, Saetta, & Tiacci, 2010; Cardoni & Tiacci, 2013). Nowadays, the universe of FNCs available at September 2017 on the website of the Union of the Italian Chambers of Commerce account 3,985 contracts signed between 20,154 companies involved. The trend of FNC is of 10% every semester according to the in-time official data published by Unioncamere on their website[1] (18.079 companies involved and 3,588 FNCs signed accessed in April 2017). FNCs are private documents, while a summary of the content of each FNC is freely available on Unioncamere Excel database.

FNC, as a tool useful to the purpose of bringing SMEs on the right track of sustainability, is an under-explored topic, full of managerial implications. Only the study of Del Baldo (2016) considers FNC within the tourism sector as a vehicle of CSR and sustainable development.

Regarding formalisation, Guercini and Tunisini (2017) commented on the consequences of it in terms of internal [inside the network] and external. According to scholars, formalisation can act internally as an element to reduce ambiguity and building elements of "fragile trust," in the absence of basic elements of "resilient trust" and in the presence of changes in the competitive environment. Externally, FNC allows the policy maker to identify more clearly companies' aggregations in order to let them be destination of specific public investment initiatives. Our study will deepen the knowledge of the role of formalisation applied to sustainability issues in FNCs.

In this section, we have depicted the main limitations regarding the application of sustainability inherent in SMEs and we have presented the opportunities offered by the adoption of a networking business approach. In particular, we locate our study in the Italian context of formalised network contracts. We know there is no need for a contract to determine whether an entrepreneur is more or less ethical. For this purpose, we consider institutional theory, in its sub-declination of isomorphism, and reflexive regulation as a norm-making approach of a normative CSR.

THEORETICAL FRAMEWORK

The Contribution of Institutional Theory and Isomorphism to Frame FNC Between SMEs

Institutional theory suggests that companies must conform to the rules and belief systems prevailing in the environment (Di Maggio & Powell, 1991) particularly to obtain external legitimacy on their license to operate. Moreover, isomorphism explains the link between structural and procedural changes over this legitimacy (Dowling & Pfeffer, 1975; Lindblom, 1994; Suchman, 1995). Isomorphism describes a process whereby one organisation becomes similar to another organisation by adopting the same or similar characteristics of the other organisation (Rodrigues & Craig, 2007). In that sense, we can use the term isomorphism as substitute of homogeneity, convergence, conformity as companies tend to change their morphology towards structures and management practices which are considered legitimate and socially acceptable by other organizations in their field, according to predominant norms and social influences (Di Maggio and Powell, 1991).

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Isomorphism assumes several declinations according to its nature of being: institutional, because other organizations are the major factors that organizations must take into account; mimetic when organizations emulate the actions of similar organizations; coercive when organizations are subject to external pressure, either from organizations they depend upon; and normative, when similar individuals promote a cognitive base, diffuse shared orientations and organisational practices, and legitimise their activities (Aldrich, 1979; Carruthers, 1995; Di Maggio & Powell, 1983).

Due to that different declination of isomorphism, and because the external business environment is pressing SMEs to conform their business behaviour towards the adoption of sustainable business practice, we assume that isomorphism can clarify the role of FNC in governing sustainability. We highlight a commonality between normative isomorphism and the use of reflexive regulation as FNCs.

FNCs as Reflexive Regulation in the Field of Normative CSR

Reflexive regulation is taking place in the field of CSR (Buhmann, 2009, 2011). In our study, the normative view of CSR is not in conflict with the understanding of CSR being 'voluntary', because FNCs are attempts to go beyond direct legal obligations (Buhmann, 2011). This patter to going beyond legal obligation generates the changes that companies prescribe and they would like to see about desirable/undesirable behaviour between their organizations (Mitnick, 1995). Applying this discourse to FNC, we can state that FNCs may play an important role in starting a dialogic role over the norm desirability and applicability, as the case of environmental compliance and SMEs (Ahmad & Krishnan, 2017; Fasterling, 2012). For instance, SMEs are not confident about the plethora of the existent CSR standards and often adopt those standards imposed by their market (Moratis, 2017). According to the study of Baden et al. (2011), when CSR is down-streamed along the supply chain between a large company and its SMEs suppliers, it is translated into a burden of imposed standards, with related increases in bureaucracy and costs, and it can create frustrations for such firms, resulting in a potential 'ceiling effect' and lower overall engagement with CSR (Baden, Harwood and Woodward, 2011).

FNCs can than stimulate a multi-company' decision about CSR standards to adopt. This is reflected by the translation of intents into formalisation of interests. Formalisation of SBSR aspects can reduce ambiguity and business costs about inefficient managerial choice, supporting the network awareness over a shared sustainability pattern to follow. For instance, each network might agree upon specific certifications, specific sustainability strategies, technologies, processes and actions. As such, the integration of sustainability aspect herein legal contract remembers instrumental and normative CSR. The work of del los Reyes et al. (2017) presents the norm-making approach as a suitable option for managers and entrepreneurs, when the compliance to mainstream legal options can produce business failures (de los Reyes, Scholz, & Smith, 2017). This is the case of sustainability tools, often criticised for their ineffectiveness in SMEs. On the opposite side, Spence (2014) imputes SBSR as an output of an entrepreneurial logic derived from the ethic of care and from the entrepreneurial proactive approach towards societal issues. In our study, the FNCs are di per se a voluntary norm-making approach to manage collaboration and to enhance business performance. In that sense, we support the work of Spence, formulating the hypothesis that FNCs are a factual translation of that entrepreneurial logic into a tool.

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The Development of Our Research Question

As the purpose of our study is to deepen the knowledge of inter-firm collaborations to address sustainability issues between SMEs, we will focus on the deployment of FNC to serve the purpose of overcoming the barriers of SBSR (RQ). FNCs can be described as legal documents and guidelines for the management of the network. In order to overcome SBSR barriers, FNCs should mention three groups of sustainability multiple-variables ranging from intangible to more practical aspects. We define the management of sustainability in SMEs as functions of: control, consistency and consensus. Control is intended as practical instruments and procedures to exert the control of sustainability within the network for instance, ethical code, certifications, sustainability audit. This dimension has been supported by the evidence of the existent interplay among SMEs between morality, management systems and certification (Bürgi, 2010). Consistency means that sustainability issues must be connected to business initiatives to increase economic profitability, to increase profitability in dealing with large customers in the supply chain and to exploit business opportunities derived by public grants and/or tax exemption. This dimension has been already described in literature using the relation between customer power and customer interests (Lynch-Wood, Williamson, & Jenkins, 2009; Williamson et al., 2006). Third, consensus means the intricate bonds between behavioural and ethical commitment, shared goals and exchange of resources and transmission of information and knowledge or/and learning these from other network actors (Melé, 2009). Table 1 reports the sustainability managerial variables and the link with the relevant literature over SBSR.

Methodology

To answer our research question, we performed a qualitative deductive content analysis on the FNCs legal document. Content analysis is a research method widely applied in management sciences and it has

Table 1. Sustainability managerial variables in FNCs

Variable	Sub-Declination	Relevant Literature
CONTROL (CONT)	Ethical code	(Fernandez and Camacho, 2016)
	Sustainability management system (certification)	(Bürgi, 2010)
	External sustainability audit	(Albelda, 2013; Johnson and Schaltegger, 2016)
CONSISTENCY (CONST)	Increase profitability	(Tilley, 2000)
	Supply chain	(Avram and Kühne, 2008; Castka and Balzarova, 2008; Baden, Harwood and Woodward, 2011)
	Compliance with law and opportunities	(Ahmad and Krishnan, 2017)
CONSENSUS (CONSU)	Statement of ethical values or moral principles	(Melé, 2009)
	Knowledge exchange	
	Activism and shared commitment towards specific sustainability topics	

Source: authors' elaboration

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been used in documentary analysis of sustainable public procurement by Testa et al. (2016). Alternative to direct interviews already applied in the field of SBSR (Battaglia, Testa, Bianchi, Iraldo, & Frey, 2014), the researcher examines the communication that a person/a company/ companies has produced to determine such behaviour/s (Kerlinger, 1964). Successively, the researchers replicate the study to enhance the validity and generalisability of the conclusions (Krippendorff, 1980). In particular, we performed a deductive content analysis. This deductive qualitative content analysis has been performed to enforce credibility, dependability, conformability, transferability, and authenticity to our methodology (Elo et al., 2014; Elo & Kyngäs, 2008). For the preparation phase, we collected the material starting from the original database of the Union of the Italian Chambers of Commerce that in April 2017 accounted 18.079 companies involved and 3.588 signed FNCs. We decided to sample a reasonable amount of FNCs in order to provide generalisable results safeguarding the amount of information to be analysed, as they are private legal documents, we had to have an authorised access and to pay the registration fees for each of these contracts[2]. We decided to collect at least 100 FNCs. We selected our sample basically on the presence of keywords in two relevant part of the FNC: the title and the network programme/objective of the contract. The research keys were: *sostenib *green *eco *social *responsab *verd *stakeholder *solid **CSR*. Researchers have doubly checked the sample selected in order to avoid any misunderstanding in the use of the word sustainability (abbreviated in Italian to *sostenib) as it can be used in several semantic contexts. Our sample includes only FNCs designed to reach sustainability purposes and aims; in that sense, we excluded all the FNCs that simply used the keywords as buzzwords or in an inconsistent way.

The unit of analysis is the single FNC composed by all its parts ranging in length from 2 to 48 pages. The interpretation and the categorisation occurred according to the model presented above. The variables used are dichotomous. In that sense, the maximum score of CONT, CONSU, CONST is 3 for each one. The number of organizations per FNC is 5.91, a result in line with the analysis of Unioncamere 2014 that shows as the majority of FNCs are signed between a range from 4 to 9 organizations.

In order to avoid misinterpretation of the meaning of "sustainability" and its practical translation into a business context, we used two different studies to support our categorisation of sustainability with reference to green economies and social innovation. The first is the Report of Green Italy (Symbola, 2010, 2016), while the second is the Third Report on social innovation edited by the research center CERIIS, International Research Center on Social Innovation, in 2017 (Caroli, 2017). QCAmap software has been used to code the parts of the FNCs collected under examination.

RESULTS

The management of sustainability (*MANSUS*) herein the FNCs has been expressed as a combination of control (*CONT*), consistency (*CONST*) and consensus (*CONSU*).

Where *MANSUS* (1) is obtained as:

$$MANSUS = \sum_{i=0}^{n} CONT + \sum_{i=0}^{n} CONST + \sum_{i=0}^{n} CONSU \tag{1}$$

According to (1), we produced Table 2 in order to show the results of those three variables, grouped by number of companies in each FNC. The Appendix shows the 3D scatterplot of the FNCs by CONT, CONST and CONSU.

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Table 2. The management of sustainability within FNC expressed as variables and grouped by number of organisations in the FNC

Network Size	CONT	CONST	CONSU
From 2 to 5	1,15	1,35	2,17
From 6 to 9	1,03	1,38	2,72
From 10 to 19	1,8	1,6	2,8
20+	0,75	2	3

Source: authors' elaboration

Table 2 shows that there is a linear relation between the number of organisations in the FNC and the use of FNC to give consistency to sustainability efforts and the use of FNC as a tool to build consensus over sustainability and social responsibility issues. In fact, the number of organisation per FNC is positively correlated to CONST and CONSU (Table 3). This means that the larger the network is, the more attention networkers pay to link sustainability to business results (CONST) and, to creating external awareness of and activism (CONSU) around the topic or the sustainability problem faced by the network.

Looking at a graphical representation of sustainability management (Figure 1), it appears clear how SMEs can exploit FNCs to overcome SBSR barriers. In particular, larger FNCs rely on the formalisation to commit SMEs providing a statement of ethical values or moral principles, to foster the knowledge exchange and to create practical activism in order to explain and engage external stakeholders towards the specific sustainability topic faced by the FNC. The use of FNC to bring together business objectives and sustainability appears fundamental also in relation to network size, while the use of FNC to control sustainability issues with the use of certification and audit is not correlated to the dimension of the network. Of course, the higher number of SMEs are involved in the network the more complex is the management of sustainability. According to these results, the dimension of the network and the control of sustainability are not positively correlated because larger FNCs are composed of SMEs and single entrepreneurs that often belong to completely different business sectors, and the content of FNCs is related to the sustainability of their territory and their regional competitiveness. In that sense, the economic convenience of adopting sustainability management systems is not essential nor strategic to achieve the network objectives.

From this analysis, we can observe how the network dimension may influence the use of FNCs to govern sustainability in the network. Another perspective of analysis is that one of the simultaneous use of the FNCs to reach CONT, CONST and CONSU objectives. From the Euclidean geometry perspective, we can measure the area of the triangles and derive results on the proper exploitation of FNCs to manage sustainability. The areas of sub-triangles represent the Euclidean dimension of the use of the FNC to achieve pairs of variables. The area of each sub-triangles has been calculated as:

Table 3. Correlation between the number of organisation in a FNC and the management variables

	CONT	CONST	CONSU
Number of organisation in FNC	-0,34216	0,98677	0,852653

Source: authors' elaboration

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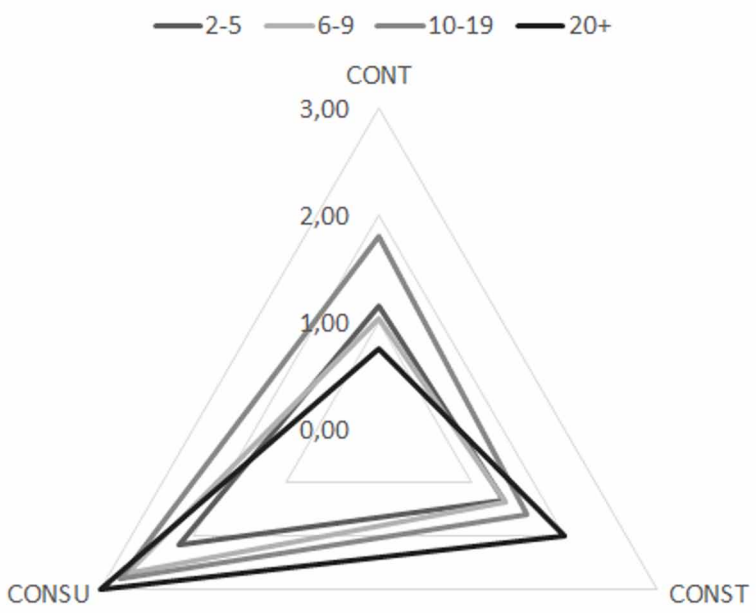
Figure 1. The graphical representation of the variables and network size



$$\text{AREA } MANSUS = A_1 + A_2 + A_3 = \frac{CONST * CONT \sin\alpha}{2} + \frac{CONST * CONSU \sin\beta}{2} + \frac{CONSU * CONT \sin\gamma}{2}$$

Where $\alpha = \beta = \gamma = 120^\circ$ (see Figure 2 applied to a case of our sample)

As reported in Table 4, network size influences the use of FNC to govern control, consensus and consistency simultaneously. This finding suggests that FNCs are better exploited by larger networks than by smaller ones. Again, our results suggest that FNCs are driven by the aim to govern consistency and consensus, more than to control and audit sustainability.

Table 4. The management of the three dimensions simultaneously by Euclidean area

Network size	A_1 *CONST-CONT-0*	A_2 *CONST-CONSU-0*	A_3 *CONSU-CONT-0*	*MANSUS*
From 2 to 5	0,73	1,30	1,09	3,12
From 6 to 9	0,65	1,68	1,27	3,60
From 10 to 19	1,39	1,99	**2,34**	**5,72**
20+	0,97	**2,60**	0,97	**4,55**

Source: authors' elaboration

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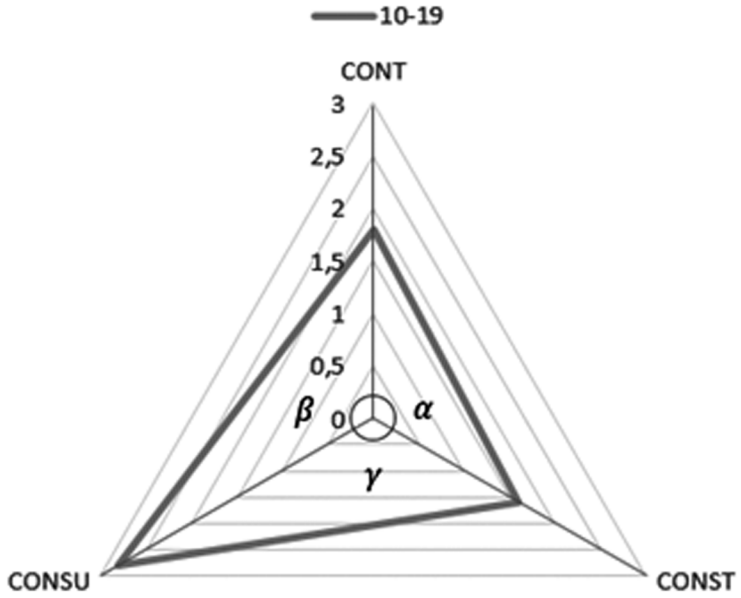
Figure 2. The areas of the triangles representing the variables



SOLUTIONS AND RECOMMENDATIONS

FNCs are effective juridical and managerial tools to implement sustainability strategies in SMEs overcoming the traditional barriers. They might be useful to provide small entrepreneurs tangible benefits of SBSR, overcoming the perception of CSR as a business cost. Our study applies a model to explain the management of sustainability using three different variables. These are explained by the adoption of a range of actions, from more tangible tools to intangible ones. In our model, each variable is explained by a subset of three conditions that represents the managerial translation of SBSR in SMEs. All the variables have the same importance and significance. This means that when an FNC states that an ethical code will be mandatory for the networkers, for our study it counts the same as having explicitly prescribed that all the networkers are committed to sustainable development or the importance to achieve measurable increases in economic profitability ratios of the networkers.

To give the reader a complete overview of our analysis, we would like to report an extract of citations taken from these contracts included in our model (Table 5).

Our model is not influenced by the business turnover or by the business sector risks. Because most of the companies in our study are micro-businesses or single-entrepreneurs this has implied difficulties in systematically retrieving business results (which could be the focus for further studies).

From the sustainability perspective, we are aware that FNCs stipulated between companies of the same sector might be influenced by business sector sustainability issues, especially in terms of norms, codes and certifications. Conversely, FNCs are not strictly classifiable by business sector codes since they are composed of different companies operating in completely different sectors. For instance, the FNC#1013 for the defence of biodiversity in a local area puts together fishermen, sport shops, food

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Table 5. Extracts from FNCs and the corresponding variable

Variable	Sub-Variables	Extracts From FNCs [Number of the FNC in the Brackets]
CONTROL	Ethical code	"The contract provides for the preparation of specific protocols and regulations for the production, processing and transport of products in accordance with the rules laid down in the Code of Ethics for Traceability" [#2195]
	Sustainability management system (certification)	"No later than three months from the end of each calendar year, each company must comply with the ISO14001 certification provided for in the network program" [#71]
	External sustainability audit	"For the purpose of designing, producing and disseminating the use of Sustainable Packaging, as defined by the principles of the Sustainable Packaging Coalition (SPC), the participants feel that they have to structure their own organizations, to provide them with a service that can be used to preserve the environment, social and economic sustainability audit" [#1682]
CONSISTENCY	Increase profitability	"Unify administrative and logistically the production process by improving vinification, especially with regard to environmental sustainability" [#2243]
	Supply chain	"[The aim of the FNC is to…] Improve the cultivation and distribution of cereals, harvest and other agricultural products used for the production of malt and successively agricultural and original beer of the Company XX produced with 100% Italian products, exclusively obtained on the Italian territory. With this network contract, the participant companies, thanks to a stabile fiduciary and synergic collaboration and to high professionalism in the various components of the production background, decided to start a project with the aim of increasing the level of our competitiveness, attending a sustainable agriculture and give value at the vocational products of the territory". [#2278]
	Compliance with law and opportunities	"The Affiliates intend to enter into a Network Agreement in compliance with the Call for Proposals issued by the Region 2007-2013 to lower environmental impacts in the production processes" [#797]
CONSENSUS	Statement of ethical values or moral principles	"To this end, companies undertake to implement common products / projects in accordance with the principles of environmental sustainability and CSR" [#200] "The parties agree and declare to pursue, through the present contract, the objective of increasing the penetration capacity of the participating companies on the national and international markets by a strong focus in terms of respect for ethical principles and intrinsic and organoleptic quality of products" [#1493]
	Knowledge exchange	"The added value of the network is that each company enjoys specific know-how, with its strong specialisation that if combined in synergy with that of other companies, it can create a very important degree of competitiveness in the market [of kenaf applications in the thermocouple insulation] compared to that reached individually" [#1045]
	Activism and shared commitment towards specific sustainability topics	"In order to stimulate the cultural, social and economic development of the Mediterranean and other regions of southern Italy, by increasing the competitive economy of the firms on international markets, networkers believe: […] to engage in joint activities of affirmation and dissemination of territorial cohesion in order to promote a sustainable, responsible, aware and balanced system, of which the territory and its traditions appear to be the most authentic and authoritative vehicle" [#1391]

Source: authors' elaboration

producers and restaurants. We have not used the business sector as a driver in order to be neutral by specific sustainability problems. Precedents studies indeed, focus solely on FNCs in the tourism sector and its sustainability issues (Aureli & Forlani, 2015; Del Baldo, 2016).

Applying Existent Theories to Our Results

According to normative isomorphism, similar individuals tend to promote a cognitive base, diffuse shared orientations and organisational practices to legitimise their activities (DiMaggio & Powell,

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1983). SMEs in the sample are using the FNCs to promote a shared base of values, orientations and practices towards sustainability. In particular, using FNCs they legitimise themselves towards the sustainable choices they make in order to give credibility to their sustainability actions. For instance, they are favouring a particular sustainability strategy giving juridical importance to have chosen a particular certification instead of another. They also "contractualise" SBSR in the sense that they are normatively defining their own sustainable strategy among existent standards and rules. This formalisation happens to reduce ambiguity and business costs concerning inefficient management choice, as SBSR is often perceived as a business cost, more than a success factor (Tilley, 2000). According to del los Reyes et al. (2017), this norm-making approach is seen as suitable for small entrepreneurs (de los Reyes, Scholz & Smith, 2017) as they implement the vision of sustainability of their large customers, normally large multinational companies.

In addition, our study shed light on the management of SBSR using the FNC. In particular, our study has deepened the implications in terms of control, consistency and consensus. We demonstrated that consistency and consensus influence the management of sustainability especially in large networks of SMEs. The importance of consistency is in line with the literature and the implication of a managerial view of CSR linked to the business and source of competitive advantage (Porter & Kramer, 2011). The importance of consensus is in line with the conception of SBSR as a substantially proactive behaviour among small entrepreneurs explained by ethical motivation and not only by business objectives. In our sample, business motivations and ethical principles coexist as there are no written rules about the legal content of the FNC. Regarding control, our results demonstrate a negative correlation between the size of the network and the use of ethical code, certifications and sustainability audit. Since FNCs are developed having with a view to exploiting the network to increase the wellbeing of the networkers more than to control and evaluate their performance, control remains residual. As in our model, two main components of control are represented by certifications and audit. Our results are in line with the relevant studies of Johnson and Schaltegger (2016). Unfortunately, the mimetic isomorphism of the network doesn't seem to overcome the full cost of being certified and audited, and the "network effect" is translated into consistent actions and consensus claim. In fact, such certifications are applied at firm level and sometimes at site level, not at network level. Costs of audits and asseverations could not be divided by participants.

CONCLUSION

Several managerial impacts and practical output arise from our study. First, FNCs face directly some weakness of the SBSR providing practical solutions, as in the case of supply chain adaptation and knowledge sharing. The latter has been constantly reported in the related literature as one of the main barriers of SBSR. With FNCs public regulators can induce small companies and single entrepreneurs to become more aware of CSR and sustainability. Second, our study contributes to the growing literature on FNCs, providing a new perspective as invoked by several scholars (Tiacci & Cardoni, 2011; Cardoni & Tiacci, 2013; Aureli & Forlani, 2015; Del Baldo, 2016). Third, our study sheds light on the sustainable behaviour of SMEs and single entrepreneurs using a qualitative methodology and reporting results grounded in the territory.

Future development of our research regards/could include the implication of the network shape and structure for sustainability management. In addition, future development will consider the opportunity

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of interviewing directly a sample of networkers to compare the achievement of sustainability targets with the distribution of power in the network, and, moreover the implications arising from the diversity of business sectors involved in the achievement of such targets. Using the viewpoint of SBSR, further study will investigate more in depth the motivations that explained the decision of networkers to formalise ethical values and sustainability concepts with these contracts.

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KEY TERMS AND DEFINITIONS

Corporate Social Responsibility (CSR): The responsibility of organizations for their impacts over the societies and environment.

Euclidean Geometry: Geometry based upon the postulates of Euclid, especially on the postulate that only one line may be drawn through a given point parallel to a given line.

Formalized Network Contract: Italian juridical tool introduced by regulators as a formal network agreement.

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ENDNOTES

1 For further information: http://contrattidirete.registroimprese.it/reti/

2 As the research has been conducted within a research agreement with the local Chamber of Commerce, these contracts have been provided just for research purposes by them.

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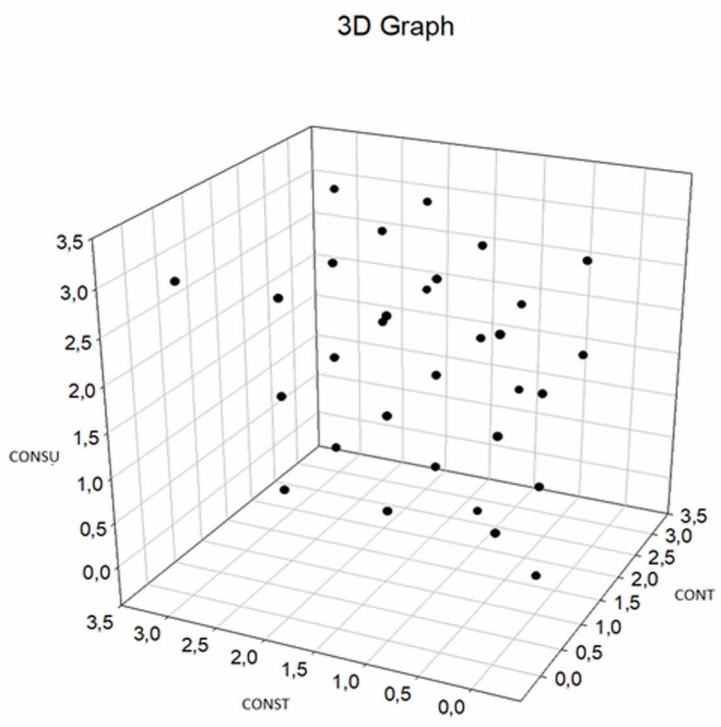
APPENDIX

Figure 3. The 3d scatter plot of the FNCs analyzed



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Section 5

Organizational and Social Implications

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Chapter 54
Technology and Innovation:
The Connection of Social and Technological Networks in China

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ABSTRACT

This chapter deals with the speed to market as one of the most important competitive advantages in nowadays' markets. Responsiveness requires information sharing among all members across the supply chain and thus how to facilitate channel coordination is a major problem to address. Enterprise resource planning (ERP) systems have been employed to deal with this issue by re-engineering the supply chain. This Chapter addresses the issue of guanxi creation that is inherently based on an individual's knowledge and social networks to the technological implementation in the Chinese firm. An ERP system, that is based on access to technological networks based on Western business culture leading to potential conflict if implemented without cultural sensitivity as China is based on social business networks. There is a need to balance these two networks if harmony and business success is to be achieved.

INTRODUCTION

In 2012, China continues to be the world's largest recipient of direct foreign investment - which totaled around US$105 billion (Berger et al., 2013). Once a staunchly Communist state, China now advocates a social market economy based on State Capitalism as its business system. One of the utmost changes in the global economy of the 21st century is the emergence of China's as one of the world's major economies (Song and Schein, 2011). President Hu Jintao in his visits to foreign countries has declared that China will continue its twenty years of phenomenal economic growth and transition from a Communist to a "social market economy". To achieve this it will implement the newest technologies in – order – to transform itself from made in China to designed in China. To appreciate the present Chinese business system and managerial performance necessitates an approval and appreciating of Chinese cultural orientations. As China becomes more and more important to the international economy, it becomes gradually more prudent to comprehend the mindset of the Chinese business culture compared to other established and

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more mature business cultures. Global business environments today, with China having a major role in them, are acting as catalysts for economic changes and the blurring of national boundaries. The impact of these changes combined with the ramifications for firm activities and performance have led to an urgent need to reassess the traditional purely neoclassical, competition-driven frameworks such as that of Porter (1990) used in international management research. Other social science systems of exchange including sociology, anthropology, cultural studies must be incorporated into the research paradigm (Bird-David and Darr, 2009; Chu, 2009) to be relevant for China. The unique perspective offered by other social science disciplines can better analyze the characteristics of China's "social market economy" (Honig and Christie, 2003; Perraton, 2009; Schrank, 2009) than traditional models.

The global balance of economic power is shifting away from the US and Europe towards Asia. Attention today is being directed toward emerging countries especially China as one of the major countries to bail out Europe from the present financial - institutional economic crisis (Berger and Herstein, 2012). Economists forecast that Chinese consumers will mitigate the effects of the present slow down in the Western developed economies. China is seen as the catalyst for economic global growth as the West is gradually entering a period of economic stagnation and institutional turmoil. As China becomes more integrated and active as a global policy setter managerial relationships between Western and Asian countries are receiving heightened interest (Barnes et al., 2011; Song and Schein, 2011) but technological and cultural integration in a Chinese context is generally neglected (Hu, 2014; Li-Ying et al., 2014). What constitutes good managerial practices are not universally shared around the world. As China is emerging as a leading economic power, appreciting the direction in which its management theory is developing is of high significance for policy makers, academics and business leaders alike.

Ever since China joined the World Trade Organization in 2001, it has embraced a strategy that requests Chinese companies to be more internationally competitive. China is resolute to be an 'innovation-oriented' country by 2020 and a 'leading science power' by 2050. To guarantee a successful evolution toward an innovation-oriented market, the Chinese national science and technology policy is tuned accordingly to support 'indigenous innovation', which embraces of two major assumptions. First, Chinese firms must strengthen their internal R & D in order to build adequate absorptive competence for innovation. Second, Chinese firms require to actively obtain external technologies from both international and domestic foundations and thrive through an open scheme of innovation. Marketing competence has been established to be a source of competitive benefit. It refers to the integrative processes used to recognize, collect and apply the knowledge and skill to deal with internal resources, adapting to the external environment. However, most of the studies undertaken in the Western business world provide marginal implications for emerging nations in terms of how to configure organizational capabilities and their critical drivers under challenging economic and governmental reforms.

Theoreticians must move away from neoclassical, economics - driven frameworks in the study of the role of business in society and models of corporate social performance, social control of business and stakeholders that predominated throughout the 1980s and 1990s (Donaldson and Preston, 1995; Shamir, 2009). Indeed, only following or as result of the global financial crises of 2008 and 2009, and the corporate scandals of Enron, WorldCom, Adelphi, and Global Crossing and others in the early 21st century, have social science researchers begun to think in a more pluralistic way in terms of ethics as well as the diversity of comparative business systems (Glynn et al., 2000; Gonzalez, 2003; Kilduff and Dougherty, 2000; Reed, 2002). Nevertheless, there has been relatively less research on China's national

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business system or its social market economy and the factors that are influencing the integration of Western technology with Chinese culture in mind.

As it appears today, despite President Hu Jintao's declarations that his country will have a social market economy, China's business system is evolving into a hybrid of these two major business systems. Given China's focus on a social market economy, its system can be said to be evolving into one that is much closer to the Communitarian business system prevalent in Continental Europe and many Asian countries such as Japan and Korea (Berger et al., 2013). Communitarian business system argue that the group can have rights that are autonomous of and even conflicting to the rights of the individual and contends that the person develops and can prosper only within the context of a community. It recognizes (1) that mutually individual human self-respect and the social elements of human existence is essential; (2) that the protection of personal liberty depends on the dynamic preservation of the institutions of civil society; and (3) that the communities and polities have responsibility to be approachable to their members and to foster participation and consideration in social and political existence. Under communitarianism there can be no query of eliminating all government authority from business relationships because the state is accountable for the welfare of its citizens whose economic lives must be taken into consideration. It leaves the way open for confidential proposals but is ready to come to its aid when private initiatives are unsuccessful. It not only protects but completely promotes all ventures undertaken for the widespread good. Hence, any implementation of Information Technology must take these factors in mind.

The fact that China's $105 billion of foreign direct investment (Economist, 2011) originates from companies from both systems is an interesting phenomena that will further accelerate a mixed system and the need to understand how best to implement information technology. China's phenomenal economic growth and rapid development in various industries including electronics, telecom, and semiconductors has placed it in a league of its own (Zhu and Sun, 2011). The traditional terms, developing county or transition economy, neither describe China accurately nor reflect its unique character. Most likely a new name will emerge for China's advancing business system. Market liberalization in China has required firms to follow the revelation regulations of the foremost global financial centers in the Anglo-Saxon business systems in the U.S. and the UK. Nevertheless, its weak legal infrastructure and weak Information Technology infrastructure has not enabled it to comply with the regulations. There have been many cases of Chinese fraudulent accounting and violations of disclosure rules. The major areas of low or missing disclosure are asset evaluation, disclosure of off-balance sheet objects and transactions with the partners related to controlling shareholders. Strategic transparency, therefore, requires bringing about structural change in the Chinese corporate governance business system and the successful implementation of information technology can assist in this transition. The economic integration already underway in the country will gradually liberalize the Chinese market further, requiring even more disclosure to outside stakeholders. At this stage of its economic transition, China requires low-cost long-term financing (Sun and Wang, 2010), which cannot be guaranteed unless financiers are sure about the near and far future of Chinese firms. In this regard, China is considered to be in a good position to reach reduced transaction costs because it can leverage its technological information advantage and become more transparent to the existing and potential investors and stakeholders. Evidence in the field supports the positive relationship between firm transparency, reducing the cost of equity and the cost of debt, and improving product market performance. Since China is still a giant, emerging economy, it is still too early to know the precise characteristics that will dominate its future business system and the full impact China will have on the global economy and what effect information technology will have on it.

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CONCEPTUAL FRAMEWORK

An organization's ability to formalise a co-operative relationship establishing a secure context for innovation and organizational change requires more than just choice and negotiations. It also requires organizations to have a socio-institutional context conducive to the emergence of such co-operation between existing actors and new actors that are championing the information technology and organizational change (Keohane, 1998; Milner, 1997). This paper addresses the nature of such "inter-cultural" relations and conflicts, especially the issues of trust, collective action and technological implementation (Olson, 1965; Jervis, 1985), with an application to technological innovation and organizational change. In this paper, inter-cultural relations in an global organization context refers to the inter - cultural relations between existing actors of an organization who are knowledgeable about the organization's political and business processes and new actors who are advocating a new technological innovation and organizational change to facilitate the implementation of such technology.

Past research in the social sciences and management and organisation theory suggests that abstract forms founded on the rational self interest of actors, treated as unitary actors functioning in a perfectly informed environment with frictionless exchange do not assist in predicting behaviour. Reality is an imperfectly competitive environment. In such a world, a high amount of inter-cultural co-operation survives involving ordinary communication and mutually innovative expansion of socio-institutional norms (Ostrom, 1998). In such a world, collective action can be achieved by other methods than Nash equilibrium of neo-classical economic theories (Axelrod, 1984; Lenway and Murtha, 1994; Murtha and Lenway, 1994; Ring, et al., 1990; Stopford and Strange, 1991; Ostrom, 1998). This is so because actors are embedded in national culture and social structures, institutions and webs of political power. These in turn are rooted within a framework of global relationships (Schelling, 1960; Olson, 1965; Keohane, 1988; North, 1990; Elster, 1989; Putnam, 1988; North and Weingast, 1989; Ostrom, 1992; Burt, 1992; Granovetter, 1985; Coleman, 1990). Research in international relations and political economy has shown the importance of national, organizational and social beliefs, values and norms in determining the course of constructed inter-cultural co-operation in organizations (Jervis, 1988; Schelling, 1960; Cowhey, 1993; Axelrod, 1984; Snidal, 1991). For this to be achievable requires effective transmission of information on what and how good collective results are achieved. This paper is about the analysis of inter-cultural relations in organizations, between existing actors who dominant the political processes and new actors who want to deploy technological innovations and organizational change. I provide a conceptual model based on a "dual" framework of integrating both the existing actors' political power and control over political processes and the new actors' ambitions to deploy technological innovations and organizational change.

This paper aims to provide a general conceptual framework useful for the analysis of inter - cultural relations and co-operation required for technological innovation and organizational change to take place. Economic and business criteria and reasons are of course fundamental to the drivers of innovations, technologies and organizational change. This is factor number one within organizations and provides the communication necessary to stabilise collective action towards such technological innovation and change. However, other more social, or institutional, factors embedded in the culture of each organization (North, 1990; Granovetter, 1985; Snidal, 1991; Keohane, 1988; Lipson, 1999; Grieco, 1990; Inman and Rubinfeld, 1997; Weingast, 1997; Williamson, 1985; Cowhey, 1993; Ostrom, 1992) are significant in determining the viability or not of a particular technological innovation and change. Factor number two can be seen as a dual level game and provides the innovation in relating existing and new actors in an organization to stabilise collective action. A new technological or organization change is required

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to meet unexpressed socio - psychological criteria, as judged by existing actors in an organization, in addition to well - defined specific business and economic ones. This is because existing actors tend to control the political and financial processes of the firm especially in China. Any organization relies on implicit tacitly expressed socio-institutional factors as well as the more explicit, business and economic ones to ensure valuable collective stability is achievable on reasonable time scales. My approach in this conceptual paper is not dissimilar to the way in which researchers in international relations, and international political economy, have studied the impact of path dependent historical experience on the success or not of international collective action (Haas, 1992; Krasner, 1991; Ostrom, et al., 1992; Grieco, 1990; Keohane, 1988; Putnam, 1988; Martin, 1992; Mayer, 1992). In this strand of research, factors such as a history of shared values and social norms play an important role in supporting and stabilising collective action to group advantage. In other words international political-economic behaviour becomes socially embedded just as it does within a national culture. This paper intends to contribute to the continuing research on political processes, technology and organization change by suggesting that new actors advocating technological innovation and organizational change have to recognise that they are in a "dual game" of multiple criteria in terms of overcoming inter-cultural differences and not only need to submit their explicit economic, business or technological qualification for organizational change but also tacit (Polyani, 1966) uncodifiable information on their commitment to the values and mores of the existing actors in the organization. The economic, business, technology and innovation performance criteria required are easy to determine but provide only a necessary basis for change to be accepted. Sufficiency requires recognition of the socio-institutional compatibility of prospective with existing actors who control the political processes of the organization. The latter is based on far less tangible criteria such as evident willingness to accept the beliefs, values, and norms of the existing actors in the organization, some of the fundamental factors in successful international collective action (Olson, 1982; Jervis, 1985, 1988; Lipson, 1991; Ostrom et al., 1992).

In terms of related research in international political economy, Putnam (1988) has developed the earlier works of Gourevtich (1978) and Rosenau (1969) in that, that he has analysed the importance of games played at two levels. However his typology is ponting to the requirements of political science and local versus global politics, not the multi-disciplinary potential we need to expand to address the troubles of technological and organizational change. Putnam sets out the political contextual issues appropriate to understanding the interaction between domestic and international politics. His analysis does show that the issues are neither purely domestic nor purely international, and as such must take account of dual causality and the constraints each puts on the other. I similarly believe that the acceptance of new actors advocating technological and organizational change requires inter-cultural relations and co-operation and requires such a multiple, two level analysis. Reality is such that the explicit criteria used in looking at the pay-offs to the existing actors of a technological and organizational change may be very different from past change in the organization and in many cases culturally biased. All the existing actors of an organization have an existing identity and social position in the political processes of the organization and their own internally well established collective socio - economic institutions supportive of co-operation and collaboration within the organization. Research in social psychology has shown the extreme significance of the communal social context for the effectiveness of inter-cultural co-operation. A collective social distinctiveness and worldview are it appears essential to the cohesion of any social group (Burt, 1992, Coleman, 1990). Success in a complex organization to a unitary identity needs to be rooted in shared and tacit social beliefs as well as formally expressed explicit economic, business and technology criteria.

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Such a two level analysis requires a balance to be struck between the fast explicit dynamic of expressed economic, business and technology based criteria and the powerful slower dynamic generating an embedded social and institutional identity. One needs to be clear about the linkage that exists between these. Any analysis must recognise not only the links between the rational interest of the outsiders acting collectively in an international setting as unitary political-economic actors but also the linkages Etzioni (1988) has expressed as essential between the economic and moral dimensions of choice made by the insiders acting collectively within the bounds of their own organization or community. This dual political-economic and socio-institutional conceptual framework has to be seen in contrast to the conventional two level analyses of international negotiations used by Putnam (1988). I shift gear here away from a political - economic context defining national interest traded of against international collective interest to the need to develop a mutual understanding of each other's cultural uniqueness necessary to construct a common socio-institutional basis sufficient to generate consensual support for accepting a new technological and organizational change.

There are similarities here to recent research in organisation theory. This has begun to combine the reasoning derived from a consideration of rational political-economic man with the intuition derivable from an appreciation of the nature of socio-economic man (Murnighan and Brass, 1991). These works combine the rational choice of the realists with social psychological analysis. Coalition research, which has similarities to the collective action research of Olson (1982) in political science and international relations by Keohane and Ostrom (1992) demonstrates that once a coalition exists, social interactions amplify cognitive recognition of characteristics conducive to establishing an identity for the new formed group. Such characteristics emerge at the social boundaries between the old and new members and act as focal points, of the type made famous by Schelling (1960), enabling the members of the new group to orientate themselves better to serve or support each other's interests. By these means they can demonstrate the utility of shared values as enables of value adding co-operation and co-ordination within the bounds of the newly created social identity.

The two point game approach seeks to enclose within the one echelon analysis based on communicated economic criterion widely understood by affiliates, potential applicants, and the rest of the humankind. However it also look for a way to encompass a second echelon of socially driven perceptions of strategic standards supportive of growing harmony where the criteria utilised are institutionally embedded in the understanding of working together of the existing members. Given the demonstrable success such norms clearly support it is essential that potential associates can commune their compatibility with these and that existing associates have a mechanism for expressing them as a compatibility requirement for aspirants to associates. These criteria and the focal points they are indicative of (Schelling, 1978) are tacitly understood by all existing actors in the organization and will become evident to all new actors who are advocating technological and organizational change.

UNCERTAINTY, TRUST, AND CHANGE

The existence of homogeneous beliefs within an organization has been attributed variously to naïve unchallenged shared myopia, the creation of norms as a result of chronological experience or the dynamic creation of conventions by the members within a community of interest. Such means for establishing a basis for shared identity are important. They overlap with understandings emerging from the works by Frank (1988); Burt (1992); and Choi and Lee (1997). These works centre on the implication of the

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standing that can be attributed to overt partisanship of such groups for relative position and attributable morale values. Members can then use cluster membership to prevail over uncertainty. If a probable exchange partner is an associate of such a faction and the faction is exclusive in selecting associates of superior standing and sets high principles of morality in exchange then much dealing vagueness is dispelled (Berger et al., 2011).

Global organizations in the 21st century are complex. Uncertainty is augmented both by members intent on attaining an advantage in negotiation and the discrete socio-institutional milieu each member eminates from (Larson, 1988; Levinger and Rubin, 1994). New actors advocating technological and organizational change, must expect significant uncertainty to surround their ideas and innovations concerning change, especially when emanating from different cultures. The different socio-institutional base and possible motives of the new actors advocating technological and organization change (Schelling, 1978) will interact with those of the existing actors in the organization, significantly increasing uncertainty. To counteract this independent evidence is likely to be sought to counter doubts about their capacity to participate usefully in future collective value adding actions. The collectively could speedily become uncontrollable unless a procedure is established for communicating and sustaining the superiority of community norms founded on active institutionally embedded philosophy generated as a consequence of its past account of transactions. Existing actors of organizations rely on their own traditional criteria to diminish uncertainty. They also will anticipate new members advocating technological and organizational alterations to present themselves as being only a very small psychic, social and cultural, distance from these existing norms. They will also be expected to display objectively their obligation to these norms. Given the two echelon nature of the alternative of new members this will be in accumulation to their capacity to display compatibility with the additional physical, economic and other factors mandatory for membership. The thought of psychic distance overlaps, but must be seen as distinct from, the importance of values, united norms, and beliefs, emphasised as important in research in global relations and global political economy. The researchers in these fields examine collective action in a related but nevertheless diverse way from that positioned out here (Keohane, 1988; Putnam, 1988; Martin, 1992; Jervis, 1988; Larson, 1988).

Figure 1 characterises the elements of rational choice under anonymous exchange as used in political economy to analyse exchange transactions in a co-operative environment. Realists in international relations and neo-classical economic analysis in general, use this type of model. They treat each nation as a unitary actor pursuing a well - defined measurable common goal. Each contributing country is assumed to have absolute sight of the information accessible to all others in the process and is apathetic to the character attributable to their partners in dealing only in the worth to themselves of the goal sought. The assumption in my case would be that the content, or value, to be brought to the existing actors who control the political processes in an organization, first can be easily evaluated and measured and second will serve as the only criteria used in assessing their suitability for membership. There are thus no uncertainties as to what is on offer and so no measurement costs. The weakness of the formality possible using such an approach is that it focuses totally on a final well-specified measurable final result to be achieved. Such a comparative static equilibrium is the normal state in a world of perfect information, foresight and frictionless exchange – the institutional structure for this is suggested in Figure 1 below.

In the real world one finds actors in organizations are as concerned as much with the long process of getting from one such solution to another as they are with agreeing on what it should be (Knight, 1992). Generally actors operate in a world of uncertainty where they cannot clearly specify the end to be achieved only what it might look like (Schelling, 1960; Axelrod, 1984). For example, failure of Informa-

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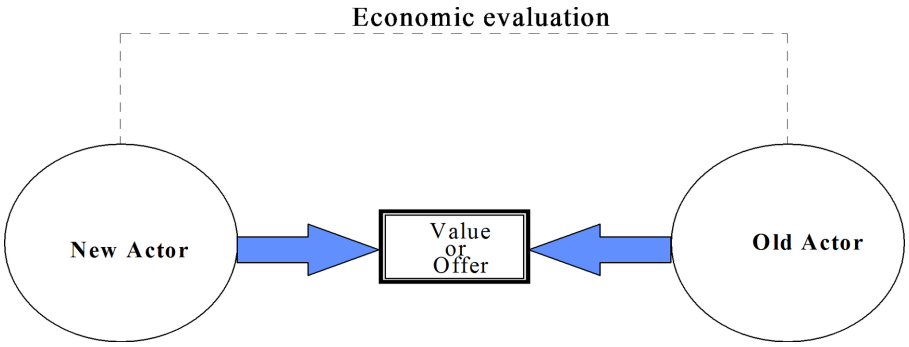
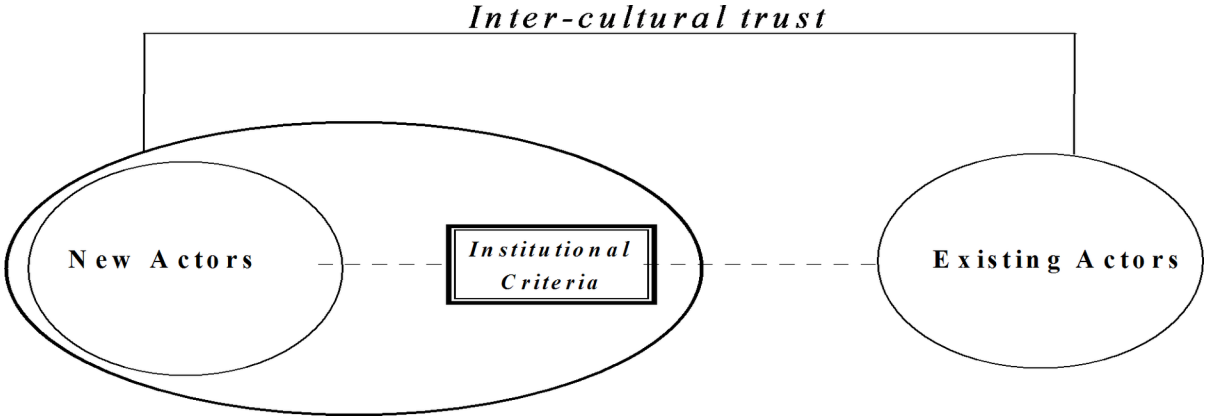
Figure 1. Single level criteria: innovation, economic, business co-operation



tion Technology can have long term reputational and financial consequences on the Chinese firm. In such circumstances the trust one has in the partner chosen for the search is pretty crucial to ones faith in the likely value of what can be achieved (Berger et al., 2013). The means to achieve a result, the socio-institutional position and so trust one has in one's partner is as important as the, as yet ill-defined, end itself. It is mutual success in this process of co-operating in the face of external uncertainty that dispels internal uncertainty, distrust, of one partner (Elster, 1989; Ellickson, 1991). If such internal uncertainty cannot be dispelled it will never be possible to sustain the external equilibrium sought; what is required is, "inter-cultural trust" between existing actors who control political processes and new actors advocating technological and organizational change. From the perspective of one of the actors a successful basis for exchange has the structure indicated by Figure 2 below.

The increasing uncertainty of an external world in such flux makes the stability, of a co-operative partnership within a complex organization, desirable. In such circumstances the fog that surrounds the intangible aspects of a prospective partner's behaviour inside the boundary will create less of a concern about the uncertainty outside it. The reliability and value of a new partner inside the organization will be tested and clearly become known as they face the uncertain outside world together. Until that time there is a need to have a provisional assessment of a potential actor's objective compatibility within

Figure 2. Innovation, inter-cultural "trust" between new and existing actors



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the existing institutional basis within the existing political processes of the organization (Garrett, 1993; Moravcsik, 1991).

However, while economic and business compatibility is necessary for co-operation within organizations, it is not sufficient. One has to turn away from the concrete and observable at the economic and business level and focus instead on the socio-institutional level. The issues that require to be articulated here are those apprehensive with the values, social norms, and social norms of a potential partner and thereby the likely trust one can place in their robustness as a partner in an uncertain world. Knowing the socio-institutional position of a potential partner relative to one's own establishes the compatibility of new actors advocating technological and organizational change, with the socio-economic position of existing actors. In solving this problem, organizations often rely on third party intermediaries, of appropriate but independent status in the global environment; for example, consulting firms and guanxi networks in China (Berger and Herstein, 2012). Such a third party can play an important part in bringing forward the credibility or otherwise of new actors advocating technological and organizational change (Barnes et al., 2011). In an uncertain and complex world the current or even forecast value of objective economic metrics of performance apart from the problematic of their measurement are not so important for decision as signals (Schelling, 1960) having a social dimension indicative of the existence of institutional drivers towards a sustainable affinity based on well embedded but unobservable values (Keohane and Ostrom, 1995; Granovetter, 1985; Burt, 1992).

INTER-CULTURAL PARTNERS

Signals of nationwide policies and intentions can be influenced by the nations emitting them for strategic ends calculated to strengthen their own and weaken the negotiating situation of others. In an increasingly media dependent humanity with communication expenditure decreasing fast, it is predictable that there will be a overabundance of signals that will be either fuzzy or tricky to evaluate or both (Keohane, 1988; Jervis, 1988; Boulding, 1962; Snyder and Diesing, 1977; Putnam, 1988; Polyani, 1966; Ikenberry and Kupchan, 1990). As discussed by Burt (1992), reality is forever hardened by imperfect information while in the perfectly competitive ground trust based on good information is significant. The question is not whether to trust or not, but the continuation of those whom one feels capable to trust. The capacity to sense the existence of an actor with whom one might be able to co-operate within organizations, and so eventually trust is a vital first step on entering the process leading to the next comparative static equilibrium. Although trust may appear irrelevant in the analytical context of anonymous market exchange it is crucial to the generation of the affinity networks that are sufficient to support optimal search in real exchange (Cao and Xiang, 2013). To this end the socio-institutional position of those whom one wishes to connect into a network of actors controlling the political processes in an organization, is as important to it as is the economic, business and technology benefits. Any global organization in the 21st century represents a set of values on which other have based existing highly useful socio-institutional relationships. It thus provides a good starting point for search strategies in the dual game. If a new member threatens to disturb such affinities then not only will the existing actors in the organization suffer but so also will those with whom they have existing relationships. Socio-institutional position is thus essential to "inter-cultural trust" as it provides the fuel to start them sustain and enforce the co-operation that creates the value generating boundaries that are the foundation of constructive international negotia-

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tion. Existing behavioural research such as Schelling (1978); Axelrod (1984); Landa (1994); Choi and Lee (1997); have shown the importance of such socio-economic positioning as it leads to value adding co-operative exchange.

Research by anthropologists and legal researchers on societies functioning on a non-market basis has exposed how the selection of inter-cultural co-operative partners is carried out with great care (Landa, 1994). Under the circumstances of uncertainty that prevail in such societies for them especially their trade and exchange, spreads beyond their own territories of direct interest one finds that their members have a tendency to use fixed positioning characteristics to determine optimal co-operative exchange partners as cheaply as possible; their initial efforts are then restricted to sensing the position of those with whom they are dealing rather than with the political-economic basis for any eventual trade. This approach makes the presumption that it is the socio-institutional position of the other actor that is the vital issue not the product, service or goods to be traded. This behaviour is entirely rational if occasionally naïve when one deals with a totally alien culture. Homogeneous social groups such as the overseas Chinese in Asia; the Syrians in West Africa; the East Indians in East Africa; the the Jews in medieval Europe; Lebanese in North Africa; the Medici merchant-bankers in 15th century Florence all promoted deliberate social descriptions that first identify them. They are then used to implement meaning to signals the insiders of the group finds useful in conveying information to the world outside (Landa, 1994). This is similar to the evidence collected on the means modern public corporations use when initially internationalising their operations. They tend to do so to countries having a low psychic distance from their own, in terms of cultural and social values. This Ibelieve is exactly analogous to my emphasis here on the importance of socio-institutional position as a means to evaluate the psychic distance of new actors advocating technological and organizational change from existing actors in an organization.

This type of perceptual positioning is common throughout the globe and can undoubtedly be used to establish a foundation from which inter-cultural trustworthiness can expand and is based on an evaluation of the calculus of relationships. It is designed to diminish uncertainty and risk in co-operative exchange in and between societies. Research in anthropology and law shows that in such societies, the criteria for selection of co-operative associates develops and changes as more official impersonal social institutions materialize (Landa, 1994) such as those providing dependably enforceable legal contracts in unidentified markets operating on the basis of economic not social criteria. The objective evaluation of products and businesses rather that the trading parties social affiliations arguably facilitates economic exchange and this can then displace business based on trust and kinship or other social characteristics that are difficult and expensive to ascertain. However such displacement is not inevitable as is indicated by the resilience of modern societies where trust based co-operation continues to be the norm, e.g. Japan, as analysed in the works of authors such as Ouchi (1980); Boisot and Child (1988).

The Importance of Social Networks in China

Understanding Guanxi, the Chinese social network of reciprocal business relations common in Confucian cultures, has long been acknowledged as one of the foremost success factors when undertaking business in China (Barnes et al., 2011; Berger et al., 2013). Recognizing the important impact of guanxi and its influence on everyday business interactions in China is thus crucial for Western firms. Whereas considerable research has dealt with the growth of Chinese industries in recent years, the key relationship between changes in its economy and shifts in Chinese business information technology integration

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has been neglected although it impacts the ways Westerners in particular both clinch deals and judge Chinese firms (Fuller, 2009). Chinese history suggests a spiral development model of guanxi constantly interacting with its environment. As Psychic distance, psychological barriers, and cultural differences have been shown to have dramatic impacts on the economic and managerial decisions by multinational corporations understanding the other's culture can be very beneficial for business success. As a result of market uncertainty resulting from the constant evolution of rules and regulations coupled by weak implementation was reduced through a mechanism named "guanxi" based on social networks (Tam, 2002). It is labeled as the actions directed towards founding, developing and sustaining mutually successful business activities (Shi et al., 2011). These social networks, widespread in Confucian cultures, have long been documented as playing a key role in conducting business in China. It is also seen as a regulator of business ethics especially in uncertain business environments where the implementation of the law is lax (Barnes et al., 2011). Guanxi may serve the purposes of both satisfying the need of affiliation and obtaining instrumental value (Hwang et al., 2009). There is a wealth of research on Guanxi, but few studies have illustrated its evolution in conjunction with the changes in the business environment in China. Most researchers have argued for its linear progression starting from a traditional culture toward a more Westernized consumer society throughout the country's three-decade experimentation with the free market. Recent developments have highlighted that Chinese people have increasingly demanded that the traditional components of their culture should be part of business ethics and technology integration (Hu, 2014). In China, the relationship of the firms to the state determines the firms' sources of finance and these sources of finance in turn impact their ability to upgrade. The unsuccessful domestic upgraders lack finance (neglected domestic firms) or financial discipline (the favoured domestic firms) due to their particular relationships to the state. The dissimilar patterns of technological upgrading in China have numerous important implications.

International firms trying to do business in China are faced with the unavoidable question of how to benefit from its enormous economic potential and navigate China's institutions and markets successfully (Berger and Herstein, 2013). Ethical dilemmas are certain to arise when diverse stakeholders have conflicting interest attached to business transactions. A complex challenge for international firms arises when differences in local and home country business ethics lead to tension about which business ethical standards should be applied in a particular situation, especially when implementing information technology which has a complex effect on firm management. Psychic distance and psychological barriers have been shown to have dramatic impacts on the economic and business decisions of Chinese firms. "Psychic distance" is the socio-cultural distance that companies and countries feel towards countries they consider to be dissimilar from their own business systems. To appreciate the contemporary Chinese business and managerial models one needs to understand Chinese cultural foundations and its evolutionary cycles.

Regarding the overall topography of China's technology sector, this paper illustrates that there are four different types of firms in China's technology region with three distinct patterns of technological upgrading. Driving these diverse patterns of technological upgrading are two aspects: the political financial system in China and the corporate strategies informed by the presence or lack of ethnic ties to the Chinese market. This paper identifies four types of firms operating in China's high-technology sector: neglected domestic companies, favoured domestic companies, hybrids, and regular foreign invested firms. There are three disconnected patterns of technology upgrading found in China's firms: high, moderate, and low levels of technological upgrading. What accounts for these dissimilar patterns are the politics of finance and the operational strategy of the firms. The financial systems under which the various

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companies operate strongly character their capabilities and incentives to chase technological development. The financing of provides the appropriate incentives to chase technological upgrading whereas the financing of local firms undermines capabilities and forms disincentives for technological growth.

The Integration of Technological Networks With Chinese Culture

In the precedent decade, the progress in business globalization, the need for information technology, and deregulation in China have overwhelmingly changed the competitive business landscape (Wei et al., 2014). Innovators regularly toil together with lead technology users, suppliers, and other relevant stakeholders in business. They work in an integrated course of action to exploit and explore novel technologies and so the importance of understanding cultural differences in – order to enhance implementation success rates. The most up-to-date advances in the technological innovation business research area argue that firms ought to simultaneously invest in exploitative innovation to exploit active technologies and in exploratory innovation to capture novel technological opportunity. It is claimed that technological innovation must fit with business model design. Business model design interrelates with technological innovation to encourage firm growth and profitability. Business model design redefines the value proposition for new and existing technologies and the ways to capture its value from its successful implementation. Efficiency focused business model design is appreciated mainly by reducing information asymmetry, transaction uncertainty, and transaction complexity among business partners as well as better co-ordinating the internal value creation. It further strengthens mutual trust between the value chain members (be it internal or external). Reducing information asymmetry decreases opportunistic behaviour and, in turn, increases mutual trust between firms and promotes joint problem solving.

It is normally accepted that worth creation is the centre of the business model (Teece, 2010; Zott and Amit, 2007). Based on value creation mechanisms, existing business model definitions can be divided into two types. The first category is constructed from the perspective of an inner value chain, which considers the offer of services or products, the arrangement of internal value activities, and the allowance of internal assets to be the major mechanisms of value formation (Morris et al., 2005). The second type is constructed from the perspective of an external value network. This category highlights the arrangement of a value network, the integration of boundary - spanning operations, and cooperation between companies as the chief mechanisms of value creation (Amit and Zott, 2001; Hienerth et al., 2011). This requires creative management of technical resource and activity links, connecting a firm's technology to other firms in the network. As a result, cooperative and competitive market. China moves from a centrally controlled to a market-based economy, making appropriate realignment decisions to better reflect structural transitional changes, and its impact on network resource and activities reallocation are becoming increasingly difficult and complex. What would companies have to do to maintain their network legitimacy in transforming old to new industrial production, procurement and consumption? While some companies have, and will continue to make a virtue of their time and investments in the network, many face the prospect of "network legitimacy redundancy" unless they can build on their legitimacy in the presence of constant structural changes (Low et al., 2007).

ERP has been regarded as a main part of a company's information technology infrastructure for modern businesses. In recent years, it becomes a world-wide impression for companies to invest in ERP development. To meet the increasingly unstable and diverse market expectations and to constantly advance productivity, many Chinese firms have been moving rapidly to reengineer business processes

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by utilizing up to date information technology. Managerial structures heavily influenced by traditional Chinese social value system. ERP projects have notoriously high failure rate. Research found that more than two-third of these projects resulted in complete failure (Li et al., 2014). Other authors observed that 90 percent of ERP adoption ran behind schedule and/or over budget. Simplified such list by categorized the factors into three general dimensions: organizational environments, people characteristics, and technical problems. They added a supplementary vendor support facet to emphasize the role of ERP software suppliers and a culture impact factor to recognize the exclusive challenges of adopting ERP in the Chinese context. Confucianism is a set of religion-like pragmatic rules and beliefs that have guided the Chinese social behaviours since 500 BC. One of the key principles is that the stability of the society is based on unequal relationships. It is believed that the society could function only when each member took its proper role. How people interact with others is based on the relative level of social status: ones with lower social status are expected to always respect and obey (unquestionably) the orders and principles of the ones with higher status. Where the bosses act as paternal figures to make all business decisions based on "personal knowledge and intuition", rather than "objective criteria or formal quantitative methods" (Hu, 2014).

I find that in emerging economy such as China, exploitative innovation may promote disinterest and makes a firm drop behind other mature industries to capture new growth opportunities in face of noteworthy structural change. It is claimed that the centre of value creation has transformed from a focal firm's technological innovation to the whole business environment and hence the need for an integrated information – technology system or network. As technological innovation is progressively more entrenched in the firm's business environment, managers should adopt a more systemic view to create and capture value from technologies ERP systems. This systems are aimed at improving communication within internal and among external business networks, and share information along the supply chain from the suppliers to the customers, as well as enhance the decision-making process. ERP systems can also provide information for companies to identify the causes of uncertainty that accounts for delivery delay so that the companies can tackle to the right areas for business improvement, which up to date was conducted through informal networks such as guanxi (Choi et al., 2013). ERP systems should be put into operation in a cautiously planned, progressive approach with substantive communication and training across the organization and in line with its business culture.

Firms' external technology hunt can be carried out on three idiosyncratic dimensions: cognitive (technical), spatial, and temporal dimensions (Li et al., 2014). Besides the cognitive (technical) dimension, the spatial (geographic) dimension refers to the knowledge search crossing physical space, which is somehow associated with local resource endowment, culture, and institutions the temporal dimension examines the role of time. Chinese firms for example, from a resource-based view, due to controlled resources and short-term oriented strategy, many Chinese companies are more imitative than innovative. They may not have sturdy absorptive capacity to investigate distant technologies to recombine the latest with the old. From an institutional standpoint, 'indigenous innovation' policies in China encourage domestic technology exchange and try to decrease the reliance on foreign technologies. Among many developing countries, China is of meticulous interest due to its speedy economic growth and vast market potential. China is determined to upgrade the driving force of its economic growth from labour-intensive manufacturing industries to more knowledge-intensive ones lead by innovation oriented companies. Chinese companies have made vigorous and intensified external knowledge exploration that played a significant role to compensate their lacking technological competences.

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Many researchers propose that appropriate organizational culture and managerial leadership strongly expedite ERP adoption and hence its success and failure. For companies in China, organizational (as well as social) culture, languages, and ‘‘relationship amongst acquaintances’’ (guanxi) play very important roles in implementing ERP systems. Chinese people tend to be integrated into groups and have a high degree of uncertainty avoidance. They conceptualize the ERP system as a part embedded in a complex social system. Researchers in the area claim that the implementation failure of ERP integration in Chinese firms is generally high and many firms in China simply cannot achieve their intended implementation results. It is claimed that one of the impediating factors is guanxi. ERP implementation in China maybe particularly perplexing because this ERP concept comes from the Western world with Western cultural attributes which are totally different than that common in Chinese culture and mindsets. All kinds of supply chain relationships are driven by guanxi. As a result, the use of system mindset to ensure every procedure is well-defined and crystal clear (black or white) is inherently different from the business culture and ‘‘rule’’ in the Chinese world which has many colours of grey. It unswervingly leads to all kinds of operational and implementation problems. It even directly leads to the failure of many ERP system implementation projects. As a result, more flexibility in Chinese ERP systems is needed with ‘‘human decisions’’ in thought is seen as critical to ensure success in using technological solutions for companies operating in China. It is claimed that implementing ERP systems in China can be even more successful than implementing similar systems in mature industries because once the most critical elements in Chinese business culture and norm are respected in the ERP system, the well - cultivated cooperative merits of Chinese business person will assist smoothen the transition and hence the chance of success of implementation is much enhanced.

Abundant number of studies have steadily credited ERP for its ability to improve business decision - making competences and organizational performance (Li, 2011). The largely prominent benefits of ERP consist of improved cost structure, elevated information visibility, faster customer response rate, and improved procedure flow. They had the trepidation that ERP would deprive them of the privilege connected with information ownership and direct to status equalization with the inferior status employees. Support from senior management has been stressed as an indispensable ingredient for ERP adoption, predominantly when the outcomes are dynamic and tentative. Coercive pressure from senior management can offer leadership role in sending out understandable signals to any doubts and settling potential disputes, while the institutional pressure helps to lock necessary organizational resources to the project. Considering ERP is designed for rule-based and mature operations. In Chinese culture undoubtedly requires vigilant strategic analysis and meticulous project planning. China’s economy is increasing in the value curve, transitioning from the low-cost manufacturing of fundamental products to the assemblage of high-tech products, and more lately to innovation-led expansion.

CONCLUSION

The purpose of this paper was to develop a “dual” approach to how existing actors who control the political processes in an organization can collaborate or co-operate with new actors advocating technological innovation and organizational change. My approach thus combines several of the social sciences, including the economic, political and socio - institutional perspective that Ibelieve determine whether

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existing actors who control the political processes in an organization will accept new actors advocating technological innovation and organizational change. This approach has political, economic, business and a moral dimension to the nature of technological and organizational change. Because the value and content of economic and business knowledge in organizations can be intangible in its cause and effect the numbers produced, they need to be supplemented by inter-cultural trust; such inter-cultural trust criteria tend to have a socio-institutional dimension. These provide a robust and objective mechanism for verifying the credentials of a new actor advocating technological innovation and organizational change, and if well constructed can also be indicative of a new actor's capacity for sustaining actions appropriate to fitting in with the existing actors that control have the power to control the political processes within the organization.

Over the past few decades, China has recognized the crucial role to be played by private enterprise in building the country's economy. This paper illustrated that the transition between Western and Eastern managerial systems is and will continue to be slow and incremental; its final destination is illusive. In general Chinese companies are still weak at technological learning and implementation, even though they diverge as to the causes of this problem. It is suggested that the social business networks that underpin business doings in China are dominated by rent-seeking collusion with state officials. Even though China's economy is already the fastest growing in the world and China is well on its way to becoming the leading economic power, China's managers are still searching for ways to become better managers. Modeling the Chinese miracle of transition and development poses considerable difficulties for economists (Fan, 2002). This is because China integrated a steady managerial transition advance, and because it continues to manifest many remnants of the old business system, reflecting the permanence and perseverance of its political and business system. The early twenty-first century has experienced two major economic, social and business events of global magnitude. The first was the global financial crisis of 2008/2009, which was preceded by the global corporate scandals of Enron and WorldCom, etc. The second was the emergence of China as a major global economy, the world's second largest economy after the U.S. China annually receives $105 billion of direct foreign investment, the largest amount for any country in the world (Economist, 2011). The implications for the global economy of these changes are still being felt. As part of these changes, China along with many other countries in the world has begun to adopt a wide range of corporate governance reforms. The rate of adoption is being determined by the pace of the country's globalization, which in turn is based on factors in both the shareholder and stakeholder business systems. These changes and the convergence of many business institutions are shaping China's new social market economy. This emerging economy will take into account the foundations of its complex institutions, which have many similarities to the Communitarian business system practiced in the countries of Continental Europe and in Asia in Japan and Korea, among others.

Further research is warranted in two areas. Firstly, there is a need to analyse in more depth the way a new actor's socio-institutional position can be measured and recorded and the relationships between such positions and its subsequent performance within the political processes and innovations, created by existing actors within an organization. Such trade-offs between political-economic or market valuation and socio-institutional assessment and eventual communicated identity and legitimacy are clearly especially important areas for research in integrating the social sciences. Secondly, there is a call for to empirically research further the dynamics of the relationship between nations and the drivers leading to the materialization of a confirmed institutional uniqueness for the existing members who control political processes in the international and complex nature of innovation in organizations in the 21st century.

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KEY TERMS AND DEFINITIONS

China: A country.
ERP: Business management software.
Guanxi: Chinese social networks.
Social Networking: Is the practice of expanding the number of one's business and/or social contacts by making connections through individuals.

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Chapter 55
Women as Social Entrepreneurs in Turkey

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ABSTRACT

Entrepreneurship has been an attractive topic for scholars over several decades. However, social entrepreneurship has remained relatively understudied in scale and scope. More specifically, the aspect of women in entrepreneurship is mostly untouched. Therefore, this chapter aims to examine the role of women in social entrepreneurship in an emerging economy such as Turkey. This research provides literature on definitions of social entrepreneurship and the differences between social entrepreneurship and business entrepreneurship by taking the historical development of entrepreneurship into account. Secondary data of four difference-maker women entrepreneurs are demonstrated through analyzing videos, newspapers, websites, and interviews of the entrepreneurs. Four different life stories of social entrepreneurs suggest that Turkish women social entrepreneurs face many challenges from their environment. The life stories indicate that they touched women's lives by improving their social status as well as economic conditions.

INTRODUCTION

Entrepreneurship has been an attractive topic for scholars over the several decades (Shane & Venkataraman, 2000; Low & MacMillan 1988). Scholars from diverse backgrounds e.g. management, economics, sociology and psychology have attempted to define and examine this concept within distinct contexts. These scholars (Yunus, 1999, 2010; Dees, 1998; Mair and Marti, 2004; Zahra, Gedajlovic, Neubaum & Shulman, 2009 among others) have looked at entrepreneurship from various angles, one aspect is business entrepreneurship which is defined as "the activity of setting up a business or businesses, taking on financial risks in the hope of profit" (Oxford dictionaries, n.d.).

According to prominent figures in this field (e.g. Yunus, 2010; Dees, 1998), social entrepreneurship is a burgeoning area within the entrepreneurship literature. Thus, there is no consensus about the

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boundaries and definitions of social entrepreneurship due to the concentration on different aspects of social entrepreneurship. Therefore, there are several meaningful gaps in literature in regards to the role of social entrepreneurship to be filled (Seelos & Mair, 2005).

First and foremost, over the last a few decades the concept of entrepreneurship has been captured attention of scholars and practitioners (Bornstein, 2004; Chell, 2007; Dees, 1996); however, social entrepreneurship literature remained relatively untouched comparing to general entrepreneurship literature (Miller, Grimes, McMullen & Vogus, 2012; Harding, 2004). Second, having reviewed the research on social entrepreneurship suggests that this is a growing literature (Short, Moss & Lumpkin, 2009), yet the aspect of women social entrepreneurs have been mostly ignored. Third, while there is a substantial literature concerned with social entrepreneurship in developed countries (Mair & Marti, 2009; Bhawe, Jain & Gupta, 2006), research from emerging economies especially from a developing context such as Turkey, which has cultural influences from both Western and Eastern cultures, still requires more studies to delineate this phenomenon as social entrepreneurship emerges with unique local roots and dynamics in Turkey (Yetim, 2008). Thus, there has been a relatively limited amount of research completed within the Turkish context that concentrates on the role of social women entrepreneurs.

This chapter aims to provide a systematic literature on growing concept of social entrepreneurship with a special emphasis on women social entrepreneurs to fill the identified gaps. In this regard, we will focus on the differences between social entrepreneurs and entrepreneurs and examples of social entrepreneurship as well as the contribution of four women entrepreneurs in Turkey to highlight the impact of women on social entrepreneurship.

We first start with the definitions and historical development of social entrepreneurship, and its characteristics before talking about the traits of social entrepreneurs. We then highlight the differences between social entrepreneurship and business entrepreneurship. After that, we demonstrate four life stories of Turkish social entrepreneurs after describing our methodology

SOCIAL ENTREPRENEURSHIP

Covering a wide-ranging area, social entrepreneurship is a concept focused on social purposes (Peredo & McLean, 2006: 59; Dees, 1996; Chell, 2007). Although there has been significant progress in social entrepreneurship education and research, there is no absolute agreement about the definition of the concept in the literature. Some academics have attempted to explain social entrepreneurship within the scope of non-profit organizations, e.g. social organizations and associations (Weeawadena, 2006: 22). The researchers, e.g. Dees, (1998; 2006); Yunus, (2010); Zahra et al., (2009), on the one hand have drawn attention to the inclusion of social entrepreneurship in commercial activities, through entrepreneurial practices of the non-profit sector. On the other hand, another group of researchers have addressed social entrepreneurship within the world of entrepreneurship (Peredo and McLean, 2006: 57), and indicated that it was specific to only non-profit organizations, but that social entrepreneurship was also a part of the sector where for-profit enterprises exist (Austin et al., 2006; Naumes et al., 2002; Thompson, 2002). These researchers' attempt to attribute a social identity to entrepreneurship or to approach the matter as a type of entrepreneurship has led to the increase of the entrepreneurship content in theories and definitions made in relation to this matter (Sullivan Mort et al., 2003: 79). However, both approaches agree on the fact that social entrepreneurship, at its core, is about providing benefit to society.

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Austin et al. (2006) drew attention to the main components of the matter while defining social entrepreneurship. They defined social entrepreneurship as an "innovative, social value creating activity that can occur within or across non-profit, private and public sectors". The three components underlined in this definition are as follows (Austin, 2006: 22):

- **Innovation:** As the activity carried out is entrepreneurship, a creative process is essential in producing something new.
- **Creation of Social Value:** As the characteristic that distinguishes social entrepreneurship from private sector entrepreneurship, social value creation is an essential motive.
- **Area/Sector:** Social entrepreneurship is a phenomenon that can be seen in any sector or intersectorial cooperation activities.

Social entrepreneurs define problems and help with their resolution. They fight against injustice, feed the homeless, teach illiterate people how to read and write, raise money to seek treatment methods for illnesses and protect the natural environment. Social entrepreneurs also lead social innovations and change in various fields such as education, health, environment and enterprise development. Like financial entrepreneurs, social entrepreneurs establish strong and sustainable organizations. Their only difference is that they do not seek profit. In societies, social entrepreneurship might occur when people take action to support social welfare (London & Morfopoulos, 2009). To Leadbeater (1997: 11), social entrepreneurship is supposed to be an action which is sensitive to social problems and which prioritizes social aims, focuses on social outcomes and aims to achieve social development through social capital.

Some approaches that define social entrepreneurs would include as follows:

- Adopting a specific aim in creating and sustaining a social value rather than profit or a private value;
- Finding out new opportunities that serve this purpose and never giving them up;
- Being continuously in an innovation, adaptation (to change) and learning process;
- Acting boldly without being limited by resources currently at hand;
- Achieving significant successes in finding and using resources;
- Exhibiting a high responsibility to people to whom they provide service and with regard to the results that emerge (Alvord et al, 2004: 262).

Bygrave, the Head of Entrepreneurial Studies at Babson College, names 10 traits that characterize social entrepreneurs. According to Dees et al (2002), Bygrave considers social entrepreneurs to be:

- **Dreamers:** Social entrepreneurs have visions about their organization and society. More importantly, they have the ability to make these dreams real.
- **Determined:** They do not waste time but take decisions, fast which is the key to their success.
- **Hard-Worker:** They first decide on the type of action and put it into practice as fast as possible. They make the necessary adjustments to reach their targets.
- **Decisive:** They undertake their tasks fully. They give up only when they encounter insurmountable obstacles.
- **Self-Sacrificer:** They adapt to work. They rarely have relationships with family or friends. They work seven days of the week (12 hours a day) without getting tired.

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- **Devoted:** Social entrepreneurs, especially those with a difficult mission, like their work.
- **Elaborative:** They care about the details of work. They launch a new initiative in the best way, make it grow and focus on critical details.
- **Believers:** Social entrepreneurs do not believe in faith. They believe in being committed to their employers.
- **Profit-Makers:** Profit is not a motivation factor for social entrepreneurs but it is necessary for sustaining the activities of their enterprise. They understand the role of economy in their organization and work at maintaining it.
- **Distributors:** They distribute responsibilities among shareholders and everybody exhibits a sense of ownership in the activities carried out.

There is more than one potential motive that can encourage social entrepreneurs. Some of these motives might be primary while others might be secondary. Besides, some of these motives might be implicit while others might be explicit. The most fundamental motive that social entrepreneurs may have is altruism. Also, there might be secondary motives that motivate social entrepreneurs such as gaining a particular status, being in the public eye and having power (London & Morfopoulos, 2009).

As can be seen, several attempts have been made to define the concept of social entrepreneurship. When the available definitions are examined, it is possible to distinguish the traits that are most frequently associated with social entrepreneurship. These traits are mainly as follows: non-profit, social value creation, awareness of social problems, innovation, leadership, elimination of social problems etc. Accordingly, we define social entrepreneurs as *individuals who have a social mission and who listen to the society, determine the needs of the society and act as a bridge between social needs and existing resources*.

HISTORICAL DEVELOPMENT OF SOCIAL ENTREPRENEURSHIP

When the historical development of social entrepreneurship is examined, a considerable difference between theory and practice catches the attention. It is seen that several charity organizations, especially those taking their roots from long-established religions, carry out many economic activities focused on a social mission at their core. Though they are associated with social entrepreneurship, these examples demonstrate that the attribution of a social mission to economic activities dates back to older times (Singer, 2002; Mengu, 2016; Besler, 2010).

Contrary to the deep historicity in the practice of social entrepreneurship, it is seen in the literature that social entrepreneurship is still developing and the shift from practice to the academy is undergoing certain stages. Below, the chronological order (as in the literature) of the concepts of social entrepreneur and social entrepreneurship is given:

Looking back at the historical development of social entrepreneurship in practice, we first encounter William Lloyd Garrison, who founded "The American Anti-Slavery Society'" in 1833. Founding also "The Liberator", which is the first anti-slavery newspaper, Garrison passionately fought against slavery throughout his life and defended the rights of black Americans (Barendsen & Gardner, 2004).

In 1889, social services expert and reformist Jane Addams founded "*Hull House*" in order to help destitute people in Chicago. This settlement house served as a welfare centre for disadvantaged neighbourhoods. Later, it became a role model that was taken as an example at national level and attempts

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Table 1. Definitions of social entrepreneur and social entrepreneurship

Author/Year	Definitions
Theobald (1987)	Social entrepreneurs are "change agents" who have a desire to take the risk of presenting new ideas and approaches to individuals, groups, and institutions.
Leadbeater (1997)	Social entrepreneurship focuses on using entrepreneurship behaviour instead of profit-oriented behaviour while achieving social aims for the benefit of a disadvantaged social group.
Dees (1998)	Social entrepreneurs play the role of change agents in the social sector, by adopting a mission to create and sustain social value (not just private value); recognizing and relentlessly pursuing new opportunities to serve that mission; engaging in a process of continuous innovation, adaptation and learning; acting boldly without being limited by resources currently at hand; and exhibiting heightened accountability to the constituencies served and for the outcomes created.
Thompson, Alvy, & Lees (2000)	Social entrepreneurs are people who realize where there is an opportunity to satisfy some unmet need that the state welfare system will not or cannot meet, and who gather together the necessary resources (generally people, often volunteers, money and premises) and use these to 'make a difference'.
Fowler (2000)	Social entrepreneurship is the creation of viable (socio-) economic structures, relations, institutions, organizations and practices that yield and sustain social benefits.
Frumkin (2002)	Social entrepreneurs have a combination of the supply-side orientation and the instrumental rationale, providing a vehicle for entrepreneurship that creates enterprises that combine commercial and charitable goals.
Thompson (2002)	Social entrepreneurs are people with the qualities and behaviours we associate with the business entrepreneur but who operate in the community and are more concerned with caring and helping than "making money".
Sullivan Mort et al. (2003)	Social entrepreneurship is a multidimensional structure that involves all the dimensions given in the "fundamental components" section.
Mair & Marti (2006)	Social entrepreneurship is the process of evaluating new opportunities by combining different sources in order to satisfy social needs, create social value and speed up social change, either benefiting from opportunities or by using these sources innovatively.
Peredo & McLean (2006)	Social entrepreneurship aims either exclusively or in some prominent way to create social value.
Robinson (2006)	Social entrepreneurship is a process that includes the identification of a specific social problem and a specific solution (or set of solutions) to address it; the evaluation of the social impact, the business model and the sustainability of the venture and the creation of a social mission-oriented for-profit or a business-oriented non-profit entity that pursues the double (or triple) line.
Martin and Osberg (2007)	Martin and Osberg (2007) explained social entrepreneurship with three components: 1) Determining the marginalized group who do not have a financial or political power due to the unjust order, who cannot benefit from transformative benefits and who are excluded and thus suffer. 2) Having the determination, creativity and courage to create a social value and confront the circumstances by taking action. 3) Bringing out the potential of the group and creating a permanent, balanced ecosystem.
Nicholls et al. (2008)	Nicholls et al. carried out a study aiming to bring new models to social entrepreneurship: *"Social enterprise model, its missions and relationship with money. Social enterprises working for international welfare and development. Social entrepreneurship partnerships - university incubation model aimed at increasing social entrepreneurship."*
Yunus (2010)	Social entrepreneurship is a business model that aims to meet the most fundamental needs of humanity rather than maximizing profits.
Franz et al. (2012), Nicholls & Murdock (2012)	Franz et al. (2012) and Nicholls & Murdock (2012) emphasize the concept of social innovation. They address the differences in the theory and practice of social innovation besides social innovation and social entrepreneurship relations.
Definitions of Social Entrepreneurship by Some Institutions	
Harvard University, Harvard Business School, Social Enterprise Initiative	Social entrepreneurship is an innovative, value-creating activity that can be seen in non-profit, public or private sectors.
Oxford University, Said Business School, The Skoll Centre for Social Entrepreneurship	Social entrepreneurship involves dynamic administration strategies in order to create the best social and environmental effect. Social entrepreneurs are the change agents of society, who can see the opportunities that others overlook, develop systems for the benefit of the society, find new approaches and produce creative and sustainable solutions.
Duke University, The Fuqua School of Business, Centre for the Advancement of Social Entrepreneurship	Social entrepreneurship is a process that involves seeing the opportunities for creating a social value and using them productively.
Ashoka	Social entrepreneurs are individuals with innovative solutions to society's most pressing social problems. They are ambitious and persistent, tackling major social issues and offering new ideas for wide-scale change.
Schwab Foundation for Social Entrepreneurship	Social entrepreneurship is an innovative, practical, sustainable, market-based approach that achieves transformative social and/or environmental change, with an emphasis on underserved populations.
Skoll Foundation	Social entrepreneurs are society's change agents: a pioneer of innovation that benefits humanity.
Global Entrepreneurship Monitor	Social entrepreneurship is an activity aimed at starting a new enterprise or extending a social enterprise existing individually or as a group. In social entrepreneurship, the focus is on social purposes and the profit obtained is not returned to investors but it is re-invested for future activities or for the enterprise itself.

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were made to open more centres like Hull House. Jane Addams spent the rest of her life working for Hull House and was awarded the Nobel Peace Prize in 1931 (Barendsen & Gardner).

The awareness about, and the need for, social entrepreneurship in society came about due to some factors such as the work pace of charity organizations and dissatisfaction about the administration. One of the first examples of this awareness is William Draydon. Draydon is the first person to describe the concept of social entrepreneurship. He believed that social entrepreneurs offered the best potential for the resolution of social problems and thus established "Ashoka". Ashoka is the first enterprise established to support social entrepreneurs financially. Its aim is to provide financial support to social entrepreneurs and create a professional network of communication where they can discuss and exchange ideas and recommendations for solutions (Barendsen & Gardner, 2004; Denizalp, 2009).

The Nobel Prize success of Muhammad Yunus in 2006 with his microcredit system (small loans to entrepreneurs) against poverty in Bangladesh played a role in making social entrepreneurship the focus of the increasing interest in university, media and social sector organizations (Martin & Osberg, 2007). Muhammad Yunus, Head of the Department of Economics of Chittagong University, created a revolution that determined the fate of millions and won the favor of economic and political actors across the world. *Grameen Bank* (Bank for the Poor) established by Yunus gave loans to many poor people who could not give a refund guarantee and those absolutely rejected by traditional organizations. These poor people started various businesses, from hair salons to grocery stores. Thus, millions of people were saved from poverty. The Grameen Bank Model is a very successful example of social entrepreneurship that enabled the dissemination of microcredit across the world (Denizalp, 2009: 15).

As for the history of social entrepreneurship in Turkey, the plan conceived by Zeynep Kamil, the daughter of Muhammad Ali Pasha (Kavalalı Mehmet Ali Paşa), to establish a hospital where gynecological diseases and the reasons for child deaths would be investigated was one of the first examples. Within the scope of this plan, she established *Zeynep Kamil Hospital* in 1862. In 1872, Yusuf Ziya Bey pioneered the foundation of Darüşşafaka Association (Denizalp, 2009). Yet, from the aspect of Turkish authority social entrepreneurs are not considered as different from business enterprises in Turkey. In other words, these social enterprises are seen as business enterprises which have obligations similar to business enterprises such as paying corporate taxes. They do not benefit from some privileges which could lead them to grow easier due to bureaucratic obstacles in Turkey. In developing countries, social enterprises receive some incentives which are provided by their governments. In some European countries, for instance, Croatia and Czechia they adopt several programmes to boost this area with funds (OECD, 2016). Such supports are not provided by policy makers in Turkey yet.

DIFFERENCES BETWEEN SOCIAL ENTREPRENEURSHIP AND BUSINESS ENTREPRENEURSHIP

The main difference between social entrepreneurship and business entrepreneurship is the purpose. In other words, it is about what an enterprise aims to maximize. For social entrepreneurs, the aim is to maximize some social situations. These are generally urgent needs that other organizations overlook or fail to meet. As for business entrepreneurs, what is important is to maximize the profit that has been made or the assets of shareholders (Bornstein & Davis, 2010). In other words, profit, which is the main factor that business entrepreneurs focus on is not a target for social entrepreneurs. Rather, it is an explicit and central target for social entrepreneurs to work for social purposes and make a difference (Harding,

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2004: 43). However, what matters is to make a difference based on a purpose, not to build wealth as a measure of value-creation like business entrepreneurs (Dees, 1998: 3). This is because the mission, value, and ideologies in social entrepreneurship are based on social purposes and all the actions of social enterprises are determined taking these purposes into account.

Whereas success is measured qualitatively in social enterprises, it is measured quantitatively in for-profit enterprises. That is, social entrepreneurship involves a qualitative evaluation of success regarding the service provided while the evaluation of success in business enterprises is based on quantity (Dees et al, 2002: 2). When private sector entrepreneurs create value for their customers, they are rewarded by getting a feedback in the form of profit in the short or long term. However, social entrepreneurs are seldom rewarded for the social value they create, and no data can be obtained about the organizational performance of social entrepreneurs since profit is not the criterion (Dees et al, 2002: 4). Another significant difference between social entrepreneurs and business entrepreneurs results from being internally or externally focused. While administration, ownership, and financing might be carried out externally in social enterprises, only financing might be external, though partially, in for-profit enterprises, but administration and ownership must be carried out internally (Prabhu, 1999: 142). Besides, the enterprising tendency of social entrepreneurs is lower in comparison with that of business entrepreneurs (Cools & Vermeulen, 2008: 18). The main differences between social entrepreneurship and business entrepreneurship are given in Table 2.

In today's world, both types of entrepreneurship are needed. Compared to business entrepreneurship, social entrepreneurship is more difficult because it opposes political decisions and looks for potential solutions. Despite this situation, it might not be right to consider one of them superior to the other (Bornstein & Davis, 2010).

METHOD

Bertaux and Kohli (1984) suggest that life story approaches are helpful to uncover people's experiences as well as life trajectories. This approach has been used for many disciplines, including sociology, psychology, and sociology. It must be noted that there are two ways of collecting data: either a researcher collects directly from the informant or someone, who has collected data before, collects data from the informant. It is called primary data if a researcher himself/herself collects data, while if a researcher uses collected data, it is considered secondary data (Saunders, Lewis & Thornhill, 2016). Therefore, this chapter draws on secondary data from documentaries, videos, blogs, newspapers, and interviews from available media resources. Reviewing these resources influenced us in our reporting four difference-

Table 2. Differences between social entrepreneurship and business entrepreneurship

Social Entrepreneurship	Business Entrepreneurship
Based on collective consciousness and experience	Based on individual skills and knowledge
Focused on long-term productivity	Focused on short-term financial gain
Ideas are limited with the mission	There is no limit to the scope of ideas
Profit is a tool	Profit is an aim to be reached
Profit is used for providing service to humanity	Profit is kept or re-used for making more money

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makers from distinct sectors. Each of them is Turkish and a woman which fits our purposive sample. Therefore, we begin with the first life story, that of Hilal Gerçek then continue to Bedriye Hülya. Tülin Akın is the third entrepreneur, followed by Pınar Kaftancıoğlu.

Hilal Gerçek

Hilal Gerçek's story starts in her university years where she felt the need to contribute in one way or another. However, there was a lack of research and practice in relation to social entrepreneurship. Some social entrepreneurship websites barely worked. Then she sought advice how she could be beneficial to the society through entrepreneurship training. She was advised that she could attend student communities and do volunteering. Initially, she did not know what she was doing in the projects of social entrepreneurship (Gerçek, 2017). After joining and becoming active in projects, she had experiences which made her feel the need to be socially responsible to society. She devoted herself so much that she had to extend her bachelor degree from four years to seven years. Her family started to be concerned about her education and life. However, she was aware of what she did or did not want, because whatever she did, she looked to see if there was a social impact involved. Having experiences in the spirit of good impact on society gave her pleasure to find social entrepreneurship.

Although she has not established an enterprise yet, she does represent TurkishWIN on campus and in social media – a social initiative in Turkey to empower women. Also, she volunteers for AFS Turkey. AFS bridges new cultures by providing several opportunities for training and learning. She works for *SOGLA* (Sosyal Girişimci Genç Liderler Akademisi, Translation: The academy of young leaders of social entrepreneurship). She volunteered in *BinYaprak* as Operations Director. She has done several beneficial things in *BinYaprak*; because she always had a dream to be involved in helping people. She is greatly inspired which empowers her to leave her comfort zone. In other words, she has faced many hardships, especially arguments with her family about marriage. Although her family has backtracked on that, she spends her time on the activities that make her happy as she asks herself; 'Where am I the happiest?' Other challenges include her feeling alone in the journey of social entrepreneurship, feeling that the things that she does might be wrong, feeling being judged. However, she has jumped into dark and deep waters which later appeared not to be so dark and deep after all.

Bedriye Hülya

Bedriye Hülya was given the award of Social Entrepreneur of the Year 2013 by The Schwab Foundation for Social Entrepreneurship. She founded B-fit Sport and Health Living Centres for Women in Turkey in 2006. She has always been very enthusiastic about working; interestingly, when she was very young, she applied for a chief assistant position at the US embassy. She had an unfortunate traffic accident and was very bored both in a hospital and at home with two crutches over two years, which led her to start working at the age of 18. She firstly started working in transportation sector then in banking after that in tourism sector finally in education sector before in textile sector. There is no work that she cannot do, from the easiest to the most complex (Hülya, 2017).

After saving enough money to study for a master's degree in the USA, she went to America. While she was studying in the USA, she came across a new type of gym in which there was a certain session that lasted only 30 minutes. Normally she hates gyms as she cannot stay for a long time; however, she could stay for 30 minutes, as the system was highly effective and quick. Then she put this idea in her

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projects file to work on it later on. After she returned to Turkey in 2004, she wanted to put this idea into practice with her six girlfriends.

It is a fact that everyone has to exercise; however, she knew why Turks, especially Turkish women, do not exercise. She wanted to remove the barriers by offering men-free gyms for all ages and all income groups. These gyms are widely available; for instance, she encouraged women to open a centre in less developed cities in the eastern part of Turkey when there were not shopping malls in these cities. Therefore, Bedriye provided support for over 250 women entrepreneurs to operate their fitness centres for only women to socialise by surpassing social oppression as well as making exercise a habit. Due to the cultural and societal barriers, B-fits are designed for those women who cannot go to the gyms that are unisex to meet others and socialise. These places are venues not only for exercise but also for sharing many aspects of life (B-Fit, 2017).

In B-Fits, women make new friends, read and learn new things and share their problems, recipes, and experiences. In attending sessions at B-Fits, women feel better, healthy, and self-confident which leads to a better communication with their family and they are more productive in their work. As they make time for themselves they feel happier, especially if they lose weight and they see themselves more beautiful and well cared for. Having a social life with their friends suggests that attending these centres reminds women that they co-exist with their husbands as well as in society as a valuable individual.

Bedriye employed more than 1000 women and helped more than 250 women to establish this business. Over 350,000 women have used one of the 200 centres of B-Fit gyms in Turkey's 50 different cities. She is an entrepreneur who has given her support and opportunities just for women. The employees, franchisees, and customers comprise only women. If the aim was to make more money, Bedriye could have given franchises to men, yet the aim was to empower women. The social impact that she was looking for was more important than money.

Tülin Akin

She is another difference-maker woman who has received a number of awards from distinguished organisations, including the Social Entrepreneurship Network Award from ASHOKA in 2013, and the Most Successful Entrepreneur Award from Junior Chamber International in 2012 among others. She founded a website of www.tarimsalpazarlama.com in 2004 while studying for her bachelor's degree. The main aim was to ease farmers' lives by informing them for free about market prices, weather conditions, and new technologies about farming and animal breeding to improve their efficiency as well as overall productivity.

The main concern arose from the difficulties that farmers face, e.g. difficulty in accessing instant reliable weather conditions information, lack of access to markets and low efficiency in agricultural products. Since small farmers cannot make enough profit due to higher costs, they finally give up and migrate from their villages to big cities. When she observed all these hardships she could not sleep. She thought that she could solve this by a website. Since some farmers were uneducated, they did not have access to websites and they did not have computers. Therefore, she travelled around 6000 villages over six years to tell them about the impacts of technology, computers and the internet on agriculture and animal breeding. Furthermore, she was advising farmers about how to get bank loans if they needed them (Tarimsalpazarlama, 2017).

Tülin then established a Farmers Club text messages service to inform farmers about all the details they need for farming, which was free. 1.4 million farmers receive texts informing them about weather

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conditions and advise them about what to do, relating to market prices, sales, stock exchange states etc. Text messages were not enough; she started training farmers about how technology affects their lives, using a convertible lorry to educate farmers about technology. In 2012, she felt that farmers were ready to have individual computers. Then she went to Intel to get them to produce computers to enter their data into software in return to get accurate information. However, it did not work well because; most farmers make their decisions by consulting their children. Since the computer hardware were not capable of playing video games, the children convinced their parents not to buy the computers. Then she noticed fast-growing smartphones, tablets and similar devices for use in the application of Farmer Guide in iOS and Android (Akın, 2017).

All these were not enough; she had to do more to disseminate crucial information to farmers as there was no agriculture agency in Turkey. Producing devices and applications became insufficient and waiting for farmers to use their applications might have constrained them. In order to overcome this issue, she prepared a TV programme to inform farmers over three months. This project was so successful that several TV shows from six different countries imitated the project in their countries.

Finally, she realised what she was doing wrong. She was solving problems that occurred, yet she needed to prevent them from occurring in the first place. Tülin moved to a village in *Aydın* to transform it into a smart village, *Kasaplar* Village. It is easy for visitors to access. 424 people live as typical villagers. In this village, she aimed to bring together family farming and technology to increase small farmers' efficiency and profitability to a standard of living. Also, she intends to prevent migration from villages to cities for economic and social reasons. Called a 'new rural life model', she is building this now. This model is a uniquely innovative model in Turkey and in the world. All devices used in agriculture and stock farming are made smart. It has become quite straightforward to monitor land by using sensors to transfer data via smartphones as well as using drones to measure solid surfaces. Automation systems, measurements, and all data are monitored and controlled by tablets or smartphones (Akın, 2017).

This place is also for women, youngsters and children to socialise, to be trained and educated, along with smart greenhouse products, meteorological stations, early warning systems under net house production, smart pasture farming, collective milking, animal monitoring systems, beekeeping and tracking systems, an agricultural data monitoring centre, a laboratory, and a digital library. There are many software programs for all these activities. Every year, all data emerging from this village, e.g. social status, income, environmental state, are measured and shared with NGOs, universities and the private sector.

Farming leaders from other villages come together to visit this village to see how it works because farmers do not obey what veterinarians or agricultural engineers suggest. Rather, they pay attention when other farmers talk about how technology plays a role in the production.

Pinar Kaftancioğlu

Pınar Kaftancıoğlu is a 48-year-old mother of two who used to live in Istanbul until she established '*İpek Hanım Çiftliği*' (Lady İpek Farm). She was working in a business tower in one of the busiest places in Istanbul, where she grew fed up with the chaos and disorder of Istanbul and its dense population and traffic. In particular, working in a professional role made her too involved with her job in which she could not spare enough time for her family. Her baby started to call her nanny 'Mommy'. This became a milestone for Pınar to realise the importance of spending more time with her children. The chaotic and complex life in Istanbul so exhausted her that she decided to enjoy the rest of her life in the countryside. She then quit her job and escaped from Istanbul's metropolitan life to an Aegean village. She first lived

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in *Kuşadası,* a small tourist town. Then she moved to *Nazilli's,* a small village named *Ocaklı* where she established her current organic farm before running a natural spring water factory for several years there (Kaftancıoğlu, 2017).

In *Ocaklı,* Pınar firstly purchased a field, using her previous savings from Istanbul, which she began to plow and then to fertilize it, using cow manure. After a while, she started to grow her own vegetables and fruit as. She felt immensely happy when she tasted her first vegetables. She no longer bought any food from supermarkets. She also had chickens and cows which she named them individually. Every morning she collected eggs from the shoe rack which some chickens used for incubation purposes. She also made cheese and yogurt from the raw milk as well as her own bread and olive oil. So she became a totally self-sufficient woman. In her diet, she had fresh eggs, tomatoes, carrots, and lettuces which she never found in big cities. This was the feeling that she had been dreaming of. Her dream came true, but a problem arose when she exaggerated this self-sufficiency.

She loved her animals so much that she could not slaughter them; as a result, she was collecting around a hundred eggs daily. Moreover, she had six tonnes of olive oil which she would have taken her a long time to use up. Since she used no chemical products, all vegetables and fruit decayed in a few days. Wholesale dealers or buyers were offering humiliating prices to buy her products, even though she did not have any financial concerns, as she already made enough savings in Istanbul for her remaining life. She came up with the idea of sending these extra products for free to friends in Istanbul. She found a way to avoid food waste but after sending parcels to her friends, they were impressed with the taste of vegetables and requested more, which delighted Pınar. Then her friends' friends and their friends' friends were sending emails full of praise to Pınar. Day by day, the demand increased and diversified. They asked for a wide range of products from the village from sour orange jam to *Tarhana* (soup with dried yoghurt). Her products increased consumers' appetite for less well-known delicious products too, which pleased Pınar very much (Berköz-Ünay, 2010).

Pınar extended her field and planted several more separate vegetables and fruit. She hires mostly women from *Ocaklı* village; there are around 120 people working in her farm, which goes up to 300 people during summer. There are around 100 cows and oxen and also a large number of sheep and goats. She has a shelter which includes around 80 dogs and 100 cats. She describes herself a vegetarian and an animal lover, therefore she never slaughters animals or sells meat. This is how she started this social enterprise in which she had several aims to achieve. The main and maybe primary motivation came from the anxiety about how she would feed her children as there is unhealthy and cheap food in abundance in big cities. She wanted to keep her children and herself away from the tasteless, hormone-fed food as well as from genetically modified food.

İpek Hanım Çiftliği created a social impact upon the villagers, especially upon women. Talented women in the village were revealed and discovered by Pınar. She did not let them underestimate themselves, e.g. a woman was very good at village bread-making but did not realise just how good the bread she was making was. Therefore, Pınar created a self-awareness among women, especially those who were not working anywhere before. Women in the village feel empowered by being financially independent. She became a role model and idol for younger women to avoid early marriage. There was an education campaign in Turkey called '*Haydi Kızlar Okula*' (Girls, Let's Go to School) to provide girls mostly from rural areas with a primary school education. Pınar uses a similar slogan '*Haydı Kızlar İşe'* (Girls, Let's Go to Work) to increase the village people's wealth and prosperity. It is a fact that it is difficult to be accepted by villagers in Turkey if you are not from the specific area, yet she established trust among village members as Pınar never founded her farm for financial concerns, which was noticed later on.

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Concepts of richness and wealth have changed for her; these are not measured based on a house and make of a car, it is measured by what is contributed to people and how you value people as well as how they value you. There are many people doing good things like Pınar in Anatolia 'despite villagers' but she does it 'with villagers' due to the trust between Pınar and her friends (Kaftancıoğlu, 2017).

Another aim of Pınar was to preserve seed and healthy food by using authentic local seeds instead of imported ones. Using local seed is a hot topic in Turkey which needs to be addressed as imported seeds are infertile and mostly genetically modified. Therefore, Pınar is contributing to the national seed reservoir by using and keeping original seeds. She sees it as a social responsibility towards society.

Pınar's farm has changed the destiny of a village and became a pioneering example for social entrepreneurs. It is a revolution in a small village rather than only a rural development project the love they have for each other makes for a happy Aegean village.

CONCLUSION

This chapter has attempted to cover definitions of entrepreneurship and social entrepreneurship as well as highlighting the differences between social entrepreneurs and entrepreneurs. By pointing out the historical development of social entrepreneurship, we focus on prominent figures in the field among several examples of social entrepreneurship. The contribution of pioneering women social entrepreneurs in Turkey was highlighted to demonstrate the impact of women on social entrepreneurship in Turkey. After talking about methodology, we found three prevalent women social entrepreneurs in Turkey who were difference-makers in their areas.

Although there is no consensus on the definition of social entrepreneurship, we first described general definitions of business and social entrepreneurship from prestigious institutions as well as featured scholars who brought social entrepreneurship forward or contributed to social entrepreneurship scholarship. It is suggested that social entrepreneurs have several traits, including being a dreamer, being determined, being hard-working, being decisive, being self-sacrificing, being devoted, being elaborative, being a believer, being a profit-maker, and being a distributor.

Examining the historical development of social entrepreneurship in the literature demonstrated that social entrepreneurship goes back to the 1800s. The first known example is William Lloyd Garrison, who founded "The American Anti-Slavery Society" in 1833 then reformist Jane Addams founded "*Hull House*" in order to help destitute people in Chicago in 1889. In 2006, the Nobel Prize success of Muhammad Yunus captured attention with his microcredit system against poverty in Bangladesh. His system gave a rise to making social entrepreneurship in society including universities, media and social sector organizations (Martin & Osberg, 2007). One of the first examples of women social entrepreneurship was Zeynep Kamil's gynecological and children's hospital in 1862 (Denizalp, 2009).

We distinguished the differences between social entrepreneurship and business entrepreneurship. Based on the literature, social entrepreneurship is mostly based on collective consciousness and experience whereas business entrepreneurship is based on mostly individual skills and knowledge. While social entrepreneurship considers profit as a tool to serve humanity, business entrepreneurship uses the profit to make more money. Social entrepreneurship focuses on long-term productivity whereas business entrepreneurship concentrates on the short-term economic gain.

We chose four difference-makers in social entrepreneurship field in Turkey. First is Hilal Gerçek who extended by three more years her self-sacrifice with the aim of being socially impactful to soci-

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ety. Although she encountered many challenges from her family and acquaintances, she never stopped and she dedicated a considerable time to social activities. The second woman was Bedriye Hülya who founded B-Fit gyms in Turkey. She is quite enterprising as she has worked in several different businesses. She finally founded men-free gyms in which women can exercise and socialise. Bedriye's new ideas, including only 30 minutes exercise and socialisation, became popular. Therefore, thousands of women from different ages and income groups have attended her sessions. Those who wanted to open a franchise were supported and granted this if they were women. Bedriye was aware of the conditions of most Turkish women. Members went to her gyms to learn new things about life and opportunities, to share their sadness and happiness as well as food recipes. By attending her gyms, women have felt empowered and valuable.

The third difference maker is Tülin Akın, who established a website to inform farmers during her bachelor degree. She then travelled to over 6,000 villages to explain how technology increases their efficiency and productivity. While doing that, she created a free FarmersClub text message service about daily crucial information of weather conditions and market prices. She then made an agreement with technology firms to produce computers and software to provide accurate information to farmers. She has never stopped advancing the way she works. Tülin started to build a techno-village to automate every machine to work hassle-free. This village is also a home to women and children for them to learn and socialise. The last difference-maker is Pınar Kaftancıoğlu who worked in Istanbul's chaotic environment for a long time before she moved to a small town in the Aegean. She first grew her own vegetable and fruit alongside rearing domestic animals such as cows, sheep, goats, and hens. Then she began to harvest so much produce that she could not consume it by herself. After that, she started to send it to her friends as gifts. Later on, all her friends asked for more fruit, vegetables, olive oil, and different ranges of jams due to their chemical-free and organic growing methods. She bought a field to produce different vegetables while women from the village were invited to work there. So far, up to 300 women work in her farm.

To sum up, four different life stories of social entrepreneurs suggest that Turkish women social entrepreneurs face many challenges from their environment. However, they never give up on their dreams. While doing that, they offer quite bold resistance against critics. Also, each of them looks for a social impact on society, mostly on disadvantaged groups such as women in their business. The last three stories indicate that they touched women's lives by improving their social status as well as economic conditions. As a result of their initiatives, women have felt empowered and financially independent. Similar examples of these stories will contribute to the social welfare of not only women but also all society members in Turkey.

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Chapter 56
Crowdsourcing in Local Public Administration:
Importance of Online Platforms

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ABSTRACT

Social networks have become very popular online sources of participation in crowdsourcing. This article examines the antecedents of user participation in crowdsourcing and importance of online community involvement in local public administration. Based on data collected from local public administrators and local public through survey, the results produce evidence that importance of online platforms in crowdsourcing can have a consistent impact on services delivery system in local public administration and importance of online open sources have significantly higher level in crowdsourcing on the whole, while importance of social media have significantly lower level overall. The paper contributes with potential implications and recommendations for local public management to achieve effective services delivery in developing countries through crowdsourced work. The present study is the first study that not only shows the effect of online platforms in local public administration, but also analyses the antecedents of crowdsourcing for participation (knowledge sharing, consultation, innovative ideation and reporting).

INTRODUCTION

Scholars and practitioners have long regaled the possibility that 'engage the crowd' may have potential to revitalize public administration in improving the quality of public services delivery in local public administration. The term 'crowdsourcing' first emerged in print in Howe's June 2006 article in Weired magazine and in complex societal issues, local public administration can play important role through

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crowdsourcing to improve public policies and services (Benkler, 2006; Bertot, Jaeger & Hansen, 2012; Johnston & Hansen, 2012;UN, 2008;Howe, 2006; Peters, 2010). Today, scholars seem to agree that crowdsourcing is used to create innovative and modernized ideas into practices of business and management (Borins, 2008; Pollitt & Bouckaert, 2004; von Hippel, 2005; Brabham, 2008). Crowdsourcing is an online engagement of crowd as public participation tool through social networking sites, mobile apps, blogs, mapping soft wares and so on (Brabham, 2013a; Duval, 2010; World Public Sector Report, 2003; Benkler, 2006). New public management reforms in the last two decades have considered citizens as one of the key elements in transforming local public administration into public service providers with a strong emphasis on participation of citizens (Svara, 2001; Hood, 1991; Moore & Moore, 2005; Bowler & Donovan, 2000). Contemporary scholarly research in crowdsourcing has been done for profit companies and business production models but crowdsourcing has been gradually gaining traction in government functions as tool for bold ideas and innovative practices.

Although crowdsourcing is often considered to be a general concept with open sources, open innovation, an individual ability to contribute but important distinction of crowdsourcing is that it entails a mix of open process in involving online communities to solve problems for public management (Chesbrough, 2006; Brabham, 2013b; Messina, 2012; Takemoto, 2010). It can be argued that collective creativity and innovation are very influential because they produce constructive feedback on services for improving the quality of outcomes (Libert, 2010; Creighton, 2005; Burby, 2003). This suggests that citizens directly contribute collective technical and managerial suggestions through social platforms. In addition, crowdsourcing may play an important role in interaction between public managers and the public communities in which citizens contribute more resources in the form of time, expertise and efforts (Horne & Shirley, 2009; Bertot et al. 2010a; Nam, 2011). Clearly scholars need to identify the impact of online communities' initiatives for modern, innovative ideas for best practices and appropriate applications (Donahue, 2004).

Crowdsourcing is not only applied in developed countries but it also have strong impact in developing countries in various contexts such as in natural disastrous management in Pakistan, in Mali and in Uganda in market price information sharing, and in tracking human rights in Kenya (World Bank, 2014). This study is based on assumption that crowdsourcing may have effective role in local public administration for public services delivery system in perceptions of local officials and citizens in context of innovative, modernized management practices. Authors examine this proposition by studying two samples of local officials and citizens in Pakistan. Thus objective of this study is to know the importance of online platforms for crowdsourcing in local public administration, which include antecedents of crowdsourcing (knowledge sharing, consultation, innovative ideation and reporting) for online community user participation.

The structure of the article is as follows. First review the literature on crowdsourcing creativities. Second, innovative communication platforms are explored. Third, theoretical framework perspectives are identified to know the importance of crowdsourcing (knowledge sharing, consultation, innovative ideation and reporting) on public services delivery system in local public administration. Fourth the data and methods for the study are described. Then statistical analysis and results are presented. Finally authors discuss the implications of our findings and some recommendations for developing countries.

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LITERATURE REVIEW

Several scholars have pointed out the potential influence of crowdsourcing in industrial and business sector through online communities activities, but only few have investigated crowdsourcing in public administration (Brito, 2008; Brabham, 2013a, 2013b, 2013c; Hilgers & Christoph, 2010; Giordano et al. 2011). Literature reviews on open sources, crowd innovative ideas and social media platforms in crowdsourcing show that there is a distinction among online communities (Alexandra & Schedler, 2012; Sørensen and Torfing, 2011; Brabham, 2008; Chesbrough, 2003; Dunleavy et al. 2005). Our review of the literature finds that most empirical studies investigate either participation of crowd in social networks from social influence perspective or online co-creation in public industrial firms (Lakhani & von Hippel, 2003; Nambisan & Baron, 2009; von Hippel, 2005; Brabham, 2008; Lakhani et al, 2007; Prahalad and Ramaswamy, 2004; Auh et al. 2007; Sia, 2009). Past research on incorporation of ICTs into the public sector e-governance (S. Jones et al. 2007; Bertot et al. 2010b; Bannister & Connolly, 2012; Dada, 2006) and public sector collaborative innovation during the last few years emphasized the digitalization of administrative processes to improve quality and showed the path towards online public crowdsourcing inclusion in government and management practices (Linders &Wilson, 2011; Linders, 2012; Giordano et al. 2011; Orange et al, 2007; Kuzma, 2010; Brabham, 2013a; Sørensen and Torfing, 2011; Alexandra & Schedler, 2012; Hartley, 2005). There is, however, a general lack of research on crowdsourcing in public services delivery. Studies that look at perceptions of local level on innovative ideas in public services delivery is missing. Some studies put concentration on public participation through e-government, contracting and present some empirical evidence for contribution of communities like volunteering, union members, political party affiliation and religion affiliations (Brabham, 2013c; Toral et al., 2009; Hilgers & Christoph, 2010). Nevertheless, the samples investigated in these studies drawn on perceptions of crowdsourcing. There are no comparative studies as far as authors can determine. This study presents crowdsourcing as a consequence of four antecedents of online user participation (knowledge sharing, consultation, innovative ideation and reporting).

THEORY AND PROPOSITIONS

Online Platforms in Crowdsourcing (Knowledge Sharing, Consultation, Innovative Ideation and Reporting)

Online platforms consisting of social media and online sources has been emerged in interaction with communities and in innovation processes using open source software (Kozinets et al., 2008) and this advancement has led to increase interest and the importance of knowledge exchange. With the advent of web 2.0 technologies has triggered the rapid development of online community and several social platforms like Facebook, twitter, blogs and so on having global online communities on the largest scale. The advancement of technologies can be leveraged to convert the way governments provide online information and services and argues that via internet more participation of citizens can help government in policy-making (Freeman & Loo, 2009; Romsdahl 2005). Social groups and networks through open source government use these social platforms to educate others about political issues in their communities and local governments can use social media sites to procure resources and local knowledge (Danis et al. 2009; Cole, 2009).

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Authors ground our assumption of online platforms importance in crowdsourcing through citizen involvement. The concept of "network" has become an important theoretical framework based on multiple schools of thought or "families of theories" (Monge & Contractor, 2003). These complex networks are not only relatively common but are very important for supporting of government services providing network approaches to management. The historical background of the roots of network theory in public administration is traced as far back as the 1930s from anthropology and sociology (Berry et al. 2004).

Network theory provides further insights into theories of self-interest, theories of social exchange or dependency, theories of mutual or collective interest and cognitive theories. Such network exchanges allow individuals to engage in a variety of support to governments through videos or other media and informational works on social sites. Networks coordination for public services delivery are to provide services at a desired level of the satisfaction of common public and local governments can use social sites and online communication networks to efficiently manage public service delivery (Savas 2000; Kuzma, 2010). Several studies showed the online communities influential impact on public organizations and government agencies can use online communities to bring new information to better decisions and resource allocation (Mergel et al. 2009; Sutton et al. 2007; Cole, 2009; Cope & Elwood, 2009).

Based on the above reviewed discussion, the following proposition is formulated.

Proposition 1: Online platforms (open sources and social media) are highly important in crowdsourcing for local public administration.

The Importance of Online Open Sources in Crowdsourcing

Public crowdsourcing (knowledge sharing, consultation, innovative ideation and reporting) can be seen as a logical extension of the online public participation in problem solving in government projects and planning (Creighton, 2005; Fiskaa 2005). Through open call for citizen crowdsourcing can result higher quality of input from a community to solve a given problem in public administration and open call for participation enables the organization to overcome the local search bias (Hilgers & Christoph, 2010). The increasing challenges for public administration have increased the need to implement more creativity and there is need to enhance the ability of public administrations to generate, introduce and implement innovative ideas more creatively (Alexandra & Schedler, 2012). Several examples of innovate ideas and practical work proved the success of crowdsourcing in public administration such as future Melbourne program, FixMyStreet.com a British website. Many developing countries assisted by international donors has taken initiative in public crowdsourcing as in India, Brazil, Argentina, Philippines, Pakistan and in many African countries through mobile apps and other online social platforms (World Bank, 2014).

Innovative ideas play a key role in terms of renewing and shaping the resources available to organizations and promising reforms in public administration (Brabham, 2013a). The institutional adoption of government-to-citizen the online interactivity of local public administration opens up a powerful new problem-solving mechanism that invites everyday citizens to use their skills and expertise to solve local challenges with local indigenous knowledge (Linders, 2012). In this way, local public offices can get innovative solutions and these online platforms create more frequent collaboration between government and citizens. The professionals from academia and industry can identify operational deficiencies in local public services delivery and the way outs for improvement (Brabham, 2013a).

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Based on the above discussion, another proposition is formulated, which frames our main question.

Proposition 2: Online open sources are a potential proxy for crowdsourcing in local public administration.

THE STUDY SETTING

Pakistan is a South Asian developing country that became an independent state in 1947 after liberation from British in the Sub-continent. It is a densely fifth populated country with more than 180 million people whose significant proportion of population either lives in extreme poverty or is vulnerable to falling into poverty due to any adverse natural or idiosyncratic shock. Internet technology has been available since the early 1990s and information and communication technology (ICT) is one of the fastest growing industries in the country. In 2012, internet users' figures had grown to 10.0% population and currently 27th in terms of global internet usage. The rapid increase of smartphones has increased mobile Internet users to increase and according to statistics there are now 30 million internet users in Pakistan, 15 million browse the web using their mobile phone roughly. Social networking and chatting is found to be the number one activity and social media penetration is 4%.

Since its independence, Pakistan cycled through a number of politicians who mostly were tarnished by corruption and inefficiency and still corruption remains a substantial obstacle where it is still perceived to be widespread and systemic. Public administration is also suffering in lack of governance and the ranges of corrupt behaviors are the challenges to reform public policies through accountable and transparent mechanism. A large proportion of the population is not satisfied with services provided by local governments and there is need of new innovative ideas to face resources constraint challenges. Online community participation will be significant and public ideas can shape the attitudes and behaviors of the majority of the population. Thus, governments can use these social sites to reach these key influential individuals and experts to solve problems. So this study in context of Pakistan is suitable where there is need of involving a variety of ideas and perspectives to increase the likelihood that local needs and priorities are successfully met. This study shows the importance of innovative ideas from public through crowdsourcing in improving services delivery in local public administration in Pakistan.

HYPOTHESES

Recognizing the benefits of public participation in backdrop of the peculiarities outlined above, authors hypothesize that local public officials may have higher perceptions on importance of crowd ideas in public administration in services delivery system. Several studies explored that all expert stakeholders appreciate public participation however public officials who seem disagree on role of citizens considering them under less capacities (Besley & Nisbet, 2013; Brossard et al., 2009). Mediated information through online platforms is the most likely important in which services providers get information about public attitudes. On the one hand, open source platforms can provide users with extensive opportunities to infer productive discussions and conflicting partisan stances on services delivery situations (Freeman & Loo, 2009; Romsdahl 2005; Alexandra & Schedler, 2012). Online platforms can provide an excellent forum for debates and discussions of government policies and public can express their opinions through blog posts.

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A second explanation as to why crowdsourcing is hypothesized to be higher in public officials is based on the basis of potential capacity in experts among citizens who can better suggest to government. Local public administration is not well equipped with indigenous knowledge and resources constraints are main blockage. Some experiences in disastrous management, sms complain system for corrupted acts and other smaller scale crowdsourcing initiatives proved potential of public expertise in innovative solutions of problems (Sania et al., 2010; Pak Report, 2010; Michelle, 2015).

Based on the above mentioned arguments, the following hypotheses are formulated:

H1: Perceptions of local officials on importance of online platforms (open sources and social media) in crowdsourcing will have higher levels than citizens.

H2: Perceptions of respondents on importance of online open sources in crowdsourcing will have higher levels than social media.

RESEARCH METHODOLOGY

Data

The data for this study comes from two surveys. First literate citizens of six urban municipalities were surveyed in August/September, 2014 in two provinces of Pakistan. The survey utilized purposive sampling technique to enable the researchers to select participants based on their ability to contribute (Corbin & Strauss, 2008). A total of 2000 citizens were contacted in six municipalities. These unit samples were then examined to ensure that they were representative in terms of socio-demographic characteristics (gender, age, education and salary class). Thus, the survey tried to reduce the possibility of under- or over representation of population from each municipality. The online and paper-and-pencil survey yielded 1200 responses (overall response rate of 60%).

Second, data was collected at the municipal level of public organizations through online and paper-and-pencil survey in August/September, 2014. This survey also included the same six municipalities from two provinces of Pakistan as for first sample. A total of 180 local officials were contacted and 150 returned useable responses in paper and pencil survey for a response rate of 83%. The survey questionnaire was given to local public administrators working in services organizations (water, sanitation, health, fire, police, revenues, education and so forth). To provide anonymity, the purpose of the study was explained by researchers and participants were not identified by name or designations to maintain confidentiality. The survey questionnaire items were explained by researchers to guide respondents apart from main constructs The socio-demographic characteristics of the sample were on the same pattern as for first sample and purposive sample was used to have better input.

Over all, approximately 40% of citizens range within 36 to 45 years of age and 30% range within 46 to 60 years. Among local public administrators, 45% range within 36 to 45 and 35% range within 25 to 35 years of age. The citizens' sample contains 61% graduate or higher education respondents and local officials sample contains 50% undergraduate and 48% graduate participants. Data from 1200 citizens shows that 36% of population earn 100-200 USD per month, 25% earn 200-300 USD per month and 20% earn 300-400 USD per month while 32% of local officials are having salary within 200-300 USD and 54% are having 300-400 USD per month which over all indicates in both samples lower middle class in majority.

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Table 1. Demographic variables in the two samples

	Citizens		Local Officials	
	(N = 1,200)		(N = 150)	
	N	%	N	%
Gender				
Female	420	35	24	16
Male	780	65	126	84
Age				
< 25 = years	24	2	2	1.3
25-35 years	180	15	53	35.2
36-45 years	480	40	68	45.3
46-60 years	360	30	27	18
>60 years	156	13	0	0
Education				
Secondary School	15	1.25	0	0
Higher Secondary School	150	12.5	3	2
Undergraduate	300	25	75	50
Graduate or Higher Education	735	61.25	72	48
Income Level				
< 60 USD per month	15	1.25	0	0
60 to 100 USD per month	201	16.75	0	0
100 to 200 USD per month	435	36.25	20	13.3
200 to 300 USD per month	300	25	49	32.7
300 to 400 USD per month	249	20.75	81	54
Note. “Literate citizens here stand for those who at least have secondary school certificate and know internet usage.				

These data sets can be compared to good effect. Both data sets contain same measures. Table 1 reports on the distribution of demographic variables in respective data sets. Comparatively, local officials sample has more men; a slightly younger and higher mean salary.

Measures and Methods

The survey questionnaire was containing of three parts; demographic variables, importance of online open sources in crowdsourcing (knowledge sharing, consultation, innovative ideation and reporting) and importance of social media in crowdsourcing (knowledge sharing, consultation, innovative ideation and reporting). Our dependent variable, crowdsourcing (CrwS), is measured including four antecedents in framework: knowledge sharing (Lüthje et al, 2005), consultation (Howe, 2008), innovative ideation (von Hippel, 2005), and reporting (Brabham, 2013a). A factor analysis did not detect the same four antecedents in our sample so measurement items were prepared by researchers under each dimension. The authors included three items to measure knowledge sharing (KnS), three items for consultation (CON),

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three items for innovative ideation (INI), and two items for reporting (REP). Respondents scored the items on a five-point Likert scale ranging from strongly disagree to strongly agree. Reliability of scales is initially assessed via Cronbach alpha coefficient and according to social scientists Cronbach alpha should be over 0.7 for a scale to be considered reliable ($CrwS_{Citz}$= 0.83; $CrwS_{Loff}$ = 0.76). For citizen sample, reliability coefficients for all constructs were above the threshold (KnS = 0.77, CON = 0.86, INI = 0.87, REP = 0.70) and for the local officials sample reliability coefficients are within accepted range (KnS = 0.88, CON = 0.76, INI = 0.83, REP = 0.67).

Importance of online platforms is measured via online open sources and social media and a two-sample *t* test was used to analyze the mean differences in crowdsourcing and its antecedents in the online open sources/social media. Ten regression models were then estimated five for each data sets. In each model, a dependent variable (aggregated measure of CrwS or one of its four antecedents) was regressed on a very similar set of independent variables. Variables values and errors are within the parameters of normality in these models in regression analysis.

The control variables gender, age and income group were used in analysis of both samples. Education is also used as control variable in both samples, se authors expect that this variable will be positively correlated with CrwS, or at least with the consultation dimension.

RESULTS

Univariate Analysis

First, authors compare the means of crowdsourcing and its four antecedents across the two proportions online open sources and social media and in both data sets. In Table 2, it shows two main effects. First in the citizens sample, respondents in importance of online open sources score higher in crowdsourcing construct as a whole and in all four antecedents and respondents in importance of social media score lower overall. At the local official's level, the means for respondents in importance of online open sources is higher overall and in all four antecedents of crowdsourcing. Second, all differences are significant at the level of .001 in both samples.

Overall, this comparison in both data sets in online open sources and social media provides initial evidence for the hypothesized level of crowdsourcing through open online sources and lower level of crowdsourcing through social media.

Multivariate Analysis

To assess the importance of online platforms in crowdsourcing for public administration in public services delivery system, the regression analysis in ten models is run. The regression statistics show (Table 3, Table 4) that adjusted R^2 is between 4% and 17%. The relationship between most control variables and crowdsourcing are consistent in way as men have significantly higher levels of crowdsourcing, significantly higher levels of education and consultation, significantly lower levels of innovative ideation and significantly higher levels of reporting only at local official level than women. Age is significantly correlated with crowdsourcing and its four dimensions, except for education at local official level and

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Table 2.Two Sample t test

	Online Open Sources		Social Media		*t* Test		
	Mean[a]	N	Mean[a]	N	t	df	*Mean Difference*
Citizens							
CrwS	3.59	1,200	3.24	1,200	15.48	1058.0	0.33***
KnS	3.56	1,200	3.09	1,200	12.76	1130.5	0.44***
CON	3.63	1,200	3.51	1,200	4.52	1167.0	0.10***
INI	3.75	1,200	3.53	1,200	9.02	1127.4	0.20***
REP	3.41	1,200	2.91	1,200	19.05	1095.9	0.47***
Local Officials							
CrwS	3.56	150	3.27	150	12.67	1003.9	0.28***
KnS	3.39	150	2.83	150	3.61	1015.0	0.13***
CON	3.93	150	3.26	150	16.31	948.0	0.66***
INI	3.71	150	3.79	150	-2.18	1073.0	-0.26*
REP	3.39	150	2.70	150	20.88	1023.7	0.67***

[a] Five Point Likert Scale (1 = lowest value; 5 = highest value). * $p < 0.05$; *** $p < 0.001$.

Table 3. Online platforms effect in crowdsourcing in citizens

	CrwS		*KnS*		*CON*		*INI*		*REP*	
	β	Sign.	β	Sign.	β	Sign.	β	Sign.	β	Sign.
Gender [a]	0.01		0.06	***	0.01	**	-0.11	***	0.01	
Age	0.13	***	0.06	***	0.14	***	0.18	***	0.05	***
Education	0.09	***	0.08	***	0.02		0.08	***	0.01	
Income Level	0.07	***	0.17	***	0.02	***	0.01		-0.02	
Social Media	0.13	***	0.08	***	-0.02	*	0.05	***	0.10	***
Online Open Sources	0.04	***	0.05	***	0.04	***	0.05	***	0.04	***
R^2	0.12		0.10		0.06		0.04		0.14	
Adj. R^2	0.11		0.10		0.06		0.04		0.14	
F value	93.02	***	108.21	***	38.65	***	62.15	***	118.75	***

[a] Gender is coded 0 = female, 1 = male; age is coded 0 = below 25 year, 1 = 25-35, 2 = 36-45, 3 = 46-60, 4 = above 60; education is coded 0 = secondary school, 1 = higher secondary school, 2 = undergraduate, 3 = graduate or higher education; income level (USD per month) is coded 0 = below 60 USD, 1 = 60-100, 2 = 100-200, 3 = 200-300, 4 = 300-400; online platforms are coded 0 = online media, 1 = online platforms.
*$p < 0.05$; **p < 0.01; ***$p < 0.001$

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Table 4. Online platforms effect in crowdsourcing in local officials

	CrwS		*KnS*		*CON*		*INI*		*REP*	
	β	**Sign.**	**β**	**Sign.**	**β**	**Sign.**	**β**	**Sign.**	**β**	**Sign.**
Gender [a]	0.11	***	0.14	***	0.06	***	-0.07	*	0.05	***
Age	0.11	***	-0.01		0.12	***	0.19	***	0.03	
Education	0.08	***	0.09	***	0.02		0.08	***	0.02	
Income Level	0.03		0.14	***	0.01		-0.05		-0.04	
Social Media	0.15	***	0.08	***	-0.02	*	0.07	***	0.30	***
Online Open Sources	0.19	***	0.07	**	0.33	***	-0.05	**	0.33	***
R^2	0.14		0.10		0.17		0.13		0.16	
Adj. R^2	0.14		0.10		0.17		0.12		0.16	
F value	39.47	***	31.00	***	51.00	***	35.10	***	45.82	***

[a] Gender is coded 0 = female, 1 = male; age is coded 0 = below 25 year, 1 = 25-35, 2 = 36-45, 3 = 46-60, 4 = above 60; education is coded 0 = secondary school, 1 = higher secondary school, 2 = undergraduate, 3 = graduate or higher education; income level (USD per month) is coded 0 = below 60 USD, 1 = 60-100, 2 = 100-200, 3 = 200-300, 4 = 300-400; online platforms are coded 0 = online media, 1 = online platforms.
$*p < 0.05$; **p < 0.01; ***$p < 0.001$

age is having a non-significant relationship with reporting in the local official sample. Income level is significantly correlated with higher levels of crowdsourcing, knowledge source, and innovative ideation in citizens' sample. It is notable that education is positively related to knowledge source and innovative ideation, but negatively correlated with reporting in the citizen data set. In the local official data set, the effects are stronger with the aggregate measure of crowdsourcing, knowledge source and innovative ideation.

Overall authors find that age has a strong positive effect on crowdsourcing in both samples. This relationship contains on three-fourths of the regression on crowdsourcing's dimensions. The variable of greatest interest in this study is the dummy variable for online open sources and social media, which represent online platforms importance. The online sources variable was coded 0 and 1 for social media. The online sources variable shows a significant positive correlation with crowdsourcing and all of its dimensions at citizen level. In other words, citizens in online sources report significantly higher levels of crowdsourcing. Results of local official data analysis generally support these findings. There is only one exception; authors found a significantly negative correlation between the online open sources and innovative ideation. However, crowdsourcing at the aggregate level and its other three dimensions are positively related to online open sources.

The results show high consistency for both samples and for online open sources which supports our second proposition. Authors note that this proxy variable for online platforms shows a stronger effect than control variables. Overall, reporting also presents results on different patterns which indicate that reporting may be considerably different type of dimension when compared with other dimensions of crowdsourcing in results.

Overall, results indicate that online open sources are positively related to crowdsourcing and most of its antecedents and local public officials perceptions are higher on importance of online open platforms

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(online sources and social media), which provide strong support for our both hypotheses. At some points, the results are not uniform as with the dimension of reporting which works differently and seem not fit to the part of crowdsourcing. However these findings will be discussed further.

Discussion, Practical Implications

The results show that both online open sources and social media have significant importance in crowdsourcing in local public administration. In addition, online open sources strongly impact on participation intention and predict online communities' importance in local public administration (Kozinets et al., 2008). As noted earlier the results of this study are consistent with most other studies in terms of online sources importance in productive contribution (Hilgers & Christoph, 2010; Alexandra & Schedler, 2012; Chesbrough, 2003; Lakhani & von Hippel, 2003; von Hippel, 2005; Brabham, 2008). To explain first proposition of this study, online communities and platforms are highly important antecedents of crowdsourcing for local public services organizations, the results highlights the importance of online platforms in crowdsourcing. From the perspective of online communities, the results support that communities can increase the magnitude of the input and it also shows indication to improve their involvement in local issues and challenges.

To enlighten second proposition of this study, online open sources are a potential proxy for crowdsourcing in local public services delivery system. The implementation of crowdsourcing practices through online open sources provides the opportunities to public managers to increase the involvement of citizens. Effective implementation of crowdsourcing practices suggests that citizens with high degree of involvement in services delivery are the prime partners for solutions.

This study adds confidence to our findings that online platforms are important for crowdsourcing through community participation. More importantly, this study has produced convincing empirical evidence showing that crowdsourcing for both local officials and citizens are of high importance. Furthermore this study supports the increasing trend of citizen sourcing in other countries. The social media is little negatively correlated with both samples which show that online social media can increase knowledge and can be source of information but it cannot be solely taken for productive and innovative solutions. Online specific open sources for local public problems can have more productive and innovative ideas for solution of problems. Our results also raise questions about the impact of education as a possible predicator in crowdsourcing.

These findings have several implications for citizen involvement in the context of services delivery in local public administration. It appears that citizens are the best source of selecting ideas that score high in terms of importance of crowdsourcing and that they are willing to engage in this process on the platform for crowdsourced work. However, in terms of reporting, crowdsourcing antecedent does not seem to be the way to identify monitoring tool. For this purpose, special online software for reporting of citizens seems to be more appropriate, a more selective form of idea generation through crowdsourcing. In the case of developing countries, this will be possible in the future as citizens more potential contributor starting from the user base that participated in the crowdsourcing local projects. The ideas generated by experts' citizens can be selected by means of an open call for selective crowdsourcing.

Beyond only getting ideas or comments from citizens, crowdsourcing can also serve as a tool for monitoring and evaluation in local public services delivery to implement a direct feedback from citizens. Crowdsourcing has the advantage of being open to all citizens with access to a mobile phone through local government apps. Social media's empowerment may well force a reinterpretation of the role of public

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management and with its responsibilities of the citizen (O'Reilly, 2010). This source of citizen ideation to public administration paradigm in way of New Public Management (NPM) seeks to adopt citizens as responsive tool and technological advancement changed the role of public administration into more responsive. (Nam, 2011; Vigoda, 2002). The newly empowered citizen sourcing strategists have begun to propose a number of benefits to public managers that seek to take greater advantage of online sources.

From a managerial perspective, our results suggest that public managers need to concern with online platforms including social media and open sources in order to collect ideas from online communities to make public administration more efficient. They cannot just focus on general feedback of public such as perceived availability of services and neglect the role crowdsourcing because as a member of community, individual user may also contribute better with expertise. Knowledge sharing, ideation and consultation are the best representation of crowdsourcing. Crowdsourcing is a multiple-dimensional concept, which includes online problem solving, designing and knowledge intensive networks. Public administrators can enhance system and information quality, organize offline activities and build public trust to improve services delivery. The effect of online platforms through crowdsourcing and participation of online communities are emerging important component of public organizations. Public managers need to launch online programs, thus enabling users to internalize their expertise into public services.

Limitations and Future Research

There are some limitations within this research. First, authors conducted this research in Pakistan, which features a different setup but mostly similar to other developing countries. Second, authors selected literate citizens as our sample and only six municipalities may not represent the whole population of local public administrators. Thus, with such small sample the findings are guiding points of officials. Experts only can also be taken as main group of professional contribution because all citizens may give exact input for benefits of crowdsourcing. Last, authors mainly conducted a cross-sectional study. Thus a longitudinal research may provide more insights on effect of online platforms in crowdsourcing.

Beyond our study further research is needed to understand the productivity of crowdsourcing and, indeed, social media in general for public relationship management. Research might study also the effect of observed behavior of respondents on online platforms and also the impact of new technological possibilities like mobile application (Kleijnen et al., 2009) as well as the limitations of online experiences (Picard, 2010). Additionally, further study is needed for the effects of negative effects of social media platforms. It might also be interesting and important to look for best practices for managing negative use of social media platforms.

CONCLUSION

This study has investigated the importance of online platforms in crowdsourcing. Authors began by arguing that crowdsourcing can play an important role between public managers and citizens. Moreover, the internet, communications and social networking in public sector services organizations influence innovation processes in management, which are important elements in the formation of crowdsourcing. In the empirical analysis, authors examined the importance of online platforms for crowdsourcing in public administration, which shows the empowerment movement of external contribution by citizens. Our findings produce evidence that importance of online platforms in crowdsourcing can have a consistent

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impact on services delivery system in local public administration and importance of online open sources have significantly higher level in crowdsourcing on the whole, while importance of social media have significantly lower level overall. In this article, authors discussed the importance of crowdsourcing in the public administration, with its special setting of citizen participation.

The evidence of crowdsourcing importance analysis has also helped to identify some of the important outcomes of crowdsourcing and crowdsourcing requires significant contributions by citizens through online sources. In the transition from citizens as potential partners in productive contribution, the public has to play a far more active role in the functioning of their government. In this new era, government has to provide the platforms and access to citizens and communities to contribute more.

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Chapter 57
The Electronic Obsolescence as an Opportunity for Social Entrepreneurship:
The Case of EEE in Manizales, Colombia

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ABSTRACT

The chapter contains the concepts of Social Entrepreneurship, Planned and Perceived Obsolescence, Corporate Social Responsibility, the legal framework for Electrical and Electronic Equipment (EEE) waste, and Reverse Logistics, as theoretical support from different authors. Applied to Manizales, Colombia, the study was conducted with a quantitative and qualitative approach. The information was collected through surveys and interviews with 26 entrepreneurs and 331 households' consumers to know the type of appliances, how they buy, change and use them, and the chain of intermediaries. With planned and perceived obsolescence, products lose their life in a short time, are dumped as Waste of Electrical and Electronic Equipment (WEEE), and collected by people of low educational and economic level that survive in precarious conditions. Due to these results and conclusions, we offer in the chapter the opportunity to generate proposals for their inclusion and social development.

1. INTRODUCTION

In Colombia, due to the few public policies related to environmental management, and specifically the control of manufacturing, distribution and sales of electrical and electronic equipment (EEE), there have been implementing market strategies concerning to Planned and Perceived Obsolescence[1] (Valquíria and Bonifacio, 2013) that reduce the time of use by consumers and therefore the acceleration occurs in its abandonment as an useful object. Having completed its life cycle, the Waste of Electrical and Electronic Equipment (WEEE), the vast majority are thrown in the trash at the mercy of the collector car

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where they are mixed with other organic, building, metalworking wastes, polluting the air, water and soil, imposing great challenges for society and the authorities that manage and regulate, given the large volume of waste of EEE, which mostly get tossed.

This chapter is intended to address from several authors the concepts of social entrepreneurship as an opportunity for social inclusion of those who collect, recycle and reuse products. The problem lies in the few opportunities offered by the agents involved in the collection process, and belonging to a parasitic intermediation chain, using people with low educational level, with few job opportunities and many social problems, being most individuals who are not associated or included in a program of social inclusion. Similarly the concepts of planned and perceived obsolescence as trading strategies that result in businesses and industries engaged in selling products in different versions to force change, so that the user feels an unconsciously need to have analyzed this product that every day gets older in relation to new products launched on the market.

Selective harvesting strategies and environmental management of waste computers and-or peripherals, as well as EEE just beginning to be regulated, in order to prevent and control environmental degradation. These efforts simply suggest to the producers and trading companies, to establish collection programs that produce few results, at least in the city of Manizales, as are programs that are barely in their implementation and dissemination. In the city it has a collection logistics based on routes established by the company that has a monopoly of management of waste. Each tour does not only the vehicle with company employees, but also people of low educational level, seeking, as the carriage advances, select different types of waste, such as plastics, cardboard, heavy metals and some high-volume WEEE and then classify its parts. These informal workers take them to a collection center, according to their specialty. There are intermediaries who buy according to the law of supply and demand. This intermediary is responsible to sell the volume of raw material to companies.

Therefore, based on the potential of social entrepreneurship as an opportunity to form working groups with people who collect WEEE and training them in the extraction of precious metals which are manufactured, we can establish a project of social innovation grouping this community with low level of education, low income, health conditions and deplorable housing, and we can step in improving their quality of life. WEEE recycling becomes an opportunity for social entrepreneurship.

The case study presented responds to an inventory of consumption of electrical and electronic equipment (EEE) in the city of Manizales. It was made from conducting surveys to recycling companies (26) and consumers (331), which allowed knowing the type of EEE used in homes, the life, the way of acquisition, the frequency with which they change the reasons for that change and the final repository once it has completed its life cycle.

With the results we hope to contribute with alternative solutions to the problem of the current economic system of production that does not conform at all to harmony and balance that nature requires. Therefore, to counter planned obsolescence, the key will be the commitment and responsibility with which the laws of manufacture of each product are met, of course, without neglecting corporate growth by implementing new business models to rectify this phenomenon.

2. CONCEPTS OF SOCIAL ENTREPRENEURSHIP

One of the major purposes of social entrepreneurship is the social inclusion of vulnerable groups into the economic dynamics that through the creation of value are able to generate opportunities for social

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change. It draws attention to the importance of social entrepreneurship as a solution to many global crises that occur daily. For Yunus (2010), Nobel Peace Prize in 2006, "the financial crisis is just one of the many crises that threaten mankind. We also have global food crisis, energy crisis, environmental crisis, health care and continued economic and social crisis of massive poverty." According to Yunus, social business is an initiative that contributes to the development not only of opportunities for citizen participation, but also processes of economic social inclusion, employment and contributes to overcome welfarism and poverty.

Social entrepreneurship to Roberts and Woods (2005, p. 49), is the construction, evaluation and pursuit of opportunities for transformative social change conducted by visionary individuals, passionately dedicated. Emphasize that social entrepreneurship is key aspects such as social opportunities that are not discovered, but constructed due to the generation of ideas. Taking into account the characteristics of entrepreneurs, Austin, Stevenson and Wei-Skillern define it as an innovative activity, creating social value, which occurs within and across sectors, non-profit, business and government (Austin, Stevenson & Wei-Skillern, 2006), which implied that social entrepreneurship and business entrepreneurship coexist, go hand in hand.

All entrepreneurial process involves a balance of social behavior and economic behavior, which in turn, allows the generation of social and economic value "(Chell, 2007, p. 17) (Guzman and Trujillo, 2008).

In an environment characterized by the values of "paradigm of competition" individuals who have the capacity of initiative, creativity and be proactive to overcome the usual risk aversion project involves all business need. Thus, to meet the challenges and the economic model of globalization required high entrepreneurial capacity in any region (Guzman and Santos 2008; Santos, 2004), (Santos, Barroso and Guzman, 2013).

Yunus (2006) classifies social entrepreneurs into two types: social entrepreneurs based on market and social entrepreneurs not based on the market, the difference lies in their pursuit of profit, i.e., that social enterprises not based on the market are those that pursue social purposes (associations, foundations), and based on the market are those that pursue social purposes but also business profits (cooperatives, labor companies). There is evidence to recognize the difference between the social entrepreneur and the rest of the business.

The Red Senk[2] defines social entrepreneurship as actions performed with the explicit purpose of creating social value. Performing actions from purely philanthropic, to business projects aimed at improving the quality of life of the people, and at the same time, the economic performance of companies. These actions can be carried out by an organized community or by a company, ie the need to create value ignores the subject to do so. In other words, the need for economic performance goes hand in hand with the aim of improving the quality of life of its members, two elements which must stay together in theory and in practice (De Pablo, 2005).

Social enterprise is also defined as one whose purpose is to facilitate the development of the community looking for community development, as one who is in charge of creating not-for-profit, driven by social mission, exploring and recognizing opportunities to create social value, while the primary objective of economic value is taken into account as a product that guarantees sustainability (Seelosa, 2005). Different authors agree three fundamental characteristics: for the development of social enterprises community service, focus on the solution of a problem, and a generator of change. At the base of the pyramid it is where social enterprise is its scope, with the central point all stakeholders, including several (Prahalad, 2010), with the creation of cooperative enterprises, looking for traits that have led to

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undertake the so-called collective entrepreneurs, you can define the cooperative entrepreneurship as a collective entrepreneurship in which converge most of the attributes of the entrepreneur (Mozas, 2013).

There is another feature that is the development of goods and services. This feature allows the social enterprise to become: an enterprise that is service-oriented to the community that seeks to solve territorial problems and allows the generation of change in the company impacting territory, taking into account its focus on sustainability, which will allow an impact for a longer period of time. Social enterprises are effective to the extent that there is a fundamental pillar of leadership and an adequate strategy to the fair distribution of resources. The market of social entrepreneurship is the world's population with its various challenges and needs, taking on standard concepts such as basic education, gender equality, reducing child mortality, combating diseases, environmental sustainability, and improving the quality of life, among others (Alemán y Coronado, 2014, p. 6).

Leadership in Social Entrepreneurship is defined as "the ability to make changes and achieve outstanding results." It is necessary to establish mechanisms for quality control of the production as well as pride in the work product, the value of creativity, and honest relationship with the user, seeking fair terms of trade and the value of cooperation. They need to develop information systems that allow making proper decisions on economic activity, as well as the inclusion of entrepreneurship in the community and incorporating them into various networks (Céspedes, 2009, p. 6).

The evolution of the world economy and the existence of an overwhelming inequality and poverty leave important lessons in regard to the generation of wealth, where perhaps the most important has to do with the challenge of generating greater social mobility within societies. And it is here where the project becomes a powerful tool for this purpose, since the undertaking is, by far, the most social and economic mobility creates. Andres Pumarino (2011) (Wompner, 2012, p. 4). The venture can be transformed into a platform for social mobility.

Therefore it is necessary to give it the prominence it deserves to entrepreneurial activity, as the best tools for economic and social development of the countries, promoting their initiative, educating for entrepreneurship and supporting management with key actors of social mobility and the fight against poverty.

2.1 Training in Social Entrepreneurship

Training in social entrepreneurship is keys to implement values, social models and techniques to enable the creation of wealth; avoid and ignore the political opportunism. Among the results expected with education in social entrepreneurship is the increase in jobs that allow developing a local economy, and even regional, producing a virtuous circle between an educational system based on social entrepreneurship and students with vocational entrepreneurship. In fact, these virtuous circles allow you to create human capacities to produce and use knowledge in a changing, challenging and competitive environment, to meet the economic, industrial, organizational, and social needs of people, also encouraging future generations (Silakalne-Araja and Arajs, 2012).

Social entrepreneurship based on education and taking practical experience and theoretical models, improves the culture of innovation (Zain et al, 2013), the responsibility of persons involved and the development of skills and knowledge (Dejaeghere, 2013); including the creation and use of courses and seminars, it has become an examiner factor for business performance (Daghbashyan and Harsman, 2014), ensuring good coverage of the jobs, sustainability and development of the local and regional

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economy (Li and Zuo, 2013), improving academic performance (Johansen, 2014), and self-employment self-esteem (Yin and Li, 2013).

Are key factors in creating a virtuous cycle of creativity and innovation (Sudharson, Ali and Sermakani, 2012), entrepreneurship, incentives (Egbe-Okpenge and Igbo, 2012), economic growth, productivity, creating labor (Ndou and Del Vecchio, 2013), tacit and explicit knowledge, technology transfer (Spulber, 2012), are key to promoting social entrepreneurship. This is taken into account and experience is gained.

In summary and according to several authors it is necessary and important to encourage and promote the implementation of all the conditions conducive to social entrepreneurship, because they are a viable solution to overcome difficult situations in social, economic and environmental alternative.

If companies want to succeed, they must adapt to difficult cultural environments (Alam et al, 2010), manage a good public-private partnership based on solidarity, social networks, joint ventures, innovation and marketing (Racic and Viduka, 2013), and accelerate economic growth (Grundey et al, 2008; Kayasan, 2011). Increase competitiveness with the participation of other innovative companies (Grundey et al, 2008). All these activities are more profitable when those companies that encourage social entrepreneurship and which also pursue a social purpose, a business method, inclusive ownership, governance stakeholders, fair compensation and reasonable return on investments also benefit, social and environmental responsibility, transparency and protection of assets.

3. CONCEPTS OF PERCEIVED AND PROGRAMMED OBSOLESCENCE

The problem of the consumer society of CSR yet practiced in full is that "under the principle of profitability is still no technology to maintain a viable rate of profit for the owners of the means of production" (Mahecha, F. and Zambrano, C. 2013), thus ending excessive and devoid of ethical business practices is becoming increasingly difficult, because companies have the basic idea that what matters is not that their products last, but that they can be sold.

Since the early twentieth century products that have a limited life, for example manufactured bulbs (Guerrero, 2012) formed a Phoebus, who was called officially but never existed, but through documents it was showed how that industry agreed to limit the lifetime of the products.

This model was then applied to the Second World War for all industries, regardless of ecological and environmental damage, only to dominate the consumer market, driving customers to throw the products away.

While these processes are maintained to sustain an economy of inequitable consumption, it will continue to produce unlimited amounts of low-quality products to be damaged in time, which will end up being sold in the third world countries, multinational landfills with considerable social and ecological impact, no matter how green we are when we recycle.

Using three basic instruments such as advertising, planned obsolescence and credit companies come to the perceived obsolescence where new followers of fashion products, become obsolete to those who have not used, almost forcing them to dump products still they serve for the sake of change model, or use products that others have. Most times these goods become social consumption, since they depend on the acceptance of the person in human groups, affecting social inclusion in the study, work and institutions.

These two types of obsolescence create a consumer society, social problems connecting to environmental consumption, emphasizing the need for a more sustainable and just world. These trends affirm what Victor Lebow, ideologist of this way of life, in 1955 said: "Our enormously productive economy

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... ask that we make consumption our way of life, that we convert the buying and use of goods in a ritual to seek our spiritual satisfaction, our ego satisfaction, in consumption ... We need things consumed, burned up, replaced and discarded at an accelerated pace".

Contrary to the virtuous circle of nature, which does not produce waste, but waste that serve as nutrients for other organisms, product obsolescence designed to fail, seeking the benefit only manufacturers, which means that users are constantly buying given the change constant models that only have a different piece to the above but providing the same service, it is added to the effect of advertising that everything gets old in a short time, in addition to the current generation knows very little repair, reuse, replace. This acceleration of consumption depletes natural resources, wastes energy and produces a large volume of waste. In the company's waste products only generate short-lived waste.

The current economic model is more ideological than technical components; buying, selling and credit are facilitators that make obsolescence operate without major problems, that encourage mass production and the consumer society, forcing the buyer to keep pace posed the interests of producers.

Despite the great efforts made by environmental organizations to process or reuse of the waste generated by excess consumption, have created other organizations seeking to reuse of "electronic waste" materials recovery and replenishment parts, seeking to social responsibility is extended to the producer, trying to create an infrastructure for the disposal, storage, transportation and recycling of WEEE.

Social entrepreneurship arises as an opportunity to implement new business models where obsolescence should be seen as an opportunity to seek solutions to extend the life of products, creating new ventures.

In the city of Manizales, located in the center of Colombia, it was conducted the study on "planned and perceived obsolescence in Manizales appliances sector" (Lopez y Tabares, 2013) with the purpose of conducting technological inventory As for appliances, use, frequency of change are in the homes of the city and the deposit give industrial waste.

Although there are theories that help fight these obsolescence, as rethinking the engineering and production work and trying to make industry imitating nature, looking for raw materials to be organic so that when discarded become an energy source for other processes (Thackara, 2006, 89); from cradle to cradle ("cradle to cradle", McDonough and Braungart, 2005); and the theory of decline which seeks to break with the paradigm of infinite growth that does not fit in a world with exhaustible sources of raw materials, changing the logic of excess by reducing the footprint of waste, overproduction and overconsumption and have more time to produce other inexhaustible sources such as friendship or knowledge(Kumar research y Putnam,2008)(Krikke, Van Harten, y Schuur,1999).

If happiness depended on the level of consumption because of the high esteem that generates, today people should be supremely happy because they consume 26 times more than 70 years. Sharing the vision of Gandhi: "the world is big enough to meet everyone's needs but will always be too small for the greed of some" (Latouche and Harpages, 2010, p. 78). The effort is wasted because when it comes to protecting the environment always think about cutting, resign, be reduced (Genchev, 2009).

It is known that is increasingly shortens the life of the products consumed, a situation that is the kind analyzed as planned obsolescence, great marketing strategy that is generating serious consequences. Function (a product by technological innovation plays a better role than is currently on the market: three types of obsolescence are considered. From quality (in a premeditated manner, the (short) time a product is projected wear desirability (the product becomes obsolete in the consumer's mind because a small change of style leads to less desirable and have a good performance. In reality, according to Slade (2006), the product is "spent" in people's mind, and consumers are induced to associate the new with the best and the old with the worst. The design and appearance of things become very important and is what is

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known as perceived obsolescence which makes the consumer uncomfortable when using a product that has become obsolete because the new style of the new models. (Valquíria y Bonifacio, 2013).

As Ruiz and Romero (2011) expressed, some decades ago the products were produced to be used for a long time and it was normal to think that the mechanical visited households to repair or maintain any item purchased, so that it would kept the same operability. Today things have changed; the useful life of each product purchased is becoming shorter. The reality reveals how society is wrapped by consumerism, a phenomenon that increasingly appropriates most of the present generation, which is stimulated by new inventions, innovations, modernization and different changes in production, which has led to generate a large collection of waste and garbage that destroy, in most cases, the natural resources essential for sustainability and human development (Contreras, Fraile and Silva, 2013, p. 29).

It seems contradictory to speak of environment and corporate social responsibility to a consumer society which has as its paradigm satisfy all needs and create new ones using various means to achieve this, such as advertising, credit facilities and of course, planned obsolescence. The planet has become a world full of products that every day are encouraged to be obtained through advertising, innovation and new and striking features in each device, so each individual is tempted to consume no matter the damage to the environment and the community. The commercials are the best tool that companies use to fan (and sometimes through false information), the irrational desire of people for the purchase, and the result is that people every day are buying only to improve their self-esteem or simply for the attention of other individuals. And the lack of awareness and responsibility make those purchase products without considering the consequences that it will have on the present and the future, because they are involved in a consumer world where items that are not needed are bought.

4. CONCEPTS OF CORPORATE SOCIAL RESPONSIBILITY

Following the devastating rise of consumerism, every day becomes more important the concept of Corporate Social Responsibility (CSR), and even more in Latin America, which became pantry raw material for large multinationals, with the complacency of governments in turn, required minimum in relation to CSR; They are wiping out the wild looking for supply sources, then flood the underdeveloped countries with appliances very short shelf life.

There are many definitions of CSR, but in the context of the issue of production of EEE, it is important to know the aspects that take into account companies in their manufacture, where what matters is: a) the parts of the apparatus, once they have served their useful life can be reused; b) that parts can be reassembled; c) which parts are biodegradable, d) what is the collection program those devices that are environmentally and socially dangerous, among others.

Keep in mind that the policies implemented in relation to CSR, culturally dependent of each country, particularly dependent on public policy and institutional development to be promoted in accordance with the interests of the nation; that is, the policy is different because it changes from country to country and from culture to culture (Vives and Peinado, 2011, p. 29). Thus, CSR practices must adapt to the environment in which it operates.

In developed countries there are strict practices for certain activities which require the companies to other countries that do not yet have the need to move, that is, how important is the development of the company and its tangible growth, ignoring the philosophy of CSR aims because that responsible practices are sustainable and contribute to the development of the company and society.

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4.1 Approaches to the Concept of CSR

To clarify the concept of CSR we must take into account the processes that led sustainable development in relation to the different understandings that have been taken from the theory. Initially the development was economic and was given in stages, with the idea of being easily assimilated by the other countries where the problem lay in the way of how to accelerate such assimilation. To make such development is required that the country produced capital goods (machinery and equipment) that would allow it to produce goods and services not only for subsistence but also for people to have entertainment and education, i.e., improve their quality of life . This forced the country to foreign investment considered necessary, given the lack of capital that stimulates the production of consumer goods, thereby establishing mandatory planning policy development, tax incentives, tariff, type of Instead, the credit with specific conditions, among others.

Then the concern shown by the nature of economic development associated to wonder if it was driven by a democracy or a dictatorship in order to run, leaving it clear that development was purely economic.

Given this, people and societies not only became traders but also in historical subjects who needed other elements, in addition to income, to survive and live in harmony with the environment; conditions such as health, education, cultural identity they did change the concept of CSR.

The vision of sustainable development including environment appears where development concepts to preserve for future generations at least the same conditions as these are included. Also it includes intergenerational equity, the definition of sustainability appearing as joint processes of environmental, economic and social dimension.

Governments, businesses and institutions working with prospects for sustainable development used as reference the triple bottom line (economic, social and environmental), to account for the way they operate.

4.2 Different Concepts of CSR

There have been different emphases to the concept of CSR according to the associated processes: - economic (ROI) - Legal (required obligations) - ethics (what society expects and there is no legal requirement) and - philanthropy (donations) (Carroll, 2006). Given this classification can be made such distinctions company according to CSR, where not only enough to make donations, but look at their ethical responsibility.

Other authors have had a perspective using the concept of corporate citizenship (Crane y Matten, 2006) classifying companies that assume the responsibilities according to the consequences of their actions, assuming functions which were the responsibility of governments, also becoming actors, not only economic and social, but also political.

This classification is done from: a) the limited perspective, giving the company something for perceived economic benefits; b) equivalent perspective, in the interests of interested parties, stakeholders, and; c) extended perspective, linked to good community governance, recognizing a political role.

According to these conceptions, different definitions have emerged from other angles as well:

1. **Global:** Different emphases that have been modified are found as well as other variables, for example, for the entity that brings together the world's largest companies: the World Business Council for Sustainable Development (WBCSD), it is " the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at

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large to improve their quality of life "(WBCSD, 2000), similar to the notion of freedom and equality It will always be redefined according to changing needs and circumstances. CSR with its dynamics becomes a guide, a prospect for companies can target to assume their responsibilities (Caravalo, 2011, 35). The Global Compact or Global Pact (United Nations, 2007) defines principles under increasing globalization due to the impact of transnational corporations in the nineties, involving them in social and environmental challenges, given the disaster that to date had been given.

2. **For the United States:** One of the countries that has promoted entrepreneurship and individual entrepreneurship. Despite the interventions made by the state in different times, it is the one who most clearly expressed respect for the free market and free competition. The companies have played an important social role, despite the changes in methods. It has captured the philanthropic culture of companies and citizens, not only in works of charity but also in the promotion of art, scientific research and education, leading to a more comprehensive understanding which made possible the redefinition of traditional philanthropy. This redefinition has allowed some facts that in form are assimilated to the concept of social responsibility as:
    a. Employees work best when they understand the meaning of their tasks in the company, in favorable environments with reasonable wages. Enjoy a healthy stability between work and family life.
    b. Constantly employer encourages workers to work constantly looking for personal and professional growth.
    c. Set aside autocratic, authoritarian and abusive methods in the workplace, in which employers rule by tyranny and intimidation.
    d. In the long term, companies work best when they are located in healthy communities.
    e. The companies dealing with the natural environment with respect usually reduce their production of waste, obtaining products and services of higher quality and efficiently maximize their resources, including capital investments.
    f. The vision of the companies must make long-term with a broad perspective of time and affected communities.
    g. With the methods of CSR, the reputation of companies is notorious, for recognition and credibility that can lead to implementation.
3. **For Europeans:** In Europe the state has had a greater role in social and economic affairs. European societies have been more attentive to environmental issues and are very sensitive to these problems. From the perspective of CSR, companies have changed their way of doing business, incorporating the concept of sustainable development and achieving savings opportunities where previously only perceived costs and difficulties. They have achieved cleaner technologies, extending the vision of CSR to all parts of the company transforming the concept of reliability by openness and transparency.

For the European Commission, CSR is "the voluntary integration, by enterprises, of social and environmental considerations into their commercial activities and their relations with stakeholders concerns" (Renaut, 2005).

Efforts have been made to promote the voluntary nature of CSR, however, different trade unions have pointed out that one should not confuse CSR as an alternative to the responsibilities of governments, assuming that the starting point should be a voluntary focus, not excluding the regulatory approach reviews.

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4. **For Latin Americans:** The relationships and links between different social classes, has been characterized by paternalism, as one of the most influential factors in the formation of governments, the business community and in general, of societies, which it has contributed to the marked inequality in income distribution in the concentration of political, economic and social power and the extent of poverty.

Social differences have been maintained thanks to religion and love of family businesses, and philanthropic gesture of medium and large enterprises.

Some business and social leaders have been given the task of dismantling this paternal culture dependent and other philanthropic and social responsibility build.

Transnational corporations, who have come from countries where social responsibility is a voluntary activity and have the technology and socially responsible processes imposed by the global market, drag and complement local initiatives to act responsibly, this being a task of cultural and social transformation of great difficulty. For this reason, the practice of CSR remains a charitable and modification task difficult.

CSR in the company as "the commitment that it has to contribute to the development, welfare and improving the quality of life for employees, their families and the community at large" (Martínez, H. 2005), the same has been raised as a fashion since its inception, however, now it is practiced as an essential requirement in the world of organizations, because it is no longer considered temporary but necessary for the evolution of it.

5. LEGAL FRAMEWORK OF WEEE

The Ministry of Environment, Housing and Territorial Development, by Resolution No. 1512 of August 5, 2010, established separate collection systems and environmental management of waste computers and / or peripherals.

Colombia also signed the Basel Convention on the Control of Trans boundary Movements of Hazardous Wastes and their Disposal[3], to prohibit the passage of these wastes between OECD and non-OECD. This agreement was signed by Law 253 of 1996, which became effective on March 31, 1997, (Sánchez, 2012, p. 1) acquiring a series of obligations to trade, processing, reduction and elimination of all types of hazardous waste,

The Ministry of Environment and Sustainable Development of Colombia, by law No. 1672 of July 19, 2013 (MINAMBIENTE, 2013 the guidelines for the adoption of a policy of integrated management of electrical and electronic equipment waste, which defines the concepts were established who they are producers, marketers, product life cycle, integrated management, classification and other guidelines of EEE and WEEE.

It also defines the responsibilities and obligations of producers, traders, users or consumers and managers.

The programs of "post-consumer" are being established WEEE collection programs through various institutions such as chain stores, foundations, educational institutions and agencies. These processes are just getting established as collection programs to provide not only industry but also other WEEE products such as paper, plastics, glass, among others.

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5.1 Electrical and Electronic Equipment

According to Royal Decree 208/2005 of February 25 (MINETUR, 2005) in Spain, defines the electrical and electronic equipment, such as those that require electricity to run or electromagnetic fields; while the Waste Electrical and Electronic Equipment (WEEE) are specified as those materials, components, consumables and subassemblies that comprise, from households or other commercial, industrial or other sources, from the time passing be waste.

It also defines the waste treatment like that after the delivery of WEEE to a facility for decontamination process, dismantling, shredding, recovery or preparation for disposal.

The term WEEE, which in English equivalent to the term E-WASTE (Waste Electrical and Electronic Equipment WEEE) refers to damaged, discarded or obsolete devices that consume electricity. It includes extensive reference devices like appliances, computers, cell phones, electronic devices, ie, devices that contain electronic circuits that sooner or later, either by planned obsolescence or perceived obsolescence, waste end up being.

The WEEE symbol is used as a general term for all types of waste containing electricity consumption problematic, dangerous, rare, and valuable or by use or treatment, interesting materials.

EEE manufacturers shall: not use lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls or polybrominated diphenyl ethers in the manufacture of its products; design appliances so that dismantling, repair, reuse and recycling is available; provide the necessary information to managers of waste electrical and electronic equipment of various components and materials suitable for reuse and recycling, as well as the location of dangerous substances and preparations; and provide users with the criteria for proper environmental management of waste.

The categories were defined by the decree adopted by WEEE Colombia and displayed in Table 1. According to this classification, the study took into account the categories 1, 2, 3 and 4, which cover more than 50% of waste (RAEE Colombia, 2014).

Table 1. Classification of EEE

No.	Category	Items
1	Major appliances	Refrigerators,, freezers, washers, dryers, dishwashers, stoves, electric stoves, microwave ovens, heaters, fans, air conditioners
2	Small appliances	Vacuum cleaners, sewing machines, knitting, irons, toasters, deep fryers, coffee makers, grinders, electric knives, devices for cutting and drying hair, shaving, massage, clocks, scales
3	IT and telecommunications equipment	Computers, laptops, printers, copiers, electric typewriters, calculators, fax, telephones, answering machines
4	Consumer electronics appliances	Radios, televisions, camcorders, sound amplifiers, musical instruments
5	Lighting appliances	Lighting equipment used to spread or controlling light with the exception of filament bulbs.
6	Electrical and electronic tools	Sewing machines, drills, saws, lawn mowers, among others
7	Toys or sports and leisure equipment	Electric trains, video games, slot machines
8	Medical devices	Radiotherapy, cardiology, dialysis appliances, nuclear medicine, analyzers …
9	Monitoring and control instruments	Smoke detectors, heating regulators, thermostats, surveillance cameras, sensors
10	Vending machines	Hot drinks, hot or cold bottles or cans of solid products, money

RAEE Colombia, 2014.

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Environmental subpoena, consisting on a sanction for the persons involved in throwing garbage in inappropriate places, was established on December 2, 2014.

Nationally, the WEEE chapter Colombia consulted that Colombians linked to a program of collection of such devices, used the following options to return them: 32% return the devices in stores and distribution warehouses, 29% called service collection by phone, 21% take them to the collector garbage truck and 18% to municipal collection sites.

5.2 Estimate of WEEE to Colombia

According to information provided by the associations that manage the production, distribution, marketing and final inspection of the EEE, in Colombia, for the year 2008 there was an installed base of over 133,000 tons of production of appliances, regardless smuggling for not having estimated figure. In that figure it is presumed that 40,500 tons are waste equipment.

For 2008 it was estimated that the amount of WEEE in Switzerland was 14 kilos per inhabitant, while in Colombia was 0.7 kg. It is estimated for 2018 a volume of 2 kg per capita. This estimate may grow if the quality of life of Colombian inhabitant also grows.

6. REVERSE LOGISTICS

In order to create a more sustainable environment and due to the shortage of some raw materials and rapidly increasing waste, some time ago, within the framework of integrated logistics, it has been heard the concept of Reverse Logistics, It aimed at ensuring, through recovery techniques, reuse of all waste materials and any product in the final stage of use, so that they come back to their original producer giving a total or partial reuse of these wastes, adding renovation and reprocessing methodologies to finally turn them into raw material for the industry itself or other organizations that can benefit by reducing the environmental impact it generates.

This process involves moving products from their final destination uphill in the supply chain to achieve give added value or ensure their proper disposal. As more clearly indicated Blumberg (2004): “A supply chain that is redesigned to manage the flow of products for reprocessing, reuse, recycling or destruction, correctly using all its resources efficiently”.

According to Martí Frias (2014) the relationship between conventional logistics and reverse logistics is broadly the same activities, given that the primary action of conventional logistics is to get the raw materials from reaching the organization at the right time, and as the products are in the hands of consumers in the planned time and at less cost. For reverse logistics the environmental concept is present, which is not only to take into account economic factors, but the fact of wanting to recall those products which at first are considered as waste.

Reverse logistics has allowed a historic breakthrough in companies since its inception in the 70s has made today have a deeper feeling for social responsibility and environmental impact. More and more organizations are looking to base their strategies on policies for common and ethical good in their way of doing business, in order to give them the same weight that is given to economic benefit.

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6.1 Reverse Logistics Management

Within the management of reverse logistics, there are several aspects that define this macro process to plan, manage and control the flow of products and materials that have been deemed defective, excess inventory, customer returns, inventory or seasonal products obsolete, to be taken from the place of consumption to the point of origin of the manufacturer or supplier including information associated to assess the causes of the return and bring the products in the right place Atún (2004).

Among the general aspects of reverse logistics (RL), some essential factors such as strategic cost, quality, customer service, environmental concerns and legal concerns that are keys to the successful implementation of RL programs are covered, as suggested Dowlatshahi (2000) in his research, which also identifies operational factors such as cost-benefit analysis, transport, storage, supply management, remanufacturing, recycling and packaging. These factors together make the knowledge of the state of the art on the keys to successful design and management of RL systems.

6.1.1 Processes Involved in Reverse Logistics

The reverse logistics processes focus on five key objectives, which can be defined within each business logistics sorted by Mora G (2008) as:

1. **Procurement and Shopping:** It involves the production, supplier development and procurement of raw materials, components, packaging materials, packaging, packing and handling units that are "environmentally friendly".
2. **Reduction of Virgin Inputs:** Involves activities of product engineering and re-training of human resources in order to evaluate activities of surplus materials reuse, preference for recycling materials, choose containers, packaging, handling units, reusable and recyclable, promote the culture of "return."
3. **Recycling:** We need to develop recycling policies respecting performance or product standards: Use recycled source materials; explore technological innovations that allow the use of recyclable materials; finance studies to reduce the use of virgin raw materials.
4. **Replacing:** The increase in the rate of innovation in recycling processes should promote the substitution of materials, i.e. heavier particles by lighter ones with equal or superior performance (as is the case in the automotive industry where plastic parts are replacing massively metal and glass in automobiles, as well as aluminum or composite materials in new truck chassis decreasing the tare and facilitating an increasing the charging unit for equal axle weight).
5. **Waste Management:** The material procurement policies should evaluate the rate of utilization of waste materials; waste management is a considerable cost; it is also necessary to have policies for acceptance of samples, if the requirements of waste management of these, or just available by rejection, is costly. Reverse logistics is certainly a philosophy that any company should add to its environment, because of all the above factors and to globalization that is taking place, it is important to have a strategic planning of reverse logistics.

After having a clear strategy and discuss how to carry out the reverse logistics within the organization and taking into account the objectives of the logistics business, we have considered the following

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fundamental processes involved in reverse logistics, as it exposes Fernandez *et al*. (2004) in their book "Reverse Logistics and Environment" (Contreras, Tordecilla and Silva, 2013): Repair, Renewal, Reprocessing, Recycling, Cannibalization, and Direct Reuse.

6.2 Rules for Implementing Reverse Logistics

In Colombia there is no law specifying the terms of reverse or inverse logistics but some decrees have been made in order to protect the environment and that have been imposed by the government to regulate the handling of certain waste.

The Ministry of Environment puts special emphasis on the definition of "residue" and "waste" because this depends on knowing what is the salvage potential to be held depending on the scope and rules applying their value.

We can notice that in the decrees, the Government chooses to meet the obligations and responsibilities that must have both the producer and the consumer, however, makes no mention of the possibilities for reuse or use of these resources.

Finally in 1713 Decree 2002 appoints definitions of the cleaning commissions and plans to do to waste management, such as creating landfills or dumps, and have set depending on the business - plan management of solid waste management, seen from an environmental point for the disposal of products.

Among the regulations that certify the implementation of green logistics processes we find ISO quality standards that are evolving: ISO 9000 Process Management, ISO 14000 Cleaner Production, ISO 18000 Industrial Safety and other ISO standards on occupational health issues and clean distribution.

7. CASE STUDY

Technical and general information of the population surveyed: Of those surveyed 79% are aged between 18 and 33 years and mostly belong to strata 3, 4.5 and 6, with households made particularly between 3 and 4 people.

In compliance with the specific objective of knowing the type of appliances (Sánchez Pérez, 2003, p. 75) and technology (EEE)[4], belonging to the white line, brown line, food preparation appliances, devices for home care, and personal grooming appliances that have the Manizales homes, are consulted about the equipment used, the number of them, how to purchase, how many times has been changed, the reasons why it has been changed and reasons for changing. Similarly through the notion of the life of electrical and electronic equipment there is inference on the concept of obsolescence that may have participants in the study; while it is consulted on recycling programs for these articles.

7.1 Analysis and Interpretation of Results

Analysis and interpretation of information collected as a result of the application of the survey techniques, interview and observation is presented.

7.1.1 Type of Appliances and Technology of Surveyed Households

The list of the EEE presented, all claim to possess at least one of the elements of white and brown in their homes and the most common mode of acquisition is the purchase as a new article

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The most owned appliances are: TV, computer, phone, video player, audio player, keeping it from two to four devices per household, which implies that they are items of high consumption and fashion by different members of the households, services and benefits for entertainment, work and communication and accounting; other high consumption devices are the refrigerator, stove, blender, washing machine, rice cooker, justified by the roles of conservation and food preparation, hygiene and beauty.

The products that go out of style are televisions and mobile phone, the style change; respondents see the need for change to keep up with new technology. Is the influence of perceived obsolescence, these items assimilate as old and obsolete and are good.

A large percentage of respondents they consider the useful life of products, because they are concerned about not losing the invested money, the quality, the utility of the product, the need for what they are buying.

Products that have the majority of the population in their homes are: fridge, stove, washer, blender, rice cooker, cellular, blender, iron, hair dryer, hair iron, because they are everyday devices for: storing food, produce, generate heat, streamline tasks, work, communicate, entertain; essential for good living

7.1.2 Reasons for Buying of Appliances Knowing Their Useful Lifetime

The responses are classified into the following variables:

- **Variable Necessity:** Indicator of great importance because of the relevance, since it is needed at that time to be better.

Consumers prefer products of better quality, better performance and / or innovative features, people make them wishes and needs no matter how long they would last, what matters is the satisfaction it generates.

- **Variable Quality:** People are willing to buy an expensive product when their brands are good because they provide good service and are characterized by being considered more durable, thin, have good quality and better performance. For most people, the life of a product has to do, not only with the durability and price, but also with the quality of the materials that make them.

Quality becomes a decisive condition for the consumption of certain products. It is definitive to develop superior products with better performance, because over time, buyers will value and appreciate a product specifically for its quality.

- **Variable Functionality:** When buying any EEE, people expect to fulfill a number of functions during the time of use, and to take full advantage of the investment made, and enjoy it 100% during its lifetime, because if an appliance fails, it should be counted as an expense. Buyers seek comfort and take into account the value and service it provides.

7.1.3 Reasons for Not Buying the Appliances

- **Economic Variable:** there are many consumers who say they would not buy an expensive product if that lasts only for a short time, because they consider spending their money in a product with

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those characteristics is unnecessary and would be a waste of money. People take into account their economy, i.e., they recognize the implications of the disbursements to remember that today due to the market economy and the extent of the supply of all products they can get a product with the same price and even longer lifetime, so they buy something cheaper, avoiding waste of resources and achieving some savings.

- **Environmental Variable:** The appreciation is that it is not consistent to what they want to achieve is expensive and gets damaged very fast, it would make sense to look for something cheaper or the same price, but better quality, people would not buy the appliances because it does not justify investing money in a product or brand that results damaged soon because it generates more expenses, greater pollution and environmental damage. This suggests that although environmental awareness is lacking to some extent, it is manifesting a certain environmental responsibility, even though, people seldom realize the consequences that will bring the discard of EEE. It is perceived that some have certain Environmental awareness and responsibility for the accumulation of waste in the discard of any device that stops working and at short time becomes junk, due to an inadequate return and can become harmful to society and the environment elements.

7.1.4 Recycling Programs

81% of respondents said they did not know recycling programs, which allows us to infer that there is ignorance and/or there are not many recycling programs that can be found in the city. 19% of the sample said they do know. With that percentage, we can deduce that the level of ignorance about recycling in is high the city, perhaps because it is not being given an appropriate and adequate information about what to do with waste and the importance of awareness about the damage generated by all these electric and electronic waste.

Of those who responded affirmatively is that many are unaware of such programs through phone companies, Claro and Movistar, have been campaigning for mobile users take them to their institutions when they will stop using or changing to do not let them in the house, since its components are pollutants

; others are aware of recycling programs, for example scrapping, a common practice undertaken by many people and that is a way to make a living. It consists of collecting all sorts of junk, rubbish or waste which then are sold; there are campaigns from shopping centers; from hospital programs, companies like CONFA, Universities, schools, EMAS, the Mayor, GAIA Vitare, MABE, ANDI; post-consumer programs; Corpoinfantil. But there is necessary to work and make collective efforts to achieve a recycling awareness of all kinds of EEE so that they could be reused.

7.1.5 Results From Recycling Companies

The most disposed appliances in the city of Manizales are washing machines, refrigerators and microwaves, mostly discarded in very bad conditions, very few in perfect condition. These discarded appliances are purchased as follows: 72% buy them, 16% give them away, and 12% otherwise acquire them in ways liker collecting them or by request.

Of waste collected, 60% disarms and pulls pieces, 20% sells them for parts, sells 16% and 4% repairs them.

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As for the benefits of these wastes, is that 48% are economical 24% serve as raw material, 24% say they are a business opportunity and represents 4% were other types of benefits. Of what does not work 54% throws away 33% leads to the landfill, 8% reuses 4% as a gift.

Waste materials that do not operate are led to collecting entity companies which prevent pollution at all levels. As for the environmental impact of this waste it is that 60% believe that they cause damage to the environment, while 40% do not think so. It is clear that the entrepreneur recyclers have notions of the basics of social responsibility, of which one is to ensure the protection of the environment, for example not disposing the waste to water or land, not cutting trees, recycling and reuse parts of products. However, its application is not visible by the lack of government agencies to enforce the standards.

The way recycling intermediaries get the products that destroy and recover usable parts that can be used as raw material for the big industry, due to recommendations made between them, i.e., there are individuals whose job it is to look for industrial waste materials for manipulation and selection. Traditionally people walk behind a garbage collection vehicle for specific products such as plastics, cardboard, glass, plus get EEE are thrown away by the owners of the homes.

These collectors take EEE to places where they are bought according to weight, regardless if they carry engines, cables, or other materials mostly valued in the market.

In the chain of intermediaries are involved: collectors walking behind the collecting vehicle, who sell to an intermediary its small profit, zonal intermediaries who will buy cardboard, glass, iron, among others, the wanderers buys to regional middlemen who buy from and sell their zonal products to the factories.

These recycling efforts are made by hiring people with a low socio-economical level, looking ways to mitigate their basic needs, people with low education levels that are "exploited" under precarious security and allowing them to achieve the selection of materials to provide them to big industries. Thanks to this, there is the opportunity to implement programs of "social innovation business" to organize these people who are not included in any program of social development.

8. CONCLUSION

The household sector is no stranger to the guidelines of evolution, there is a growing number of new products (EEE), which are continuously put on the market; the supply of goods is greater than the demand, so the obsolescence becomes a sales strategy that encourages the purchase.

Today's consumer is increasingly informed and demanding person; seeking higher quality and not only want to buy essential goods for their daily activities; also buy products that give value to life.

Given the easy terms and EEE oversupply, most people want to the first purchase of an item, being this new or not.

According to the findings, when people change appliances of consumption, they have little awareness of how to dispose the product, given that most times these are thrown or given away, not recycled properly.

When people buy EEE, they are seeking for innovation requirements and conditions, warranty, safety, welfare and care of these devices to allow a more convenient and comfortable life

Social innovation, social entrepreneurship and reverse logistics are related in that they are strategies to promote processes that generate return and contribution to the environment, given the declining and damage that has resulted from all production processes and consumption; It is the opportunity to develop friendly and responsible practices.

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Companies must develop an effective policy for the management of recycled and recovered items, using the theories of reverse logistics, the cradle to the cradle, and the theory of decline, trying not to affect the cost structure and that most of the parts of the product, once discarded, become raw material for upgrade, or for other products.

We could reflect on the role of science, marketing, advertising and universities in the world and especially the engineers who are those involved in the design and development of products, which often have become collaborators of capitalist commercialism and businesses, where the major goal is to promote the consumerism economy.

There are laws that protect consumers' rights against possible abuses of market makers. The consumers have the final decision to reject or choose what really suits them in the middle of a society that is attacked daily by planned obsolescence, hence the need to educate them to have a responsible consumption, a condition when all social actors must be involved.

In the world and in Colombia, to forge a responsible consumer attitude towards respect for the environment, there have been consolidating agencies and bodies responsible for setting parameters necessary technical, economic and of legal level for the integrated management of technological resources They are used in homes, but there is more production speed of WEEE that form big volumes of waste, than the application rules generated.

To overcome the problem of perceived obsolescence, the education for a more responsible consumption is basic as well as the support social entrepreneurship and alternative ideas to counter the effects of the large amount of WEEE.

The communities involved in the chain of intermediaries, are classified as intermediaries and gatherers; the first are only interested in participating in market supply and demand sides, while the latter, are communities which have no social security and are excluded from conversion programs.

In Manizales there are few recycling programs, and they are aimed at garbage collection. Therefore WEEE collection programs present an opportunity to make proposals for social entrepreneurship aimed at the inclusion of this collecting community.

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KEY TERMS AND DEFINITIONS

Chain of Intermediaries: Composed of parasitic agents that do not add value, just cost, consisting of gathering people walking behind a collection vehicle; zonal middlemen who buy from collectors materials such as plastic, paper, glass, among others; regional middlemen who buy from the above; and people or companies that specialize in buying "lots" of waste products, whether institutional or industrial, who sold the products to the zonal intermediaries and/or regional EEE (electrical and electronic equipment): those that require electricity to run or electromagnetic fields.

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Corporate Social Responsibility (CSR): The commitment that a company has in order to help the development, welfare and improving the of employees life quality, including families and the general community.

Manizales: Capital of the Department of Caldas, Republic of Colombia, located in the center of the country, coffee region, with over 400,000 inhabitants.

Perceived Obsolescence: Due to the progress of technology a product meets a function better than before, or become obsolete in the minds of consumers due to the effects of advertising, the new followers of fashion products become obsolete to whom have not used them, almost forcing them to dump products that still work for the sake of model change, or use products that others have.

Planned Obsolescence: To reduce product quality life programming, it makes people throw what is even useful to buy a new one.

Reverse Logistics: Ensure, through recovery techniques, the reuse of all waste materials and any product in the final stage of use, so that they reach their original producer again giving a total or partial reuse of these wastes, adding renovation and reprocessing methodologies to finally turn them into raw material for the industry itself or other organizations that can benefit by reducing the environmental impact it generates.

Social Enterprise: One that seeks a social impact rather than make a profit for their owners or interested parties providing goods and / or services for the market of entrepreneurial and innovative way, using its revenues especially for social benefits.

Social Entrepreneurship: Actions performed with the explicit purpose of creating social value. Performing actions from purely philanthropic, to business projects aimed at improving the quality of life of the people, and at the same time, the economic performance of companies.

WEEE (Waste Electrical and Electronic Equipment): Specified as those materials, components, consumables and subassemblies that comprise, from households or other commercial, industrial or other sources, from the time when they became waste.

ENDNOTES

1 Understood as the programming of the end of the useful life of a product, so that, after a period of calculated or determined by the manufacturer during the design phase, it becomes obsolete, useless or unusable.

2 Social Networks of Knowledge in Entrepreneurship (-SEKN Social Entrepreneurship Knowledge Network) is a network of collaboration among ten of the most renowned business schools in Latin America, also having as strategic partnership with Harvard Business School and the Foundation Avina.

3 This convention was adopted by the Diplomatic Conference in Basel (Switzerland) in 1989 and entered into force in May 1992. Since November 1997, a total of 114 states and the European Community are part of the agreement, adopting an instrument governing the transboundary movement of hazardous wastes.

4 Under the generic category of electrical appliances, traditionally several lines that are usually classified into three major groups are distinguished: brown goods, white goods and small appliances

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and household applications such as mixers, coffee makers, fryers, etc. The brown goods refer to the set of video and audio appliances (televisions, videos, stereos), while the white goods refer to major appliances connected to the kitchen and household cleaning (dishwashers, refrigerators, washing machines).

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Chapter 58
Digital Inclusion, Crowdfunding, and Crowdsourcing in Brazil: A Brief Review

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ABSTRACT

In the present chapter, we map and characterize crowdsourcing and crowdfunding platforms that promote social entrepreneurship in the online universe. We first analyze relevant theoretical concepts and the existing literature on entrepreneurship, digital inclusion, information and open culture, digital culture, and social technologies to better understand the genesis and development of initiatives that promote social entrepreneurship in the online universe. Then, we map and describe the platforms that tried to encourage this type of entrepreneurship around the world, especially in Brazil. Finally, we examine some important aspects of the panorama of crowdfunding in Brazil. By exploring the current development of crowdfunding and crowdsourcing platforms at international level, we expect to contribute to the creation of new projects and policies that respond to the current demands of the network society.

INTRODUCTION

The use of information communication technologies (ICTs) around the world has increased dramatically over the past 20 years. ICTs affect all aspects of everyday life. They allow users to access, store, transmit, manipulate, produce, and publish information, thus providing a wide array of opportunities for education, professional development, and lifelong learning.

According to Cardoso (in Passarelli & Azevedo, 2010), the world is not only going through financial, political, and environmental crises but also through a communication crisis. This phenomenon, as Cardoso (2010) explains, can be seen in a series of events and habit changes. It can be seen at the sharp fall in newspaper sales; the proliferation of P2P audiovisual content distribution; the increase in Internet

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advertising; the role of social networks in the daily coverage of events; the Open Access, Open Source, and Open Science models; or the case of media production destined to online sharing. The communication crisis transforms, or at least questions, all dimensions of information production, distribution, and consumption. It also affects the way we approach entertainment and knowledge. As Cardoso points out, we moved from a system of schemes and matrices of mass-communication based media to a model based on networked communication.

This new model coincides with the emergence of a new set of skills, attitudes, and behaviors that are necessary to participate in today's network society. Passarelli (2007) explains in *Interfaces digitais na educação: @lucinações consentidas* (Digital interfaces in education: consensual hallucination), the globalized world is typified by intense capital, product and information flows and has started to require new competencies from its citizens. These competencies are what we call today "emerging digital literacies" (2007, pp. 40).

Digital literacies are a new set of habits, attitudes, and behaviors that are necessary for full participation in today's media-saturated society. They affect the way people learn, work, socialize, and use their free time. They also increase their access to education, employment, entertainment, and health. Their development constitutes a necessary step to adapt to the fast-changing world of information and communications technology.

In 1997, Gilster (1997) coined the term "digital literacy." According to Gilster, digital literacy is a "logical extension of literacy itself, just as hypertext is an extension of the traditional reading experience" (pp. 230). The author defines digital literacy as "the ability to understand and use information in multiple formats from a wide range of sources when it is presented via computers" (pp. 1), and he sheds new light on the concept by stating that "digital literacy is equally about context" (pp.35). Warschauer (2003) later developed a concept of literacy to address the various social, economic, human and digital resources that affect the "effective use of ICTs to access, adapt, and create knowledge" (pp. 47). Jones-Kavalier and Flanningan (2008) argued that literacy is characterized by the ability to use information effectively and creatively. Finally, Jenkins (2008) discussed the emergence of a media convergence culture, characterized by nonlinearity and interactivity.

In recent years, the development of ICTs and the emergence of new digital literacies have opened up opportunities that used to be restricted to a very privileged sector of society. In fact, ICTs have favored the genesis of an online social entrepreneurship phenomenon that has led to the creation of online platforms that attempt to develop a taste for entrepreneurship in its users. These platforms help people to identify opportunities that can be transformed into projects to promote community development. The objective of this type of platforms is simple but challenging: to make entrepreneurship accessible to everyone. The initiative "Social Good Brasil" is a notable example of this recent trend.

The present chapter examines the development of crowdfunding and crowdsourcing platforms and explores their key role as catalysts for social inclusion. In order to contextualize the development of crowdfunding and crowdsourcing platforms, the chapter first provides important background information on digital inclusion and its link to social inclusion. Then, it looks at three key concepts: collective intelligence, Hacker ethics, and social entrepreneurship. Finally, it examines the current state of development of crowdfunding and crowdsourcing platforms in Brazil and around the world.

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BACKGROUND

1. Digital Inclusion

To better understand the role of crowdfunding and crowdsourcing platforms as catalysts for social inclusion, it is necessary to comprehend first what digital inclusion is and how it has contributed to promote social inclusion.

Gaps in access to ICTs or digital illiteracy continue to deepen the digital divide. The term digital divide is used to describe disparities in access to ICTs, which are often associated with race, gender, age, income, education, physical and mental ability, and spatial location as the authors Hoffman and Novak (2000), Norris (2001), Ragnedda and Muschert (2013), Servon (2002), pointed out. According to Ragnedda (2014), the digital divide is, inevitably tied with the concept of social inequalities. That is, each society exhibits inequalities among individuals and groups, and as these are the sedimentation of social history, this give rise to social strata in the practice of social relations, notably regarding access to social rewards such as money, prestige and power.

People who have access to ICTs and the necessary skills to use the Internet have many advantages over those who do not. They are more successful financially and educationally, and more likely to show political and civic engagement. In addition, DiMaggio et al. (2004), Mossberger et al (2003), Oden (2004) argue that Internet use increases access to education, employment, and health, and it provides new spaces for political discussion and direct access to the government. As such, the Internet plays a very important role in reducing inequality, which DiMaggio et al. (2004) examine in the following manner:

We call attention to five broad forms of inequality. The first is variation in the technical means (hardware, software, and connections) by which people access the Internet. The second is variation in the extent to which people exercise autonomy in using the Web---for example, whether they access it from work or from home, whether their use is monitored or unmonitored, whether they must compete with other users for time online. The third is inequality in the skill that people bring to their use of the medium. The fourth is inequality in the social support on which Internet users can draw. The fifth is variation in the purposes for which people use technology. We view each type of inequality as likely to shape significantly the experience that users have online, the uses to which they can put the Internet and the satisfactions they draw from it, and their returns to Internet use in the form of such outcomes as earnings or political efficacy. (pp. 376)

Some authors as Al-Jaghoub et al. (2009), Cuevas-Cerveró and Simeão (2011), Notley (2009), Passarelli (2010) (2011) Selwyn and Facer (2007) (2012), Straubhaar (2011), and Warschauer (2003), has shown a high degree of correlation between digital inclusion and social inclusion. Digital inclusion "is broadly understood as a phenomenon whereby marginalized people are able to access and meaningfully participate in the same learning, employment, social and citizenship activities as others, through access to and use of digital technologies such as computers" Seale (2010, pp. 445). Digital inclusion programs are public or private (or both) initiatives that seek to provide access to ICTs and/or build the necessary skills to use them so that disadvantaged individuals and groups can enjoy the benefits of information society.

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In 2006, the United Nations World Summit on the Information Society (WSIS) stated the need to promote universal, ubiquitous, equitable and affordable access to ICTs. The goal was to ensure that the "benefits are more evenly distributed between and within societies, and to bridge the digital divide in order to create digital opportunities for all and benefit from the potential offered by ICTs for development" (2006). With this goal in mind, many countries have developed and implemented digital inclusion programs that target the elderly population, people with low incomes and/or low levels of education, and those who live in geographically remote areas where ICTs access is limited or nonexistent.

According to Passarelli (2010), digital inclusion programs in the last two decades of network society can be divided into two waves. The first wave focuses on policies, digital inclusion programs, and related concerns; the second one, on the different forms of ownership and knowledge production on the web.

In Brazil and around the world, many digital inclusion programs have been implemented in an attempt to both reduce the digital divide in terms of technology access and map and understand emerging digital literacies. Canadian and American programs have targeted minority groups and people from rural areas. In Latin America, where the level of socioeconomic inequalities has improved but remains high, most programs have focused on many disadvantaged sectors of the population, such as the unemployed, low-income families, public school teachers and students, indigenous groups, and the elderly. In fact, developing countries have the greatest need for digital inclusion programs since digital literacy constitutes a key step in the race for social inclusion.

In Brazil, numerous public and private initiatives have targeted the development of emerging digital literacies and the reduction of the digital divide. Programs such as "*Digitando o Futuro*" (Typing the Future), "*Pirai Digital*"(Go Crazy in Digital), "*Ideias*" (Ideas) and "*AcessaSP*" (Access São Paulo) have made significant contributions to promote the development of digital literacy and social inclusion in the country. In fact, the AcessaSP program, which was developed by our research team at the School of the Future (University of São Paulo), recently received the prestigious "2013 Bill & Melinda Gates Foundation Award" for Best Digital Inclusion Program, after competing with 300 programs from 56 countries.

Research on digital inclusion has mostly focused on people's increasing access to technologies and the practical skills that are necessary to use them, as Selwyn and Facer (2007) points out. Selwyn, Gorard and Williams (2001) studies have focused on broader issues, such as connectivity, the types of hardware and software that people can use. As also detected by Abbott (2007), the content and information that is delivered through technology are as important as digital literacies or general literacy in a broader sense, as sharped by Passarelli (2012) and Wessels (2008).

Aiming to map and understand contemporary emerging literacies, our team at the School of the Future – USP Collective has sought to explore the cross media context of WEB 2.0 non-linear narratives and the emerging protagonism of digital collectives over individual authoring, among other topics. For instance, Passarelli and Junqueira (2012) most recent book, *Gerações Interativas – Crianças e adolescentes diante das telas* (Interactive Generations - Children and adolescents in front of the screens) examines the set of skills that children and teenagers need in order to interact and select content when confronted with different types of screens, such as TVs, video games, computers, and cell phones. Conversely, Passarelli and Azevedo (2009) edited volume *Atores em rede: Olhares luso-brasileiros* (Network Stakeholders: Luso-Brazilian Perspectives), discusses methodological approaches to analyze virtual communities and the digitization of cultural flows and hierarchical restructuring of knowledge production, while looking at successful programs from Brazil and Portugal (such as AcessaSP and Second Life).

It is also important to mention Pinheiro and Márquez (2013) recent study, "*A cúpula mundial sobre a sociedade da informação: foco nas políticas de informação*" (The world summit on the information

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society: focus on information policies), which evaluates the level of achievement of the objectives set by WSIS in 2006. Their work is based on the information published on the WSIS database, which provides a record of activities carried out by the governments, international organizations, the private sector, civil society, and other entities. In this article, Pinheiro and Márquez conclude that "indicators/statistical data of digital inclusion help in the measurement and investigation processes of the WSIS outcomes, as well as help in the process of establishing information policies that meet the demands of the Information Society" (pp. 128). Also, although the WSIS "has counted with the participation of more than 170 countries and has undertaken great effort and financial investment [it] has not yet reached its goals" (pp.129).

Pinheiro & Márquez's study constitutes a significant first step in mapping the progress each country has made towards achieving the proposed objectives. However, many major and significant programs are not included in the WSIS database, which calls for the need for a more comprehensive and in-depth examination.

1.2 Collective Intelligence, Hacker Ethics, and Social Entrepreneurship

To comprehend the contemporary society's arrangement is necessary to understand the concept of cyberculture developed in the last 20 years. To define cyberculture, we need to consider its conception in a contemporary space and has neither center nor guidelines. A multiple content accepts all individuals and subjects at the same time because anyone in the network can become a producer or a new information transmitter.

According to Manovich (2003), cyberculture involves,

The study of various social phenomena associated with Internet and other new forms of network communication. Examples of what falls under cyberculture studies are online communities, online multi-player gaming, the issue of online identity, the sociology and the ethnography of email usage, cell phone usage in various communities; the issues of gender and ethnicity in Internet usage; and so on. [...] To summarize: cyberculture is focused on the social and on networking; new media is focused on the cultural and computing (pp 16).

Cyberculture arises from the disconnection of social workers (abstract machines): universality and "totalization". These two concepts have been engaged in the invention of writing, as writing does not only determines the universal, but also the context where people are immersed. Virtually all posts conveyed on the web are dipped into a boiling communicational bath of life (including people themselves) from which the cyberspace gradually emerges. The cyberspace is thus the result of a genuine social movement where three guiding principles predominate: interconnection, virtual communities, and collective intelligence.

Virtual communities' configuration is primarily as learning communities on the Web using Distance Learning (DL). The need to know and learn at the lowest possible cost has led institutions and companies to reorganize themselves to provide online learning. As for social networks, they are increasingly used on a regular basis because the necessity to communicate and learn has led millions of people to explore multiple communication interfaces. Communications platforms have evolved in such a way that they have gone from simple textual communication to communication with real-time images and sound.

Cyberculture is as a central element in collective intelligence, a concept that was examined at length not only by Lévy (2007) but also by Jenkins (2008) and De Kerckhove (2009). Collective intelligence describes a type of shared intelligence that emerges from the collaboration of many diverse individu-

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als. It is a "distributed intelligence", as Lévy (1997) describes it, "constantly enhanced, coordinated in real time, and resulting in the effective mobilization of skills" (pp.13), in which all knowledge comes from humanity, since no one knows everything but every person knows something. The term appears in socio-biology, political science, and in specific contexts such as peer review and dynamic crowdsourcing applications. This broader definition involves processes such as building intellectual and human capital. Different actions, from a political party to an entry in Wikipedia, can be described as a form of collective intelligence.

Collective intelligence can also be seen as an emergent characteristic in people and ways of processing information. According to Lévy (2007) and De Kerckhove (2009), the term refers to the possibility of Information and Communication Technologies (ICTs) to improve the collective pool of social knowledge while expanding the range of human interactions. This concept contributes strongly to shifting knowledge and power from the individual to the collective.

In a similar way, media theorist Jenkins (2008) examines collective intelligence as a site in which each viewer builds his/her own mythology from scattered fragments available in the media. From the grouping of these fragments, collective intelligence emerges, arising as an alternative power. According to Jenkins, this alternative is currently being used for recreational purposes (virtual communities on Facebook, for example), but in the future it might be employed in more important contexts such as religion, education, law, politics, advertising, and perhaps even the military. Collective intelligence, thus, arises from knowledge communities that form around common intellectual interests.

The concept of collective intelligence according to Jenkins is a source of interactive media power that is closely related to the culture of convergence. Both Jenkins and Lévy support the claim that collective intelligence is important for the process of democratization as it is intertwined with culture based on knowledge. It is also sustained by the collective sharing of ideas, thus contributing to a better understanding of our diverse society and its different actors.

Thus, we can say that the convergence of various media leads to a cultural change. With the collision between new and old media, the interaction between the power of media and consumers often produces unpredictable results. The current situation implies a more active and direct participation of consumers, forcing large industries to shift their strategies in a direction that converges to the current needs of individuals.

The convergence process is complex and constantly changing as it depends on the relationship between technology and culture. Technology plays a secondary role, and cultural change is what will dictate content. Behind the decisions of content is individual knowledge. Today, people holding such knowledge appear as micro-hits that supply in massive way the new formulations of the content available on the Web 2.0.

The cyberculture, associated with collective intelligence, with anonymous people and production tools that are available at no cost on the Internet, has changed the parameter of contemporary market relations as a new reigning logic of thinking about the relations established by the connected environment. One example is the note released by the Cluetrain Manifesto in 2000 in which it is claimed that, a powerful global conversation has begun. Through the Internet, people are discovering and inventing new ways to share relevant knowledge with blinding speed. As a direct result, markets are getting smarter and faster than most companies are.

According to the official website of the Manifesto, through the Internet, people are "discovering and inventing new ways to share relevant knowledge with blinded speed." As a direct consequence, "markets are getting smarter--and getting smarter faster than most companies." The term market is a "set of conversations." Their members casually communicate with informal and natural language. How-

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ever, once their members are in a business context, they adopt a one-sided and monotonous language. Consequently, people served by these companies refuse to talk or communicate with these entities with "boring" language, which hinders the economic processes that depend on communication between individuals and companies.

According to Anderson (2006), the set of mass-talks has undergone a transformation and began to market a few hits for numerous market niches and micro-hits. The market is dealing with a huge community of fans and followers governed by personal and independent blogs, and this interferes with the market's logic, since until recently, followers and fans were financial contributors who were buying records and CDs.

According to Anderson, "When the tools of production are available to everyone, everyone becomes a producer" (pp. 73). This is so due to the democratization of the acquisition of production tools that does not annul the sale and purchase of other tools. For example, Smartphone and multi-functional devices democratized sharing and access to social networks. However, the proliferation of these devices does not completely nullify the buying and selling of CDs of musicians for more than the sales rate of those items approximates to zero (examples as Wikipedia and Netflix illustrate this reality). Today the goal of producers exceeded the extrinsic motivation of financial and material gain and part of an intrinsic motivation to do something big and recognized.

Plenty of deals on the internet offer thousands of options for products in bulk. The huge mass markets are turning millions of small niche markets that accompany virtual communities of relationship such as social networks and blogs. Blogs are a consequence of the democratization of production tools: software and the advent of simple and inexpensive services that facilitate online publishing to such an extent that they become accessible to everyone.

With lower costs of production and distribution, Anderson (2006) argues that the era of "one size" is ending and in its place appears the market of varieties. This suggests that, according to websites, amateurs and professionals are competing on equal terms because the Internet makes it cheaper to reach people. This is evident when considered the increased use of Web 2.0 social networks.

In the wireless era, social networks had the highest growth in the history of media and followed the development of youth culture and public policies that encourage individual expression. In *Mobile Communication and Society: A Global Perspective*, Castells (2009) discusses an unprecedented expansion of mobile communication and the adoption of technology in the background of different economies, policies, and new logics of thinking about the social impacts and cultural. When examining the differences among continents, the rate of inclusion appears more significant in Asia Pacific (41%), Europe (32%), the Americas (21%), Africa (4%) and Oceania (1%). In Brazil, the penetration of new technology reached 36% being considered an exception in Latin America, next to Chile's rate (approximately 50% of access).

Through data analysis, was also observed that mobile communication is a means of pervasive communication, mediating social practice in all spheres of human life. Mobile communication extends technologies and shapes the logic of social practices in all places and contexts, as "the technology of wireless communication has powerful social effects to generalize and extend the logic network, which defines the human experience today" Castells (2009, pp. 334).

The study is far from completed, and its development in many different societies and contexts does not exclude the underdeveloped and developing societies. In the future, everything individuals need will be available in technology platforms and connected in a networked society. We can make this prediction because in a society of overconsumption, the need for mobility and visibility is increasing, triggering a

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constant reshaping of identities as ways of ensuring the principles of inclusion / exclusion drawn up by the market. New ways of thinking about both consumer goods and means of production are also triggered.

Twenty-first century entrepreneurship requires a new logic of behavior and treatment for members of the communicational dive. An example is the Hacker's Ethic, which rocked the pragmatic structure of production and suggests a new way of working.

The Hacker's Worldview shows how to neutralize some of the inhuman consequences of the networked society. According to Himanen (2001), the hacker ethic is,

… a new work ethic that challenges the attitude toward work that has held us in its thrall for so long, the Protestant work ethic, as explicated in Max Weber's classic The Protestant Ethic and the spirit of Capitalism (...) But first and foremost the hacker ethic is a challenge to our society and to each of our lives. Besides the work ethic, the second important level of this challenge is the hacker money ethic - a level that Weber defined as the other main component of the Protestant ethic. Clearly, the 'information sharing' mentioned in the hacker-ethic definition cited above is not the dominant way of making money in our time; on the contrary, money is mostly made by 'information owning. (pp. 09)

The Hacker Ethics argues that flexible hours, creativity, and good sense are essential both for the employer and for the employee. The philosophy embraces a multimedia line of thought, based on the values of play, excitement, sharing and creativity. Those values have the potential to improve production and competitiveness both in individual and corporate contexts.

The notion of vertical communication was replaced by equality between the actors. The current media are horizontal, which eliminates the hierarchy of existing discourses. That is why the Hacker's World View encourages flexibility of labor policies in order to promote the creation of new solutions to issues raised by network society. This incentive is part of mechanisms that support collective intelligence, which triggers a new way of thinking activism and activities in a connected world; it means that at all times we deal with contributors and developers of content, anywhere on the planet.

This new logic of thinking about social practices is reflected on the market (or set of conversations) that constitute new skills through democratic means of production and network activities. Understanding this setting is essential because a new way of thinking about the world and its interrelationships arises when looking at such practices in a global context. This is the first step toward the construction of connected digital platforms and toward democratic access to the media.

In Brazil and in the world, entrepreneurship is of paramount importance not only for the growth of individuals, but also for the development of society. The origin of the term entrepreneurship is to "do or perform". The enterprising individual has a new look on the world as he/she witnesses the evolution of his/her time and context, valuing experiences and making decisions. He/she opens up new trails and explores new knowledge.

There are several definitions and applications of the term entrepreneurship, but in the context of the present chapter, we are interested in examining it from a behavioral perspective. One of the first authors to show interest in the term was Weber (1972). Weber identified entrepreneurship as a system, which is the key element for the explanation of entrepreneurial behavior. As innovators, entrepreneurs are independent people, intelligent and emotionally potential creators who are in changing the present.

However, the more accepted definition of entrepreneurship is, according to the economist Schumpeter (1950), a central element of his theory of creative destruction. According to Schumpeter, the versatile

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entrepreneur is someone who has the technical skills to produce knowledge. Schumpeter defines entrepreneurship as a study focused on the development of skills and abilities related to creation. He is constantly looking for new ways and new solutions that respect the concept of literacy. The enterprising individual has a new look on the world as he/she witnesses the evolution of his/her time and context, valuing experiences and making decisions.

As such, entrepreneurship opens new trails and explores new knowledge. When looking at it from a behavioral perspective, it is necessary to bring attention to the concept of "intellectual capital," which is nothing more than knowledge, experience, and expertise. The focus is on people and their knowledge and ability to generate new ideas. In this book chapter, the focus is taking on new skills that are necessary in the network society.

Social entrepreneurship is a means to develop a community, city, or region. Drayton (2010) to address the existence of individuals that can make profound changes, to solve social and environmental problems, coined the term "social entrepreneur". Through its activities, social entrepreneurs accelerate the process of change in society and inspire others to engage around a common cause.

According to Byers et al. (2014), entrepreneurship links with social good: "Entrepreneurs strive to make a difference in our world and to contribute to its betterment. They identify opportunities, mobilize resources, and relentlessly execute on their visions" (pp.3). Furthermore, entrepreneurship "is more than the creation of a business and the wealth associated with it. It is focused on the creation of a new enterprise that serves society and makes a positive change" (pp. 4).

In the world of social entrepreneurship, social innovation plays a very important role. According to Godin (2012) social innovation occurs when presenting a new idea, or when interest in an idea is presented as new or relatively new (pp. 5). As a concept, it "would necessarily have appeared after that of technological innovation" (pp. 6). At the beginning of the 20th century, social innovation meant socialism or social reform (economic and political context in Europe and North America in the 20th century). As Godin explains, it "owes its origin to socialism, and its resurrection (in the twenty-first Century) to technological innovation" (pp. 43.) At present, there is no consensus regarding the meaning of social innovation; its meaning changes depending on the context in which it is discussed.

According to Mulgan *apud* Godin (2012), social innovation is about "new ideas that work in meeting social needs or, more specifically, innovative activities and services that are motivated by the goal of meeting a social need and that are predominantly developed and diffused through organisations whose primary purposes are social" (pp. 37). At the same time, "social innovation is concerned with anything 'social', whatever it may be." (pp. 39). Also, according to Murray *et al. apud* Godin (2012)

Social innovation may be defined as [...] a goal and/or its form/type. To many present day researchers, the source is necessarily the community, the goal is anything and social innovation is "alternatives" to current ways of doing things. By contrast, to early writers the 'social' of social innovation refers simply to (diverse) changes introduced into society by individuals, groups and organizations (pp. 40).

In a context of social entrepreneurship, the crowdfunding and crowdsourcing platforms are becoming an interesting alternative to the achievement of projects and to the pursuing of money without intermediaries. We describe how these platforms work and discuss its potential to democratize access to capital and resources.

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2. Crowdsourcing and Crowdfunding

What Is Being Done and How It Arranges the Now Economy (Means of Production) and Digital Inclusion Actions

According to González-Ladrón-de-Guevara (2012) crowdsourcing is a relatively recent concept that encompasses many practices. This diversity leads to the "blurring of the limits of crowdsourcing that may be identified virtually with any type of internet-based collaborative activity, such as co-creation or user innovation" (pp. 3)

Howe (2009) was the first author to examine the world of crowdsourcing. He defined crowdsourcing as the practice of obtaining services, ideas, or content through contributions from a large group of people online instead of traditional employees or suppliers. As such, crowdsourcing combines the efforts of many participants who decide independently to take the initiative to contribute to an existing project.

According to Howe (2009), the community or crowd has a power and intelligence to create innovative and high quality things or activities. There are numerous successful projects and Open Source initiatives such as Wikipedia. Other examples abound. Communities have the autonomy and capacity to analyze up patents such as the Project Peer-to-Patent. Of course, not everything in the online universe contributes to knowledge or even content, but there are certainly high quality examples for one simple reason: a small percentage of a high number is still a high number. Such is the case of Youtube, which hosts about 100 million videos. If we consider that 1% of them offer high quality content, then Youtube has 1 million outstanding videos. No television or radio broadcaster has the potential to offer as much high quality content.

Much as the different types of media are already saturated with so much material that is produced minute by minute by online users, the process of collecting this material only accelerates because producing and distributing content is becoming easier and cheaper. Costs are decreasing due to the democratization of the means of production and the access to the internet, which is available in many primary schools and used by children at a very early age. Regarding digital natives, Ragnedda (2013) points that in the U.S. show that 93% of Americans between 12 and 17 years old are regular users of the Internet and of these, 64% create content.

In a context of democratization of access to digital technologies, crowdsourcing and crowdfunding are changing not only the logic of connected behavior, but also the market structure and labor. Companies will not stop existing. Neither will professional expertise. Capital and a production line will always be necessary to generate a physical product like a plane, a refrigerator or a car. However, businesses built on top of intangible capital (intellectual capital) will be organized in different companies in the industrial world order.

In light of these changes, it is interesting to explore the power of communities such as the ones created by the company TopCoder. It builds communities using software generated in programming competitions and codes that produces high quality programs, with a mean of 0,98/1.000 bugs LOC. Another interesting example is uTest, which uses the power of the community to test software. This is the result of the Theorem of Diversity Overcoming Capacity, which suggests that innovation comes from diversity and not homogeneity. Communities are heterogeneous by nature, even when centered on common interests.

As the etymology of the term crowdsourcing suggests, crowdsourcing combines the words "crowd" and "outsourcing". It is different from regular outsourcing as an undefined public as opposed to perform work requested from a specific group of individuals. Successful examples of crowdsourcing show how

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the power of the many can be used to accomplish various goals for the common good. It also shows the emergence of amateurism as a transformative force in the online world.

At present, there are different types of crowdsourcing models around the world. The main platforms allow to: 1) hire specific services through different a pool of applicants, or, 2) conduct projects with the participation of volunteers. In the first case, the crowdsourcing platform functions as a kind of administrator that offers job opportunities aimed at specific groups of professionals (designers, copywriters, etc). Individuals offer their services but only one of them can be chosen to do the proposed job. For example, Design Crowd, allows crowd source designers to create different types of objects (web, logo, business cards, etc).

The second type of crowdsourcing initiative is closer to the concept of social entrepreneurship as it seeks to get people to contribute to the development of a social project for the common good (e.g projects related to the environment, the protection of animals or the creation of a music school). Internationally, one of the most famous crowdsourcing platforms is Catchafire. This website, which acts as a mediator between NGOs and social enterprises and qualified volunteers, however, charges a fee for its mediation. Other platforms, conversely, allow organizers and volunteers to contact each other directly, without charging a fee.

DoSomething.org, platform whose slogan is "to make the world suck less" is a great example of a non-profit crowdsourcing platform. The largest NGO for young people and social change, with 2.5 million members, tackles campaigns that affect every cause (from poverty to violence, to the environment, to literally everything else). 1% Club, Goteo and Fandyu are also very interesting initiatives, as they offer both crowdfunding and crowdsourcing services to find financial aid and volunteers at the same time.

The term crowdfunding refers to online fundraising through multiple funding sources, which are generally individuals and entities that are interested in the proposed projects. The term talks about donations or "kitties/goodies" made online. In the current global economic crisis, small businesses are struggling more than ever to survive, and entrepreneurs are finding very few opportunities to get investors and other sources of funding. Crowdfunding offers these people a possibility to share their ideas and projects with the entire world and get the funding that they need.

There are numerous crowdfunding platforms where individuals can ask for or donate money. Kickstarter, Indiegogo, RocketHub, or Catarse in Brazil are among the most popular ones. While each site offers a unique spin of its own, the general concept is more or less the same. Project creators can create a profile typically containing a short video, an introduction to their project, a list of rewards per donation, and some images to draw attention. The idea is to create a compelling message that readers will access.

Projects that use crowdfunding generally have a monetary goal for the project to be feasible. If the raised amount does not meet the goal, the money is given back to the donors. This operation is called "all or nothing." According to Inc.com, potential investors are more inclined to support "all-or-nothing" (AON strategy) initiatives, which typically provide more detailed information on the campaigns.

Other crowdfunding initiatives allow people to keep the money they raised even if they did not reach the proposed goal. In such cases, platforms tend to charge a higher administrative fee. It is interesting to point out that even if virtually all crowdfunding platforms charge an administrative fee and deduct it, there are a few sites that do not charge any administration or transactions fees to the donor.

Some crowdfunding are focus on charity fundraising (e.g. buying food after natural disasters, shipping medical supplies, etc.) Other platforms also help to achieve personal goals of all types (eg, affording a trip across Europe, university costs, the purchase of a cell phone). One example is the platform Go Get

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Funding, an English-based fundraising site to raise money for anything: from paying for a pet's medical bills, to creating a short film.

There is yet a different type of crowdfunding initiatives, which seek to help entrepreneurs find investors for their projects or start-ups. They are the "investment/equity crowdfunding" platforms. Equity-based crowdfunding is the collective effort of individuals to support efforts initiated by other people or organizations through the provision of finance in the form of equity. These initiatives allow investors to support entrepreneurial projects and gain equity. At present, Crowdfunder is one of the most successful equity crowdfunding platforms in the world. This platform blends donation-based and investment crowdfunding models, and encourages online and offline crowdfunding and collaboration.

2.1 Crowdfunding in Brazil

A Panorama of National Resources

Crowdfunding is a global phenomenon that has brought about much success in many parts of the world. In Brazil, it could not be any different. One of the most famous Brazilian platforms is Catarse.me, an Open-Source crowdfunding site that seeks to help finance creative projects. Individuals who back Catarse.me projects wins tangible rewards and special experiences in exchange for their pledges. At present, Catarse.me is one of the most famous (if not the most famous) crowdfunding platform in Brazil.

In 2013, Catarse.me conducted a survey to get to know the profile of people who make collective funding happen in Brazil. Also to understand the behaviors, motivations and reasons why people support a project, and analyze the current scenario of collective funding in the country. Finally, the survey shares the perspective of project developers who have used the Catarse platform" (catarse.me). 3336 people answered a survey between July and August 2013. Below, we present a few graphs that will help us understand the current panorama of crowdfunding in Brazil.

As we can see, according to the survey conducted by Catarse.me, the general trend in most Brazilian regions shows a correlation between the Brazilian population and participation in collective financing. In the North and Northeast of the country, where Internet access is more limited, there is less participation (9% in the northeast, 7% in Midwest and 1% in the North).

In the Southeast and South, where access to the Internet is significantly higher, participation is also higher (20% in the South and 63% in the Southeast). This percentage reflects the fact that most users have access to the Internet in their own homes. In addition, State governments provide a large number of public Internet access points. For example, the AcessaSP, Digital Inclusion Program, run by the state of São Paulo (South East Brazil), offers at present more than 760 infocenters in the state of São Paulo and is in the process of opening 190 more.

In the world of crowdfunding in Brazil, the age of the surveyed participants corresponds to the national working-age population. As we can see, 97% of them are between 18-60 years of age, and the most representative age group is that of 25-30 years (31%). This age group corresponds to the digital immigrants group, that is, people who have been born in the analog era and transitioned to the world of digital technologies. According to Passarelli (2007), this group still needs to develop media, digital, and information literacies.

Figure 2 also shows that 74% of the people who participated in crowdfunding campaigns have completed university studies (undergraduate or graduate). Interestingly, 35% of them have completed a postgraduate program, which highlights the importance of higher education for the development of

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Figure 1. Distribution of people who participated in a crowdfunding initiative in Brazil. Portrait of Crowdfunding in Brazil.
Source: Catarse.me (Own translation)

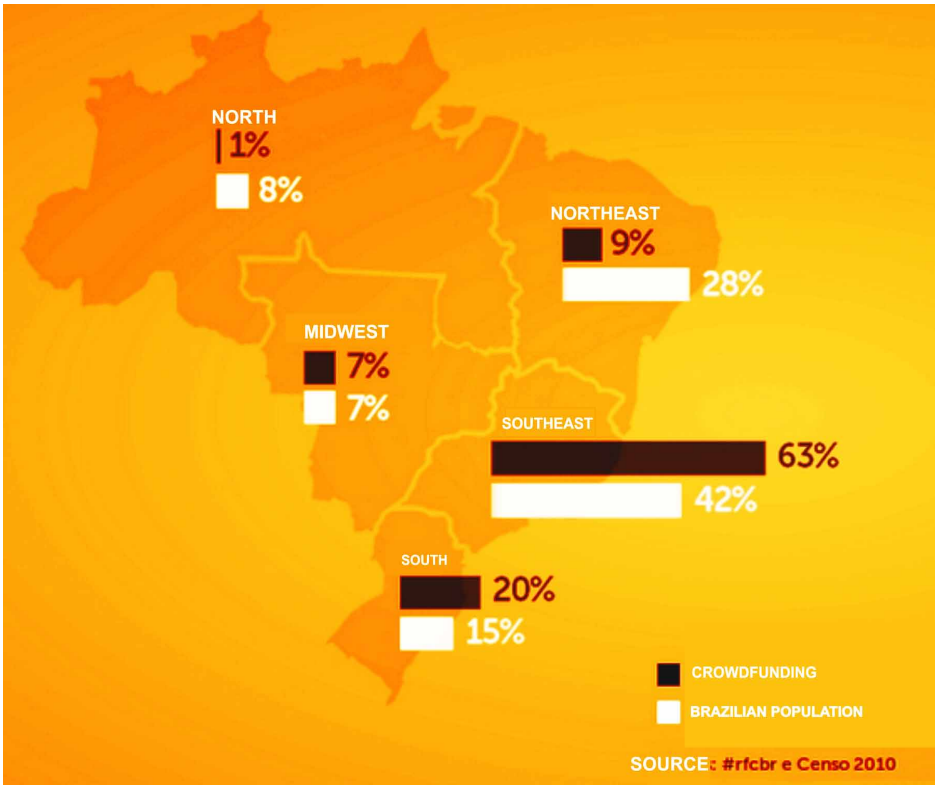
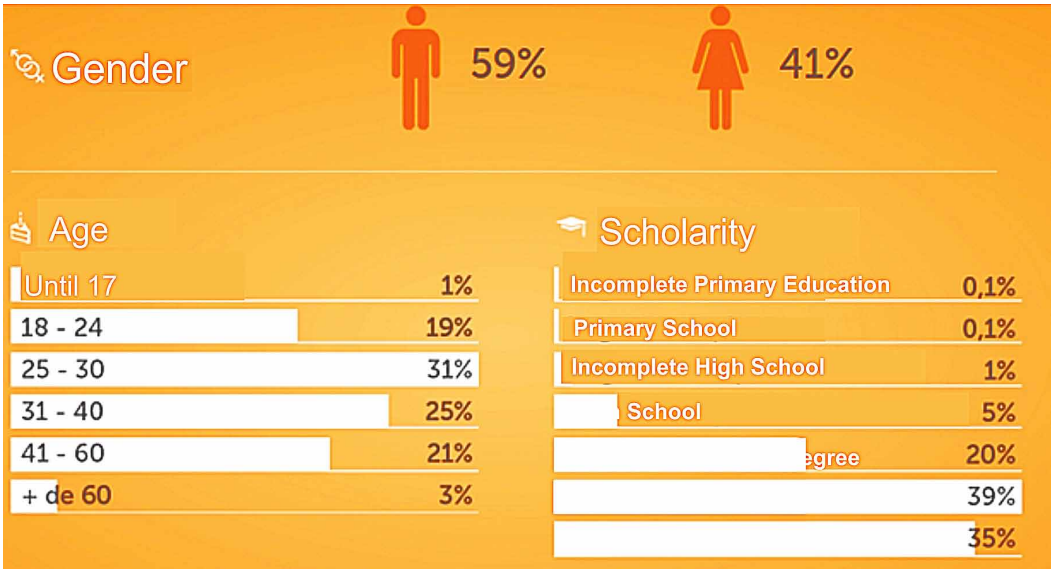


Figure 2. Gender, Age, and Education. Portrait of Crowdfunding in Brazil.
Source: Catarse.me (Own translation)



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digital literacies. Finally, there is a significant difference in terms of gender, 59% of participants are male, while 41% are female.

Before commenting Figure 3, it is important to clarify that the minimum wage in Brazil is 724 reais (which is approximately 320 USD). It is very unlikely that individuals with this monthly income participate in crowdfunding projects for various reasons, the main one being their limited access to information and technologies. Table 3 shows that the majority (54%) of the surveyed participants has a monthly income of up to 6000 reais (3000 USD, based on the current exchange rate). About 29% earn between 3000 and 6000 reais (1300 to 2600 USD), when 24% earn between 1500 and 3000 reais (650 to 1300 USD), and 21% have a very low income of up to 1500 reais (about 650 USD). The low participation of individuals with higher income might be related to an easier access to bank loans.

It is also important to consider that crowdfunding initiatives play a key role in configuring a new way to create employment and foster financial inclusion. Crowdfunding, then, may signal a change in patterns of economic behavior. Bauman (2008) sees a relationship between the state versus the individual and autonomous production. He says that these initiatives are interrelated and are a consequence of each other: if an individual does not succeed by means of government or public initiatives, he/she looks for private and / or autonomous initiatives, and vice versa. However, in this context, the market remains at the center, even when crowdfunding and crowdsourcing are involved as economic initiatives.

Figure 4 shows areas of interest for project development and also the areas where participants perceive that there is a lack of relevant projects. According to the surveyed participants, the category where there is greater opportunity to get funding, considering people's interests and the lack of relevant projects, is mobility and transportation. In general, projects that intend to contribute to improve the community and society are well funded all over the world. In countries such as Brazil, where government funding to support social and creative projects is very limited, crowdfunding emerges as an increasingly popular means to finance projects.

The two areas that incite least interest are fashion and carnival. The lack of interest could be explained by the fact that Brazilians tend to perceive fashion and carnival as leisure activities despite the cultural component that both possess. Education, environment, community, science and technology, social businesses, and architecture and urbanism are also sectors that raise interest and have a significant lack of relevant projects. Music, cinema and video, cartoons, literature, photography, design, theater, games

Figure 3. Monthly Income. Portrait of Crowdfunding in Brazil.
Source: Catarse.me (Own translation)

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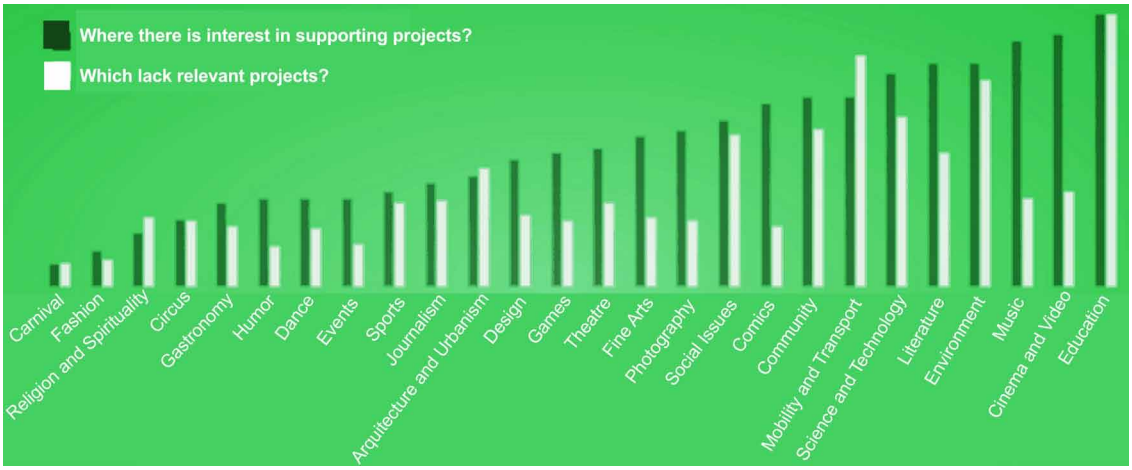
Figure 4. Areas of Interest and Lack of Relevant Projects. Portrait of crowdfunding in Brazil.
Source: Catarse.me (Own translation)



and fine arts raise interest but already constitute popular categories for project development. Very often, projects that contemplate a huge social change are difficult to be completed. However, practical good causes that have a direct impact on society are more likely to get support and receive funding.

2.2 Crowdfunding and Crowdsourcing Around the World

As a part of a research project sponsored by the AcessaSP program - Scientific Connections (2014), we mapped and described crowdsourcing and crowdfunding platforms that seek to promote social entrepreneurship around the world.

We used the following criteria to select the platforms:

1. The main goal of the crowdsourcing platforms should not be hiring specific services but supporting social entrepreneurship projects that require working as a team;
2. Crowdfunding platforms should not be aimed solely at developing charity projects or achieving personal goals (e.g. go on a trip, go to college, pay a medical bills etc.); and
3. The platforms should not be investment / equity crowdfunding websites.

At present, crowdsourcing websites are the most innovative crowd solving tools. They provide updated information about what is taking place in every region of the planet, and connect potential change makers with people who need help in order to crowd solve very important issues. In addition, crowdsourcing websites provide access to very creative tools, useful information, and contacts to reach organizations that are already contributing to alleviating important social issues. As such, they allow associations and project developers to scale or duplicate their past efforts in new areas and inspire new users to create projects or adapt existing projects to address the needs of their respective communities.

We found only 6 platforms that offer the service of crowdsourcing based on the criteria mentioned above: Project Free World, Catchafire, Do something, 1% Club, Goteo, Fandyu. The Project Free World believes that "collectively, humanity has no limits on time, money, or resources. People have created

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these problems together. So there's no reason they can't be solved together." Another great example is Catchafire, a "community of individuals striving to push the social good sector forward by focusing on efficient and effective ways to give back." One way Catchafire does this is by "matching professionals with nonprofits based on their skills, cause interest and time availability." They are committed to providing transformational volunteer experiences, to do so, they make sure that all of that nonprofits that are included in their platform have demonstrable impact, strong leadership and are aligned to the platform's proposed mission. The platform's goal is to "provide a significant return on investment for the partners and save them time, money and resources in finding talented and passionate individuals who have the potential to become long term advocates."

We found 61 platforms that offer crowdfunding services in Brazil and around the world, based on the chosen criteria. Some of them are: 1% Club; 100 days; *Benfeitoria* (Well Done Factory); Biayda; *Bicharia* (Animaly); Catarse; *Causa Coletiva* (Common Caude); Change Heroes; *Clube do Financiamento Coletivo* (Collective Financing Club); *ComeçAki* (Starts Here); Crowdonomatic; Crowdrise; Doare; Embolacha; Eppela; *Eu Patrocino* (I Fund); *Eu Socio* (Me Partner); Fandyu; Fundit; Fundrazr; *Garupa* (On the Road); GoFundMe; GoGetFunding; Goteo; Guigoo; Ideame; Ignite Intent; *Impulso* (Impulse); Indiegogo; JumpStarter; *Juntos* (Together); KickStarter; Kickante; Kiva; Kolmea; Mimoona; Mobilize; Moola Hoop; *Muito Nós* (Lots of Nodes); Music Raiser; Opote; Pantreon; Partio; Peerbackers; Pifworld; Pledgeme; PPL CrowdFunding Portugal; *Quero Incentivar* (I Wanna Fund); Rocket Club; *Salve Sport* (Save Sport); Sibite; *Startando* (Getting Started); Starteed; StartSomeGood; Ulule; Vakinha ; Variavel 5; Verkami; We Make It; When You Wish Brasil; and Zarpante.

All the selected platforms seek to offer online funding possibilities to support impactful and creative initiatives around the world. The names of some of the platform already suggest their goals, as in, for example: Jump Starter, *ComeçAki* - that in English means "Starts here", and KickStarter. Other platform names show the area they focus on, as in: Music Raiser - which supports projects related to music; *Salve Sport* (Save Sport) - which supports projects related to sports and health; and Bicharia - which supports projects to help animals and pets. Another good example of creative names associated with the goal of the platform is the crowdfunding initiative "Juntos", which would be equivalent to the term "Together". This kind of platform name conveys in a very simple but effective way the idea of getting both supporters and entrepreneurs to collaborate in a common project.

In addition, there are various categories that are included in all the listed platforms (crowdfunding and crowdsourcing). The categories are based on the key-words provided in the selected websites. They are as follows: General (it allows projects from all areas to participate to be funded or recruit volunteers). Arts and Culture (it contemplates projects about music, fine arts, festival, book production, etc.). Social and Education (it addresses projects that seek to improve the lives of individuals from a specific community or promote education). Entrepreneurship (for business, entrepreneurship, and social entrepreneurship initiatives). Creativity, Technology and Innovation (very similar to the Art and Culture category, but it focuses on projects that are centered on technologies and innovation). Environment and Sustainability (for projects that seek to find sustainable solutions for environmental problems). Animals and Nature (for projects that seek to save or help animals in risk areas, improve the lives of animals, etc.). Sports and Tourism (for initiatives that intend to develop sports programs, disseminate knowledge about a touristic destination, etc.)

Internationally, two of the most famous and popular reward-based crowdfunding platforms are KickStarter and Indiegogo. According to Forbes contributor Schroter (2014), the most successful business crowdfunding campaigns can be found on Kickstarter, Fundable, and IndieGoGo. Schroter

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elaborate a list of "top 10 business crowdfunding campaigns of all time", which includes the following three crowdfunding campaigns: the Pebble E-Paper Watch, which raised $10,266,845 in 37 days and seemed to create the first affordable smartwatch in the market. The Ouya open-source game console, which raised over $8.5 million in 29 days. And Pono, which raised over $6 million raised in 30 days and promises to deliver a music listening experience that allows users to hear music as the artist intended. These are just some examples of successful crowdfunding campaigns that have had a high impact in an entrepreneurial context.

Next, we examine important data based on the crowdfunding platforms that were selected and included in the mapping, elaborated for the Scientific Connections (2014) research project.

2.2.1 Social Media Followers: Facebook and Twitter

The most important social network where crowdfunding platforms find followers is Facebook. 32.5% of the crowdfunding platforms have a very low number of followers on Twitter (up to 1000). The "Not applicable" category (18.2%) corresponds to platforms that have no Twitter account or have an almost nonexistent number of followers. This means that 50.7% of the platforms do not use Twitter to get followers. In contrast, 58.5% of the platforms have Facebook pages with more than 5000 followers.

2.2.2 Rewards

On most platforms, reward are an incentive (55.7%). Platforms included in the "Does Not Apply" category (36.7%) usually do not give the possibility to offer rewards or do not have clear policies regarding the rewards. Based on the instructions and tips that are on the platforms, it seems that rewards are key factors for project success.

It is noteworthy that the rewards/goodies of the platforms surveyed are of varied types and values. The platforms do not encourage project developers to offer cash as rewards. Some even determine "everything but money" (like the platforms Moola Hoop and Impulso). The key is to make a commitment

Figure 5. Number of Followers on Facebook
Source: Scientific Connections 2014

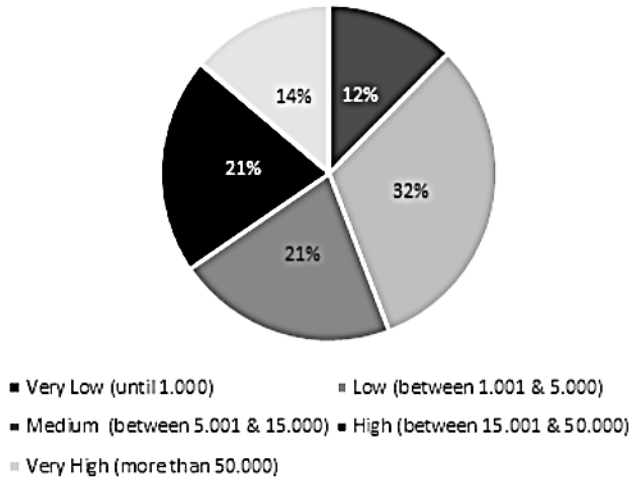

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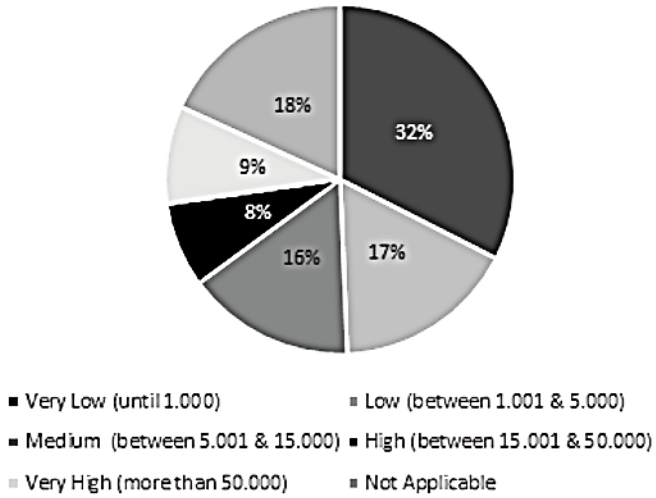
Figure 6. Number of Followers on Twitter
Source: Scientific Connections 2014

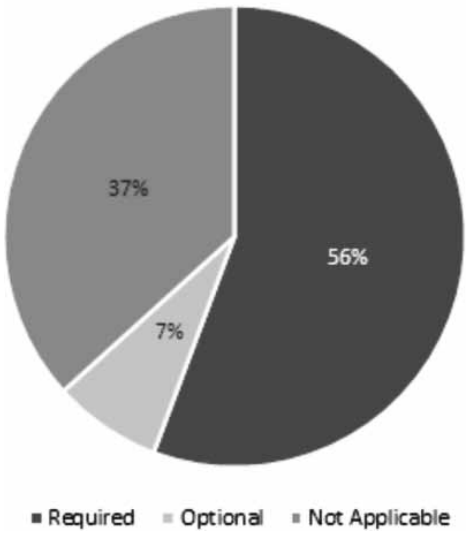


that can be fulfilled, so perks can be objects, acknowledgements, thank-you notes, services, events, or "anything that does not violate our Terms of Service" (as specified in Indiegogo). It can also be a copy of what is being produced (CD, DVD, book), a discount in stores (Bicharia offers 50% off).

3.3.3 All or Nothing System vs. Partial Earnings

Most platforms only use the "all or nothing" system (47.4%). Many of them explain in their terms of service that they only use this system because only projects that achieve their monetary goals are able to

Figure 7. Rewards
Source: Scientific Connections 2014



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complete projects and deliver the promised rewards. Other platforms accept to transfer the money that raises even if the monetary goal is not met, but they charge a higher administrative fee in such cases.

3.3.4 Citizenship Restrictions

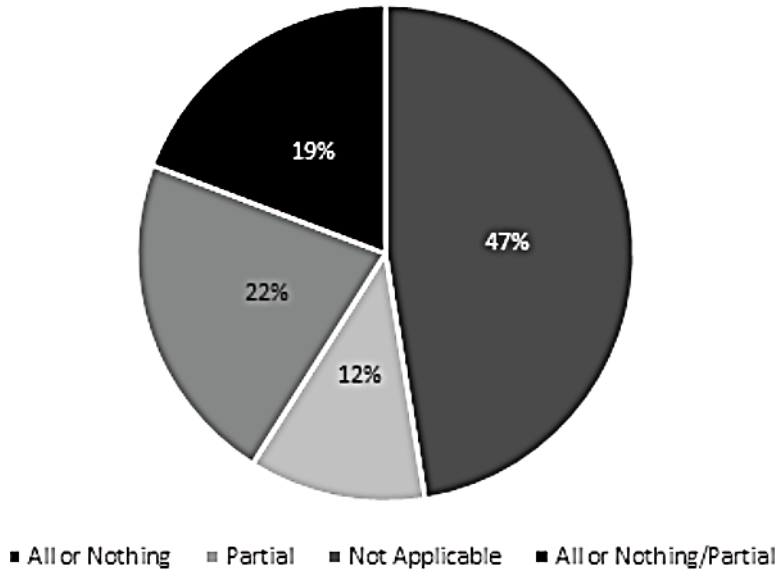
72.5% of the platforms have no citizenship-based restrictions. The global trend is to allow the participation of all people who can open a PayPal or MoIP account. However, the linguistic factor probably affects how people choose a platform. Even when platforms translate into English and other languages and have no citizenship-based restriction, most of them show projects in only one language.

3.4 Social Entrepreneurship / Social Technology Prizes

As a complement to the Conexões Cientificas 2014 research project, we also looked at the important elements when awarding prizes to social entrepreneurship/social technology projects. Prize criteria are a good means of understanding what makes a project successful and impactful in a crowdfunding context. We selected the following social entrepreneurship / social project awards to elaborate a list of with the most common criteria:

1. Google Global Impact;
2. Pasha Fund - P@SHA Social Innovation Fund;
3. Gründer-Garage (Google sponsored);
4. Youth Citizen Entrepreneurship Competition;
5. Prize Kopf schlägt Kapital, Stiftung Entrepreneurship;
6. Do Something;
7. Unreasonable Institute;

Figure 8. All or Nothing System / Partial
Source: Scientific Connections 2014



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8. Echoing Green;
9. The Social Entrepreneur of the Year Competition (Schwab Foundation for Social Entrepreneurship);

Below, we present a summary with the description of the most common criteria:

1. **Technology:** Projects must use technology to add value to a specific community or solve a problem that is affecting society in general.
2. **Innovation:** Projects must propose a creative and innovative solution to a clearly identified problem (or a major contribution to society).
3. **Feasibility:** Projects should identify a concrete problem and propose a realistic and feasible solution. They should anticipate possible difficulties and explain how these difficulties would be addressed, or explain which challenges might stand in the way and how they will be overcome. Team members must be clearly identified and be capable of performing the proposed actions (it is important to demonstrate that they have prior experience in their proposed roles). Projects must explain how the prize money will be used and how the plan will be executed.
4. **User Centered:** Proposed solutions must be user focused.
5. **Sustainability:** The solution must be sustainable once the prize money has been invested.
6. **Scalability:** The project should be able to be replicated / multiplied elsewhere or by others.
7. **Representation:** Prize recipients should be willing and able to become ambassadors that represent and contribute to the growth of the organizing association.

Many crowdfunding platforms also take these criteria into consideration when choosing or curating projects. They also offer assistance and helpful information to make sure projects are sustainable. Sustainability is a key aspect in a crowdfunding context because campaigns are not ongoing; they are a one-time experience that means to help people kick-start a project. That is why projects should be able to continue after the raised money is used up. According to The Social Entrepreneur of the Year Competition (Schwab Foundation for Social Entrepreneurship), the potential for social change is also key. They seek projects that achieve transformative social and/or environmental change through the application of innovative and practical approaches to benefit society in general, with an emphasis on underserved populations. The innovation can take the any form in everywhere.

Scalability and the possibility to replicate a project are also important as crowdfunding platforms are building a project database that works as a source of inspiration for new, experienced and inexperienced project creators. In the article "The dynamics of crowdfunding: An exploratory study," Mollick (2014) also examines key aspects that lead to project success in a context of crowdfunding. His research seeks "to develop initial evidence about the nature of crowdfunding and its role in entrepreneurship research" (pp. 4) and "examine the key issues around crowdfunding from the perspective of entrepreneurship: its links to existing theory, the effects of a new form of fundraising, and the success or failure of the process" (pp. 4). According to Mollick,

Projects generally succeed by small margins, or fail by large ones. Social capital and preparedness are associated with an increased chance of project success, suggesting that quality signals play a role in project outcomes. Geography also appears to be linked to the nature and success rates of projects. Finally, the vast majority of founders attempt to deliver products promised to funders, but relatively few do so in a timely manner, a problem exacerbated in large or overfunded projects (pp.13).

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As we can see once again, social capital and preparedness, which are directly related to project feasibility, also emerge as key elements. Interestingly, the ability to deliver the promised rewards also constitutes a key factor, which is why many crowdfunding platforms offer extensive information on how to create low-cost and quality incentives.

4. Final Considerations

This chapter aimed to analyze the development of crowdfunding and crowdsourcing platforms in Brazil and around the world, exploring its key role as a catalyst for social inclusion. We presented relevant information about digital inclusion and its connection with social inclusion. Three essential key concepts were collective intelligence, hacker ethics, and social entrepreneurship. Finally, we examined the current state of development of crowdfunding and crowdsourcing platforms in Brazil and around the world through an extensive mapping of the various platforms. Through the graphs from Catarse.me and the Scientific Connections 2014 Research Project (sponsored by Digital Inclusion Program Access São Paulo), it was possible to produce a socio-economic overview of crowdfunding and crowdsourcing activities, as well as an analysis of important data based on the guidelines and rules that platforms employ to increase the projects' success rate.

Through this analysis, it is possible to envision that crowdfunding is opening new possibilities to provide democratic access to funding and to create new opportunities to promote online social entrepreneurship, both in Brazil and around the world. According to Mollick (2014), "Increasingly, [...] crowdfunding appears to be a viable source for entrepreneurial seed capital, allowing entrepreneurs to raise the initial money required to start their new venture. For example, of the fifty highest funded projects through 2012 on Kickstarter, the premier crowdfunding site, 45 have turned into ongoing entrepreneurial firms" (pp. 3). As such, crowdfunding is proving that it has the potential to take the place of bank loans in a context of start-up creation / accelerator. Investment / equity crowdfunding, in a similar way, could become an interesting alternative to the stock market, eliminating commissions and intermediaries and allowing people with no prior experience in investment to support and become involved in a start-up of their choice.

In Brazil, crowdfunding is not yet widely known by the population, but it is growing at a very fast pace. The number of crowdfunding platforms that exists in Brazil and in the world increases every day. For example, according to Catarse.me data (available on the blog.catarse.me) in 2011, the best project of the year on the platform had 285 supporters, raising over 25.000 R$ (approximately 11.000 USD based on the current exchange rate). This year's (2014) best project had 3200 supporters and raised over 206.000 R$ (about 91.200 USD based on the current exchange rate). Unfortunately, many project still are unsuccessful and end up closing down. Some of them keep appearing in search engines, even if they are not updated, which can create confusion among users and potential supporters.

Crowdsourcing as a tool to promote social entrepreneurship is less developed than crowdfunding, both in nationally and internationally. In fact, in Brazil, there is no platform to promote collaborative work in a context of social entrepreneurship. However, many crowdsourcing websites offer job opportunities, which means that crowdsourcing is becoming an interesting job alternative and is changing the way companies and individuals hire people.

This means that a completely new scenario is being created based on crowdsourcing initiatives. A new economic perspective is arising, leading to new hiring and funding processes. Crowdsourcing platforms are also offering new possibilities to develop ideas and projects (mainly in social, cultural and environmental issues) that before were not feasible. Finally, both crowdfunding and crowdsourcing,

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are becoming key factors to encourage people to develop their entrepreneurial projects in a context of digital and social inclusion.

Also enables the awareness that we are not alone and that a collective effort can be successful. Social entrepreneurship preaches it, and adds the collective as an alternative to "make, prepare and think". The collective sense denotes not only the fact that people help each other, but also the fact that anyone can be a protagonist and can also be able to create your own initiative in the Web Universe. As we have seen, not only are they are democratizing access to capital and resources, but also they are also bringing the world of entrepreneurship into everyone's homes. Provide discussion of the overall coverage of the chapter and concluding remarks.

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KEY TERMS AND DEFINITIONS

Crowdfunding: Crowdfunding is the practice of funding a project or venture by raising monetary contributions from a large number of people, typically via the Internet. One early-stage equity expert described it as the practice of raising funds from two or more people over the internet towards a common Service, Project, Product, Investment, Cause, and Experience. Three types of actors fuel the crowdfund-

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ing model: the project initiator who proposes the idea and/or project to be funded; individuals or groups who support the idea; and a moderating organization (the "platform") that brings the parties together to launch the idea.

Crowdsourcing: Crowdsourcing is the process of obtaining needed services, ideas, or content by soliciting contributions from a large group of people, and especially from an online community, rather than from traditional employees or suppliers. This process is often used to subdivide tedious work or to fund-raise startup companies and charities. It combines the efforts of numerous self-identified volunteers or part-time workers, where each contributor of their own initiative adds a small portion to the greater result. The term "crowdsourcing" is a portmanteau of "crowd" and "outsourcing"; it is distinguished from outsourcing in that the work comes from an undefined public rather than being commissioned from a specific, named group.

Digital Inclusion: Digital inclusion is commonly defined as the incorporation of information technologies into the community in order to promote education and improve the quality of life.

Means of Production: In economics and sociology, the means of production refers to physical, non-human inputs used in production; that is, the "means of production" includes capital assets used to produce wealth, such as machinery, tools and factories, including both infrastructural capital and natural capital. This includes the "factors of production" described in classical economics minus financial capital and minus human capital. They include two broad categories of objects: instruments of labor (tools, factories, infrastructure, etc.) and subjects of labor (natural resources and raw materials). If creating a good, people operate on the subjects of labor, using the instruments of labor, to create a product; or, stated another way; labor acting on the means of production creates a good.

Social Entrepreneurship: Social entrepreneurship is the process of pursuing innovative solutions to social problems. More specifically, social entrepreneurs adopt a mission to create and sustain social value. They draw upon appropriate thinking in both the business and nonprofit worlds and operate in a variety of organizations: large and small; new and old; religious and secular; nonprofit, for-profit, and hybrid. Business entrepreneurs typically measure performance in profit and return, but social entrepreneurs also take into account a positive return to society. Social entrepreneurship typically furthers broad social, cultural, and environmental goals and is commonly associated with the voluntary and not-for-profit sectors. Profit can at times also be a consideration for certain companies or other social enterprises. Social entrepreneurship practiced in a world or international context is called international social entrepreneurship.

Social Inclusion: Social inclusion aims to empower poor and marginalized people to take advantage of burgeoning global opportunities. It ensures that people have a voice in decisions which affect their lives and that they enjoy equal access to markets, services and political, social and physical spaces.

Social Technology: "Social technology" is defined as applying the use of social science theories and methods implementing related technologies for specific purposes especially social ones: to ease social procedures via social software and social hardware, which might include the use of computers and information technology for governmental procedures. It has historically referred to two meanings: as a term related to social engineering, a meaning that began in the 19th century, and as a description of social software, a meaning that began in the early 21st century.

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Chapter 59
Impact of General Social Media Experience on Usefulness for Business in the Workplace

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ABSTRACT

This chapter looks at the adoption of general social media applications on usefulness for business, comparing the factors that influence adoption at work between Japan and the United States. In Japan, ease of use and usefulness for collective knowledge in general social media are predictors of usefulness for business social media, and in the United States, only usefulness for collective knowledge is a strong predictor of usefulness for business. The authors did not find behavioral intention to use social media in the workplace to be an important factor in predicting the usefulness of social media for business. The value of this research is its ability to understand the use of social media in the workplace to include how the experience of social media impacts on the expectation of usefulness for business and how the impact of ease of use differs from Japanese to the United States because of cultural, technological, and market reasons.

INTRODUCTION

This research paper addresses the impact from general social media perception or experience to perception of social media usefulness at work in both Japan and the United States. Is there a difference? It appears that culture may have an impact on the use of social media. Social media is defined as "a group of Internet-based applications that build on the ideological and technological foundations of Web 2.0, and

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that allow the creation and exchange of User Generated Content" (Kaplan & Haenlein, 2010). Kalamas, Mitchell, and Lester (2009) defined social media as, "a communication medium that is devoted to or characterized by interaction between participants or consumers of the medium".

The worldwide rapid diffusion and growing popularity, potential risks, negative impacts or controversial issues of social media exists. Das and Sahoo (2011) describe the impact of social networking on individuals: "The growing popularity of social networking sites (SNS) among the Internet users demands an introspection of personal and social behavior of human beings. Today 1.5 billion people across the world have their profiles in social networking sites. Everything looks nice when you create a profile on social networking site, but how you feel when someone starts blackmailing using your personal data. Your boss threatens to fire you for posting comments on SNS. You feel compulsive to check your profile during work hours. SNS becomes a reason for anxiety and addiction. It starts affecting personal relationship with spouse and family members. Such sites make private life and public life of an individual a digital document." However, it might be true that still many practitioners and researchers anticipate massive opportunities, positive impacts and abundant harvest from usage of social media in the workplace, even though the way to success is still ambiguous. Many people, especially the younger generation, have already had some experiences with social media at least in private settings. Before discussing effective and/or efficient usage of social media in the work place, it might be useful for us to clarify ordinary people's needs or expectation to social media in workplace.

Internal corporate use of social media has reported in articles, especially in big global companies such as IBM (2010) and Ernst & Young (Williamson, 2009). Social networking has increased collaboration at IBM. The article explained effects to increase collaboration in IBM by using internal social networking. The article showed preferable effects of implementing social networking to increase internal collaboration in a company (Greenberg, 2009). According to Williamson (2009), a partner at Ernst & Young and the company's Americans Inclusiveness Officer, communication with team members is the most important task for virtual team managers. For efficient and effective communication, managers inevitably use both traditional media and the latest innovative technologies. They should use not only e-mail and a company intranet but also 'a community home space', which seemed to be an equivalent word to 'social networking site', to help virtual team members connect with each other and engage in the team. Moreover Williamson (2009) pointed that telephone call, face-to-face meeting and an annual onsite company-wide event are also important to manage a global company. It means social media should be used as one of communication technologies in global work place and we should understand the country and cultural difference of social media.

One of the benefits of social media is the ability to reach a large group of people by tapping into the network. Each person has their own network and each node in the network taps into a completely different group of people. This creates a very large audience to reach people in general. Many of these social media services are familiar to the younger generation. Annetta (2008) explained that younger social media users spend an average of 6.5 hours a day using variety of media. Managers believe that younger workers are more likely to create high level of emotional engagement when using social media in the workplace. Robinson (2006) also discussed that the increased participation in the use of social media potentially leads to greater attendance by workers and potentially a higher recollection of while at work. Divol, Edelman, and Sarrazin (2012) found that companies invest millions of dollars in social media, with little understanding of how it influences consumers to favor their brands or buy their products. Without knowing how social media affects consumer behavior, companies run the risk of aiming

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it at the wrong targets, wasting time and money on ineffective efforts, and generally failing to harness its potential. Bennett, Owers, Pitt, and Tucker (2010) found that the business advantages and benefits of social networking in the workplace are still very much underappreciated and undervalued. Some organizations across the world have started to implement some of the facets of social networking technology and reap the business benefits (Hathi, 2010; Williamson, 2009).

As mentioned above, the use of social media has expanded and many people use different types of social media in their private life. Past studies showed that technology experience enhanced users' perception of ease of use of the technology (Venkatesh, 2000; Venkatesh & Davis, 1996). It is possible that the use of private general social media experience might have impact on the expectation of social media at the work place. Therefore, it is the purpose of this research to clarify the impacts from general social media perceptions or experiences to perception of social media usefulness at work in both Japan and United States. We came up with two broad research questions:

- What are the predictors for expectation to social media at workplace?
- What are the experience levels of general social media perception and country difference?

LITERATURE REVIEW

Social Media and the TAM Model

Davis (1989) proposed Technology Acceptance Model (TAM) and he showed that perceived usefulness and perceived ease of use were antecedents of user acceptance were user attitude and behavioral intention. From that time, tremendous researchers applied TAM. Since technology adoption is not only influenced by a user's own preferences, but also by the norms and beliefs of the cultural environment, technology adoption and consumer behavior is culturally specific and articulated within or in relation to specific cultures (Yang & Jolly, 2009).

Lee, Xiongb, and Hu (2012) analyzed users' attitudes and intentions in Facebook and clarified that ease of use had indirect impacts on the attitudes. They found that valence, the continuum of positive and negative emotions, has a direct strong relationship with perceived ease of use which, in turn, impacts perceived enjoyment of using social media, and then affecting attitude toward using Facebook. Perceived usefulness and perceived ease of use were not directly related to attitude toward using social media. This indicates the need to consider other factors in explaining intention to use social media.

Lin and Lu (2011) studied why people continue to join SNS and found that usefulness is one of the influential factors in people's continued use of SNS. Like Lee et al. (2012), perceived enjoyment had a strong impact on continued intention to use social media

Leng, Lada, and Muhammad (2011) analyzed SNS adoption in Malaysia using TAM. They showed that ease of use has an impact on usefulness and that usefulness has impacts on attitude and behavioral intention. Perceived ease of use was found to affect perceived usefulness which, in turn, was found to affect attitude toward social media, similar to Lee et al. (2012). Unlike Lee et al. (2012), Leng et al. (2011) found that perceived usefulness had a strong impact on behavioral intention to use social medial

Lin, Liu, and Kuo (2013) found that perceived usefulness has a moderating effect between attitudes toward using mobile technologies in Taiwan. They also found that perceived usefulness was affected in

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part by users' perceived ease of use. This indicates that the attitude of users to use general social media may be moderated in part by perceived usefulness and affected by perceived ease of use of that social media application.

The research by Venkatesh and Davis (1996) focused on understanding the determinants of perceived ease of use and usefulness and found a direct relationship between experience and ease of use. Those studies imply that TAM can be applied to social media studies and the social media acceptance may be affected by another information technology or communication media experience.

Social Media and Employees

The importance of embracing social networking as an effective business tool is summarized in Williamson (2009) and Amoroso and Orita (2010). Bennett et al. (2010) found that the main business benefits that social networking tools can have are:

- In the workplace, social networking tools promise to revitalize organizations by harnessing collective intelligence.
- Social networks, blogs, wikis, mashups and RSS feeds can facilitate networked conversations, information sharing and problem solving.
- Rigid hierarchies, corporate silos and walled-off R&D departments can be ripped down and replaced by transparent, open-ended "crowdsourcing" strategies that even bring customers into the collaborative dialogue.
- Power is shifting from executive C-suites to employee cubicles, from companies to customers, from monopolists to markets.
- The potential upside: improved morale, enhanced collective knowledge, increased productivity, sharpened strategic focus, greater innovation. And on the bottom line, higher profits.

Edosomwan, Prakasan, Kouame, Watson, and Seymour (2012) discussed the benefits of social media in business, as listed here, but mostly to promote communication. Social media helps to share project ideas, communicate with customers, receives feedback, and provides a good venue for discussions. Social media will also create brand awareness, but they found that the key factor for success is enabling conversation.

Kane, Robinson-Combre, and Berge (2010) explored how knowledge management and e-learning within an organization are tied together through social networking, thereby causing a strong impact on how people communicate, learn and share knowledge. They found that knowledge management, e-learning, and social networking met the needs of adult learners. Further, they showed why an organization should tap into social networking tools and activities while incorporating them into their knowledge management system to enhance their e-learning and other training activities. Hsu and Lin (2008) found that ease of use and enjoyment and knowledge sharing were positively related to attitude toward using blogging. Also, attitude toward using blogging and community identification (social factors) significantly influenced a blog users' intention to continue to use blogs, explaining 83% of the variance of intention to blog.

The use of social networking websites such as Facebook, MySpace, LinkedIn, and Twitter for recruiting, hiring, or terminating individuals is relatively new. Many questions about using these sites for HR practice have yet to be addressed, including questions about the validity and usefulness of information obtained on these sites, applicant perceptions of employers' use of these sites, and the legality of using these sites, among others. The study by Davison et al. (2011) describes issues associated with using

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social networking websites for recruiting, staffing/selection, and discipline/termination, and provides recommendations for future research studies in this area. Clark and Roberts (2010) found that employers were making decisions not to hire people based on the information posted on social networking sites. Few employers have policies in place to govern when and how these online character checks should be used and how to ensure that the information viewed is accurate. They explored how these inexpensive, informal online character checks are harmful to society.

Based on those studies, one of the important outcomes of social media is sharing information and knowledge based on social networking. If people use general social media and learn the usefulness for knowledge sharing before using social media at work place, they may expect strong value of using social media in the workplace.

Social Media and Consumers

Social media is used so much in the area of marketing to consumers. Schmidt and Ralph (2012) found that companies need to be able to determine which of the different social media the company should or should not use in marketing their products, services, and/or company. One of the most important uses of social media sites is data collection. It not only provides companies with the ability to obtain massive amounts of information from a wide range of places about their products, services, and company, it also gives them valuable information about their competitors. Divol et al. (2012) proposed a model where social media can be used to develop a customer-oriented process for marketing and sales. The important aspect of this research is the involvement of both consumers and employees at each level and that customers will provide feedback to employees in order to make changes in brand and product. Social media is also used in customer relationship management to connect with consumers and to get feedback.

Social customer relationship management (SCRM) is also a remarkable concept in marketing area. Kotadia (2009) defined social CRM as "the business strategy of engaging customers through social media with a goal of building trust and brand loyalty." Loyalty is an attitude towards a brand that inclines a customer to repurchase it and/or recommend it to others. Social CRM and social media are more about building trust and managing loyalty with customers than about managing relationships or transactions. Greenberg (2009) also found that customer relationship management is not a technology, but a philosophy and business strategy with business rules, processes and social characteristics to support a collaborative environment with the customer. Woodcock, Green, and Starkey (2011) discussed three hurdles of SCRM which pioneers in large companies faced; (1) organizational readiness, (2) over-hype and over-expectation and (3) project management failings. Research by Baird and Parasnis (2011) clarified perception gaps between consumer and business executives showing that companies have some misperceptions regarding why consumers interact with them via social media. However Woodcock et al. (2011) found that the benefits are centered on 'customer engagement' and are not peripheral but fundamental to driving business performance. In addition, SCRM can deliver insight that will help drive real customer centric innovation.

Corporate Social Responsibility

Kaupins and Park (2010) found that corporate social networking sites provide employees and employers with considerable opportunity to share information and become friends. Unfortunately, American and international laws do not directly address social networking site usage. The National Labor Relations

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Act, civil rights laws, and various common law doctrines such as employment at-will and defamation provides the pattern for future social networking laws. Ethical considerations such as productivity, security, goodwill, privacy, accuracy, and discipline fairness also affect future laws. Corporate policies on corporate social networking should balance the employer and employee's interests. Existing laws and ethical issues associated with social networking should impact social networking policies related to configuration, communication, discipline, and evaluation of policies. Chen (2009) examined the growing importance of networks for businesses and found that there are few theoretical studies on the social responsibilities of businesses in such networks, and how these responsibilities are affected by different types of networks.

Cross Country Aspects of Social Media at Workplace

Large global companies introduce social media for business in order to understand and help employees work with country difference of social media. We believe, as other researchers have found, that country differences might have an influence the development of consumers' personalities, which can, in turn, impact the formulation of innate differences, such as innovativeness. Kim, Benedetto and Lancioni (2011) found that consumer innovativeness, defined as the predisposition to buy new things, can differ from one country or culture to another. They found that the generic socio-psychological trait dimension of consumer innovativeness was influenced by the country; whereas the product difference dimension did not have an impact. Further, they found that United States consumers had a higher level of innovativeness than both Korean and Chinese consumers.

The value of more cross-national research in technology acceptance is increasing in the inevitable trend of globalization of markets. Many studies have found that cultural factors influence technology development adoption, system usage, task outcomes, mobile application development and technology management (Baker, Al-Gahtani & Hubona, 2010; Hung, Kang, Yen, Huang & Chen, 2012; Sherer, Kohli, Yao & Cederlund, 2011). Hofstede, Hofstede, and Minkov's work (2010) focused on the cultural dimensions of individualism, power distance, masculinity, uncertainty avoidance and long-term orientation. Individualism is defined as the degree to which a society emphasizes the role of the individual. Uncertainty avoidance is the extent to which people feel threatened by unstructured and ambiguity. Uncertainty avoidance might be a similar construct to risk avoidance and may influence the degree of consumer innovativeness. Pookulangare and Koesler (2011) found culture as a moderating variable on perceived ease of use to intention to use social networks. In an earlier study, Amoroso and Ogawa (2013) also found that perceived ease of use was statistically significant with consumers in the United States, whereas Japanese consumers did not feel the influence of complexity of mobile applications, instead rather enjoyed solving problems related to learning how to use such applications.

We found a number of similar studies analyzing the constructs in our model, examining technology adoption across multiple cultures in two or more countries. For example, Baker et al (2010) found a relationship between social influence factors and cognitive instrumental factors affecting technology adoption in Saudi Arabia. Hung et al. (2012) studied the use of email and instant messaging within Taiwan and United States and found that culture and communication tools jointly affect communication outcome variables individually. Huy et al. (2012) investigated e-commerce adoption by small and medium size enterprises (SMEs) in transition economies, such as Vietnam, finding a positive relationship

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between attitudes of managers towards innovation and adoption. Shin (2010) conducted a cross-cultural validation of technology adoption between Korea and the United States and found that differences were identified in terms of intrinsic and extrinsic dimensions and can be inferred that user's motivation in different contexts are an important explanatory variable when determining cross-national SNS site usage. Pooukulangara and Koesler (2011) used individualism, uncertainty avoidance and long-term orientation as tree culture dimensions to design their cross-cultural research model. Hung et al (2012) focused on especially individualism/collectivism to analyze culture dimension of communication between U.S. and Taiwan. Shin and Choo (2012) conducted a survey in the United States and Korea to clarify country-specific differences in product value perceptions based on TRA and Hofstede et al.'s dimensions.

RESEARCH QUESTIONS AND HYPOTHESES

Based on existing studies, we sought to clarify the experience of general social media users, the expectation for workplace social media, and the country difference of the social media acceptance. This study focuses on experience levels of general social media perceptions and country difference. After review of previous models and their supported hypotheses on social media use and benefits in the workplace, we have developed the following research questions below and research model (see Figure 1). It was found that experience is important predictor of ease of use and usefulness (Venkatesh, 2000). They focused on understanding the determinants of perceived ease of use and usefulness and found a direct relationship between experience and ease of use. However they did not find that experience levels had any impact on the user's perception on usefulness.

We feel that experience may have a positive impact on not only ease of use but on usefulness with respect to social media adoption because social media users can learn not only how to use social media, but also how useful social media can be when users experience the communication and collection useful knowledge using social media. Therefore we hypothesize that the experience for social media utilization may have a direct effect on the expectation of usefulness for social media at the workplace.

RQ1: How does the experience of general social media impact on the expectation of usefulness for business?

People who use general social media can learn how to use social media in the workplace when they start to perceive that general social media is easy to use. Additionally, when they start to perceive that social media is useful and intend to use social media more, they will move over the application of social media to the workplace. It is possible that people who perceived ease of use for general social media expect usefulness for not only general social media but also for workplace social media.

H1: Ease of use for general social media will impact on the expectation of usefulness for business.

It is possible that people who perceived usefulness for general social media expect usefulness for social media at the workplace, especially the perception of usefulness for knowledge sharing may have strong impacts on expectation for usefulness for business.

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H2: Usefulness for knowledge sharing in general social media will impact on the expectation of usefulness for business.

Based on the TAM model, ease of use and usefulness tend to have an impact on behavioral intention. Therefore, it is possible that people who intend to use social media expect usefulness for social media at workplace are based on their high perception of ease of use and usefulness. But the relationship between the behavioral intention and usefulness for business could be a spurious correlation because of the ease of use and the usefulness constructs.

H3: Behavioral intention for general social media will not impact on the expectation of usefulness for business.

According to the research about self-esteem, the level of self-esteem in North American is higher than Japan (Heine, et al. 2010). The self-esteem construct is a closely related concept to self-efficacy (Judge, Erez, Bono & Thoresen, 2002), and the self-efficacy concept is closely related to the concept of the ease of use (Clark & Roberts, 2010). Pookulangare and Koesler (2011) focused on a social networking environment and proposed the cultural difference had effect on self-efficacy, and the positive relationship between the self-efficacy and perceived ease of use based on some previous research studies (Das & Sahoo, 1989, Schmidt and Ralph, 2011).

We think that it is possible that level of the ease of use in the United States is higher than Japan, and the difference may have impact on the difference of causal models. The result is that it matters more in the Japanese culture because the consumers like complex applications. Hofstede, et al. (2010) found that countries that had a lower power-distance index, such as the United States rather than Japan, showed more of a need for self-expression and independence. They also found that countries that had more of an individualistic orientation (like the United States) rather than a more collectivistic culture would have a higher self-efficacy need and potentially a higher need for ease of use. Furthermore, the popular social media platform in the United States is different from Japan.

RQ2: How does the impact of ease of use differ from Japanese to United States because of cultural, technological and market reasons?

The research model in this study is a composition of variables and relationships in order to understand the theoretical underpinnings of the research model. Users' attitudes toward usefulness of knowledge was employed as an antecedent determinant that generated differences in behavioral intention and usefulness for business between American and Japanese social media users in this study. Ease of use in general social media and usefulness for collective knowledge in general social media was employed as an antecedent determinant that generate differences in behavioral intention in general social media and usefulness in business between American and Japanese social media users in this study (see Figure 1). We used the measure of usefulness for collective knowledge instead of the popular usefulness measure (Clark & Roberts, 2010); because collective intelligence is one of the business benefits, found by Amoroso and Orita (2010) and the experience of collecting useful knowledge in general social media may have an effect on expectation of social media for business.

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METHODOLOGY

A survey to investigate the impact of social media in the workplace was developed using SurveyMonkey with twelve specific questions as derived from Amoroso et al. (2011), Amoroso and Orita (2010), and Ogawa, Amoroso, Mukahi, Tanabu, & Sato (2012). We adapted technology acceptance measures and developed new measures which are ease of use for general social media, usefulness for collective knowledge in general, behavioral intention in general social media, and usefulness for business social media. Reliability was checked by Cronbach Alpha and the construct validity by factor analysis. The survey was conducted at multiple universities with working students in the United States and Japan with 440 respondents completing the online survey. After considering response bias, 406 responses were utilized, yielding a 92.4% completion or usability rate with responses in Japan (n=210) and the United States (n=196). Although working university students comprised the primary sample, we observed the relationship between general social media experience and expectation of social media at work place. If we apply non-student office workers to the sample, we believe it is difficult to distinguish the effect of general social media experience from the effect of work place social media experience.

We looked at the types of reasons organizations why workers use social media, types of social media, and the purpose of social media use for respondents located in the United States and Japan (see Tables 1-4). We found that the most utilized social media was externally-focused toward the consumer, and the least utilized was the internally-focused employee social media. In both the United States and Japan, there was a high expected of social media for advertising products and/or services (78.6% in total). Consumer research (54.9%) was the second heaviest usage of social media in organizations followed by acquiring potential customers, which was significantly higher in the United States (63.3%). In general, marketing uses of social media were very strong.

Figure 1. Research model

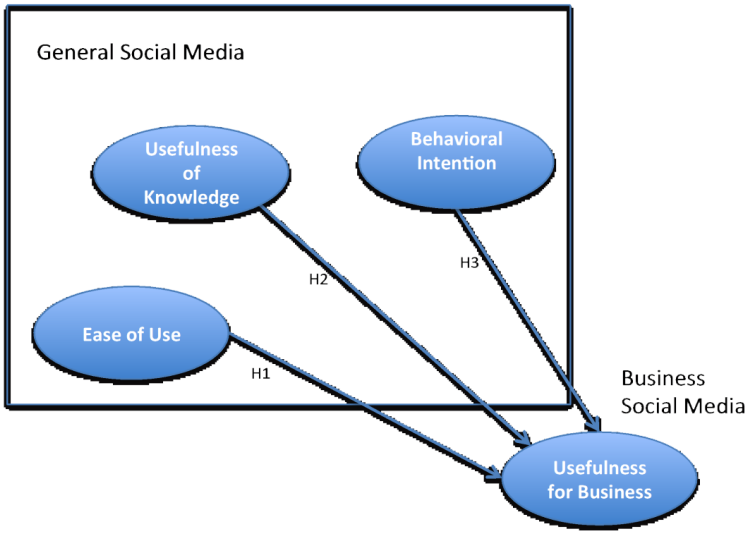

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Table 1. Comparison of social media means: Uses of social media

	Japan *n = 210*	US *n = 196*	Total *n = 406*	t-Test
Advertising	85.2	71.4	78.6	**
Research on users	52.9	57.1	54.9	*
Potential customers	30.0	63.3	46.1	**
Meetings online	17.6	28.1	22.7	**
Recruiting and hiring	36.7	39.8	38.2	*
Advertising	37.1	38.3	37.7	
Communities	29.0	34.2	31.5	*
Service provider	34.3	31.1	32.8	*

** t-test < 0.05, ** < 0.01*

Table 2. Comparison of social media means: Types of social media

	Japan *n = 210*	US *n = 196*	Total *n = 406*	t-Test
Social networking site	58.6	90.8	74.1	**
Blog	38.6	20.9	30.0	**
Chat	11.0	37.2	23.6	**
Photovideosharing	26.7	23.5	25.1	*
Message board	20.0	21.9	20.9	
Microblog	9.5	6.1	7.9	*

** t-test < 0.05, ** < 0.01*

Table 3. Comparison of social media means: Purposes of social media

	Japan *n = 210*	US *n = 196*	Total *n = 406*	t-Test
Pesonal use	80.1	69.4	74.9	**
Business use	19.4	28.0	23.5	**
Both	0.5	2.7	1.6	

** t-test < 0.05, ** < 0.01*

The area of social media expectation that we are most interested in for this study is the internal corporate use of social media, the building of communities (31.5%) and meetings online (22.7%). Compared with the Japanese sample, the United States sample tended to use social networking sites and chat functions in order to communicate with friends outside of their own country (57.1% versus 17.6%). In both countries, business use of social media (23.5%) was far lower than personal use (74.9%). It is this area of social media use that we want to explore further in this research.

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Table 4. Comparison of social media means: Reasons for using social media

	Japan *n = 210*	US *n = 196*	Total *n = 406*	t-Test
Friends in country	83.3	19.9	52.7	**
Friends in outside	17.6	57.1	36.7	**
Business in countriy	3.3	3.6	3.4	
Business in outside	1.9	11.2	6.4	**
Marketing	2.9	6.6	4.7	*
potential customers	1.4	5.6	3.4	*

** t-test < 0.05, ** < 0.01*

ANALYSIS

Measurement Model Evaluation

We found strong support for construct validity and reliability by examining Cronbach alpha reliability coefficients and by confirmatory factor analysis. The measurement scales for this instrument showed strong psychometric properties. All measurement scales showed relatively high Cronbach alpha coefficients (see Table 5) at α>=0.70 for all the measures with the exception of ease of use and usefulness for collecting knowledge in Japanese which is slightly below the lower bounds set for this study, near the α>=0.70. This pattern of high scale reliability is consistent with much of the prior research dealing with the technology acceptance model.

Average variance extracted (AVE), for assessing convergent and discriminant validity (Fornell and Larcker, 1981) is the sum of squared standardized loadings divided by the sum of squared standardized

Table 5. Measurement model statistics

	Japan Sample			United States Sample		
Observed Indicator	Factor loadings	AVE	Cronbach alpha	Factor loadings	AVE	Cronbach alpha
My interaction with Social Media is clear and understandable.	0.574	0.461	0.612	0.781	0.67	0.796
I believe that it is easy to get Social Media to do what I want it to do	0.770			0.854		
Social Media aggregates individual actions into meaningful collective results.	0.482	0.312	0.686	0.704	0.662	0.905
Conversation in Social Media helps me generate ideas	0.613			0.836		
Social Media allows me to collaborate with others in cocreation of blogs, photos, similar projects.videos, and	0.444			0.804		
Social Media allows collective action to provide meaningful results	0.572			0.872		
Social Media facilitates sustained collaboration around a shared idea	0.652			0.842		
I intend to use Social Media in the next 3months.	0.964	0.873	0.953	0.949	0.898	0.963
I predict I would use Social Media in the next 3months.	0.940			0.969		
I plan to use Social Media in the next 3months.	0.898			0.925		
Using Social Media in my job would enable me to accomplish tasks more quickly	0.704	0.555	0.875	0.848	0.835	0.968
Using Social Media would improve my job performance	0.733			0.930		
Using Social Media in my job would increase my productivity.	0.828			0.949		
Using Social Media would enhance my effectiveness on the job.	0.838			0.957		
Using Social Media would make it easier to do my job.	0.554			0.913		
I would find Social Media useful in my job.	0.775			0.880		

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loadings plus the sum of indicator measurement error. Discriminant validity analysis refers to testing statistically whether two constructs differ; convergent validity tests through measuring the internal consistency within one construct, as Cronbach's alpha does, indicators for different constructs should not be so highly correlated as to lead one to conclude that they measure the same thing. This would happen if there were definitional overlaps between constructs. The average variance extracted (AVE) estimate (which measures the amount of variance captured by a construct in relation to the variance due to random measurement error, ranged from 0.312 to 0.898 for United States and Japanese participants. Convergent validity requires that AVE should be greater than 0.5. However, AVE score of Japanese usefulness for collective knowledge is low and the convergent validity of the measure is low. Discriminant validity requires that AVE should be greater than their squared correlation between two constructs. We calculated the squared correlation between each factors (see Table 6). For the Japanese sample, the squared correlation between ease of use and usefulness for business is lower than AVE. We also found that the discriminant validity between ease of use and usefulness for business in Japan is low.

Measurement Equivalence Across Groups

The multiple group invariance tests have been suggested as a reliable method for determining measurement equivalent in a cross-cultural study (Myers, Calantone, Page & Taylor, 2000). This study undertook an application of multiple group invariance tests to determine the measurement equivalence between Japanese and United States samples. The chi-square difference tests and overall model fit indices were used to evaluate overall measurement structure consistency in this study.

We conducted the multiple group invariance tests for social media use samples across the countries of Japan and the United States, using a confirmatory factor analysis for Japan and United States individually. Second, the configural model was constructed and then we constrained all factor loadings between the two countries shown as invariance. Third, we calculated the difference between the configural and invariance models showing the difference (p-value). By examining the results of the chi-square difference test of factor invariance model against a configural model and model fit indices' changes, this

Table 6. Squared correlations between each of the constructs

Japan	EOU	UK	BI	UB
EOU	0.461			
UK	0.277	0.312		
BI	0.049	0.114	0.873	
UB	0.734	0.192	0.062	0.555

USA	EOU	UK	BI	UB
EOU	0.670			
UK	0.263	0.662		
BI	0.265	0.172	0.898	
UB	0.073	0.329	0.027	0.835

**Scores on diagonal are AVE*

*Scores on diagonal are AVE

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study revealed the factor invariance model had a slight change in the model fit indices compared to the configural model for social media use. The results do not show significance at $p < 0.05$ and indicates that the factor correlations are invariant across the two countries. The data demonstrated that the measurements were invariant across the two country subjects, thus enabling the researchers to proceed to the structural model evaluation. We built the measures based on the results of confirmatory factor analysis and use the measures as variables for the structural model.

Hypotheses Testing

We generated two regression models for usefulness in business, one for Japan and the other for the United States sample. Table 7 provides the regression coefficients for each country's regression model. Both regression models showed strong F-statistics at 15.919 and 27.924 respectively. The adjusted R^2 for the Japanese model is 17.6% and for the United States model 29.3%, showing the amount of variance explained. For the Japanese model, ease of use was found to be statistically significant in explaining usefulness in business ($p<0.000$). However, we did not find ease of use to be significant in the United States to explaining the usefulness of social media in business. Usefulness for knowledge of social media was found to be extremely significant ($P<0.000$) in the United States sample, but only mildly significant in the Japan sample ($p<0.017$). Behavioral intention to use social media was not found to be significant for either the Japanese or United States model.

Japan

We found that ease of use has significant impacts on usefulness in business; therefore H1 is supported. Since usefulness for knowledge sharing has significant positive impacts on usefulness in business, H2 is also supported. Since behavioral intention does not have significant impact on usefulness in business, H3 is supported.

United States

We found that ease of use does not have significant impact on usefulness in business; therefore H1 is not supported. Since usefulness for knowledge sharing has significant positive impacts on usefulness

Table 7. Regression models for usefulness in business

	Japan			USA		
	Standardized Coefficients	t	p	Standardized Coefficients	t	p
EOU	0.285	3.890	0.000	-0.050	-0.663	0.508
UK	0.174	2.403	0.017	0.579	8.392	0.000
BI	0.083	1.238	0.217	-0.021	-0.285	0.776
R2	0.188			0.304		
Adjusted R2	0.176			0.293		
F	15.919			27.924		
p	0.000			0.000		

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in business, H2 is supported. Since behavioral intention does not have significant impact on usefulness in business, H3 is supported.

Differences Between Japan and the United States

Ease of use is a construct that has often been found to have a difference between the two countries (Amoroso & Ogawa, 2013). Because ease of use is a significant factor with Japanese consumers, we posit that the culture of Japan is much more technical than the United States, and as such Japanese consumers tend to view more complex applications as desirable and useful for working. We might even say that the more complex the social media application, the more useful for business. Social media usefulness for knowledge was found to be important to both the United States and Japan in terms of its impact on usefulness for business.

DISCUSSION

Significant Findings

In Japan, ease of use and usefulness for collective knowledge in general social media are predictors of usefulness for business social media. On the other hand, in the United States sample, only the usefulness for collective knowledge is a strong predictor of usefulness for business. These results mean, if the United States sample experienced that they could collect useful information in Facebook or another social media, they expect that social media is also useful in the business situation. In contrast, for Japanese respondents, not only collecting information but also perceived ease of use for Mixi, which is a popular social media in Japan, or another social media, are important for expectation for business social media. If Japanese companies apply social media at the work place, employees' perception of ease of use for general social media may be important. The difference of the two countries may be related to the difference of the score of ease of use. Our findings showed that usefulness for knowledge and ease of use scores are higher than Japan. Most usefulness for knowledge respondents perceive high ease of use for social media, therefore the ease of use may not important predictor of usefulness for business.

The results show that ease of use and usefulness for knowledge sharing using general social media has an impact on usefulness for business in Japan. In the United States, ease of use has an impact on usefulness for business. These results mean that the experience levels of general social media use enhances the expectation of social media for business. If an organization considers introducing social media for business, the organization should encourage employees to use social media effectively in their personal lives before introducing social media in the business units.

The results show that the impacts of ease of use differ from Japanese and the United States. In Japan, ease of use and usefulness for collective knowledge in general social media are predictors of usefulness for business social media. On the other hand, in the United States, only the usefulness for collective knowledge is a strong predictor of usefulness for business. These results mean, if the United States respondents could collect useful information in Facebook or another social media, they expect that social media is also useful in the business situation. In contrast, for Japanese, not only collecting information

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but also perceived ease of use for Mixi, which is a popular social media in Japan, or another social media are important for expectation for business social media. If Japanese companies apply social media at the work place, employees' perception of ease of use for general social media may be important.

Usefulness of the Findings

In the results of the factor analysis, the discriminant validity between ease of use and usefulness in the Japanese simple is lower than expected. For the Japanese employee, ease of use and usefulness for business might be almost one construct. However, our study shows that the causal structure is different between Japan and the United States, maybe due to cultural issues. In the results of factor analysis for the Japanese employee, the convergent validity for usefulness of collective knowledge is low. It is possible that, for Japanese respondents, meaning or role of collecting knowledge is different for United States respondents. In the summary of the reason for using social media, United States employees tended to use social media for communication with other persons who live overseas. The United States respondents have weaker but more diversified networks than the Japanese respondents. Granovetter (1973) argued that weak ties build wider relationships and are more effective for gathering diversified information. They may use the weak but diversified network for gathering diversified information and knowledge, and they perceived that social media was useful for collecting knowledge.

The question as to why the difference of ease of use exists between Japan and United States might be the effect on the difference of ease of use as a strong predictor for usefulness and self-esteem. In general, self-esteem of the United States respondents is higher than Japanese respondents and the difference may be reflected in ease of use. We found that in previous research (Amoroso and Ogawa, 2013) that self-efficacy, perception of external control, computer anxiety, perceived enjoyment and objective usability have strong effects on ease of use. The cultural, technological and market difference of social media between Japan and the United States for usefulness for knowledge may influence those predictor variables, and the predictor variables may also influence ease of use. These differences might have an impact on those predictors of ease of use. This study showed that general social media experience has an effect on perception of usefulness of social media for business. The relationship between experience and usefulness in social media is different from normal application software. This study also showed if companies introduce social media for business and their employees have a lot of experience with using social media, they might not be requested to provide much training for their employees.

Limitations

One of limitations of this study is related to the sample as we could not assess how the respondent was working. Because the sample contained some student respondents, we feel that those participants may not have had full-time employment, which might yield different results. We plan to conduct an additional study that will survey business employees directly in the organization. One reason for the lower convergent validity of the Japanese sample for usefulness for collective knowledge could be because this study did not use the normal usefulness measure but a measure of usefulness for collective knowledge. Collective knowledge is one of salient effects of social media. In future research, we will use another measure of usefulness and confirm these results. Also the discriminant validity between ease of use and usefulness

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in Japanese is low. Even though we found a significant path from ease of use to usefulness, we believe that both variables might be contained within one construct. The types of use of social media are different between Japan and United States samples. Even though cultural differences might be related to the selection of social media, we plan to select one type of social media and conduct an additional survey.

FUTURE RESEARCH

In this study, we conducted analysis using regression analysis. However, previous research showed that ease of use has an impact on behavioral intention through usefulness. We plan to confirm the relationship between those three constructs and usefulness in business using Structural Equation Modeling. Future research efforts will include examining social networking systems in specific organizations to ascertain how they are developed and how their configuration affects utilization. We would like to develop a specific employee adoption model for corporate-sponsored social networking systems to better understand why certain employees would use these systems and why others hesitate or find them not useful. In future studies, we plan to integrate the trust construct into further data collection efforts in order to analyze the impact of trust on social network system adoption within the workplace. As discussed above, the difference of ease of use is a key issue. The difference of how to use, purpose of use, kinds of social media and so on may effect on ease of use. We plan to analyze the causal model with these variables.

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KEY TERMS AND DEFINITIONS

Behavioral Intention to Use Social Media: The perceptual measure of intention of workplace employees to use social media.

Business Use of Social Media: Use of social media based systems to achieve business goals and objectives, such as for marketing tools.

Collective Knowledge: Knowledge gained by adding two or more people's knowledge together.

Corporate Social Networking: The use of social media to support and enhance an organization's commitment to corporate social responsibility.

Corporate-Sponsored Social Media: Organizational approved and developed internal social media systems for employees.

Cross Country Aspects of Social Media: The differences between countries in the use of social media.

Cultural Aspects of Social Media: The infusion of cultural factors, such as individualism or long-term planning, on the use of social media.

Ease of Use: The lack of difficulty using social media programs and systems.

Expectation of Social Media Use: The predication of social media in the workplace to enhance job performance.

General Social Media: Social media that is used in the private sector by most consumers.

Social Media Systems: Internally developed social media-based information systems that are corporately maintained.

Team Enhancement: Ability to improve a team's overall performance using social media tools.

Usefulness for Knowledge: The ability of social media in the workplace to enhanced knowledge of one or more employees by sharing ideas.

Workplace Social Media: Social media used solely in the workplace by employees.

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Chapter 60
Quality and Acceptance of Crowdsourced Translation of Web Content

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ABSTRACT

Organizations make extensive use of websites to communicate with people. Often, visitors to their sites speak many different languages and expect that they will be served in their native language. Translation of web content is a major challenge for many organizations because of high costs and frequent changes in the content. Currently, organizations rely on professional translators or machines to translate their content. The challenge is that professional translations is costly and too slow while machine translations do not produce high quality or accurate translations even though they may be faster and less expensive. Crowdsourcing has emerged as a technique with many applications. The purpose of this research is to test whether crowdsourcing can produce equivalent or better quality translations than professional or machine translators. A crowdsourcing study was undertaken and the results indicate that the quality of crowdsourced translations was equivalent to professional translations and far better than machine translations. The research and managerial implications are discussed.

INTRODUCTION

Crowdsourcing takes a job normally performed by a designated person and having it done by a large, undefined, and dispersed number of participants (Howe, 2008). Participants are recruited online to perform defined, sub-autonomous tasks (Behrend, Sharek, Meade, & Wiebe, 2011). Crowdsourcing leverages Web 2.0 tools (O'Reilly, 2007) to foster intellectual cooperation among human collectives in order to create, innovate and invent (Grasso & Convertino, 2012).

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Crowdsourcing has been used in a variety of contexts including ideation generation (Schweitzer, Buchinger, Gassmann, & Obrist, 2012), citizen journalism (Tilley & Cokley, 2008), disaster and emergency management (Dailey & Starbird, 2014), scientific collaboration (Jirotka, Lee, & Olson, 2013), health care management (Adams, 2014), and linguistics (Munro et al., 2010). The study by Eagle (2009) is an early attempt to use crowdsourcing to translate single words and terminologies that have specific meanings among particular groups (e.g., engineers, accountants). Ledlie, Odero, Minkov, Kiss, and Polifroni (2010) used crowdsourcing for speech recognition translation i.e. converting speech to text. The use of crowdsourcing to translate website content that is longer, more descriptive, open to many interpretations and targeted to the general public rather than specific groups is a qualitatively more complex and difficult undertaking that has not yet been done but needed (Snow, O'Connor, Jurafsky, & Ng, 2008).

Translation of website content is important for several reasons. Today, users turn to the web as their first source to find information on virtually any topic, product or service. Therefore, it is important for organizations, businesses, and governments to make their content accessible to users in their native languages. Hutchins (2001) contends that people prefer to read content in their first language, even with some errors, than struggle to understand a website in a foreign language. DePalma, Sargent, and Beninatto (2006) found that language quality is a major factor influencing consumers' online purchase decisions or online interactions with organizations. Consequently, it seems that organizations serving people that speak different languages should offer web content into multiple languages.

There is also an important social challenge pertaining to the digital divide associated with language barriers. Although the digital divide is often used to describe whether or not people have access to the Internet or information and communication technologies (ICTs), Selwyn (2004) posits that it can also be seen as a practical embodiment of the wider theme of social inclusion or digital exclusion. Selwyn (2004) argues that access to the Internet does not guarantee that users can effectively access every available website and online resource. Similarly, Van Dijk and Hacker (2003) argue that access to a technology is useless without the necessary skills, knowledge and support to use it effectively. According to Selwyn (2004), 'meaningful' use of the web requires that users are able to engage with the content. Moreover, content is only useful if it is relevant to the user and those who are isolated or marginalized face a digital divide (Selwyn, 2004). Thus, not serving users in their first language is a form of digital divide that needs bridging.

Translating website content is a formidable challenge because of the enormous amount of content on websites, which tend to change often. Translating web content using professional translators is slow and costly. On the other hand, machine translation, while faster and less expensive, produces inferior quality translations (Bowker, 2008). These challenges combined with the growing use of crowdsourcing motivate the question posed in this study: Can crowdsourcing produce equivalent or higher quality translations compared to those produced by professional or machine translators?

At a practical level, if crowdsourcing produces high-quality translations quickly, reliably, and cost-effectively, then organizations would have yet another option to perform this important task. At a theoretical level, this study provides evidence on the validity of the principles of crowdsourcing and illustrates how this new technology may effectively alter the processes and human interactions involved in language translation.

The remainder of this article presents a review of the relevant literature, the research questions, hypotheses, and framework, the methodology, the analysis and results, and the discussion and conclusion.

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RELATED WORK

Crowdsourcing belongs to a new class of collective intelligence tools that facilitate computer supported cooperative work (Grasso & Convertino, 2012). These new generation of collective intelligence tools, often described as Web 2.0 technologies (O'Reilly, 2007), have the ability to change the way people work and how work is organized (Grasso & Convertino, 2012). Essentially, the Internet and these Web 2.0 tools enable crowds of users from anywhere in the world to work collectively by leveraging their social and professional networks to create and share knowledge and undertake complex tasks (Grasso & Convertino, 2012). Crowdsourcing takes a task that is normally done by designated professionals or experts and having it performed by a large, undefined group of individuals (Howe, 2008). The tasks are usually broken down in numerous sub-tasks and each individual within the crowd performs various sub-tasks (Brabham, 2008). Payments for work performed vary from no monetary reward or very small amounts to large amounts, which are paid by large corporations (Hossain & Kauranen, 2015).

In a recent review of the literature, Hossain and Kauranen (2015) reported that scholarly research on crowdsourcing is in the early stages but growing despite its widespread use among practitioners. Hossain and Kauranen (2015) show that most of what we know so far is rooted in conceptual articles based on case illustrations of crowdsourcing applications. Currently, the bulk of the scholarly research is empirical and focuses on the applications of crowdsourcing in a variety of contexts. Other themes covered in the literature include the principles and practices of crowdsourcing (Guyon, 2010; Hong & Page, 2004; Surowiecki, 2004), the tools, technologies, and processes that facilitate crowdsourcing (Kern, Zirpins, & Agarwal, 2008; Kittur, Smus, Khamkar, & Kraut, 2011; Liu & Maddux, 2008; Schenk & Guittard, 2011; Vuković, 2009; Welinder & Perona, 2010), the quality of work produced (Behrend et al., 2011; Brabham, 2008; Hoßfeld, Hirth, & Tran-Gia, 2011; Poetz & Schreier, 2012), and the motivations of workers (Horton & Chilton, 2010; Jeppesen & Lakhani, 2010; Skopik, Schall, & Dustdar, 2010; Terwiesch & Xu, 2008).

Generally, crowdsourcing emphasizes user-generated content, sharing, and interactivity (Kaplan & Haenlein, 2010). A central tenet of crowdsourcing is that crowds, under certain conditions, are capable of producing solutions that are equivalent to or better than any single individual, even an expert, once four conditions are present (Surowiecki, 2004). These four conditions are diversity of opinion, independence, decentralization, and aggregation. Diversity of opinion is the cognitive diversity of the crowd. Independence is the ability of group members to express their individual judgments without influence of other members. Decentralization involves the entire group in decision-making. Aggregation involves aggregating the answers of the crowd to form the crowd's collective judgement since individual workers may have varying level of expertise (Surowiecki, 2004).

Further, Hong and Page (2004) advance the idea that diversity trumps ability by proposing that a functionally diverse group whose members have less ability may outperform a group of people with high ability under four conditions. First, workers must be intelligent — that is, given any starting point, a worker finds a weakly better solution. Second, the problem must be difficult so that no worker can always find the optimal solution. Third, workers must be diverse, that is, for any potential solution that is not the optimum, at least one worker can find an improvement. Fourth, the best worker must be unique.

Von Ahn (2006) argues that in situations where participants have less experience and ability than professionals, the mechanism of task repetition can increase the probability of achieving a better outcome for a given task. Task repetition refers to a situation where several independent workers perform a task. Von Ahn (2006) and Eagle (2009) demonstrate that task repetition increases the quality of output.

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Vuković (2009) examine the development and effectiveness of crowdsourcing platforms and microtasking - executing a big task through small contributions from a very large crowd. Vuković (2009) identify several crowdsourcing platforms that facilitate collective work by crowds. Amazon Mechanical Turk is one of the most widely used crowdsourcing platforms (Hossain & Kauranen, 2015). Kittur et al. (2011) and Olsen and Carmel (2013) propose frameworks to perform microtasking. Kern et al. (2008) examine the efficacy of crowdsourcing platforms.

In language studies, crowdsourcing was first used by linguists for annotation (Munro et al., 2010). According to these authors, crowdsourcing makes it possible for researchers to undertake large-scale, systematic, judgment studies more affordably and conveniently than expensive, time-consuming lab-based studies. They demonstrated that studies that would have taken several years to complete could be done easily, reliably and for a fraction of the costs in a matter of a few days. Munro et al. (2010) argued that the greatest contribution of crowdsourcing to language studies might be the ability to generate new kinds of data, especially within experimental paradigms. In their study of computational linguistics, they found that the quality of crowdsourced results is often indistinguishable from controlled laboratory experiments. Eagle (2009) is another language study that used crowdsourcing to translate single words and terminologies. Ledlie et al. (2010) used crowdsourcing for speech recognition translation.

RESEARCH QUESTIONS, FRAMEWORK AND HYPOTHESES

This study addresses the following four research questions:

1. How does the quality of crowdsourced translation compare to those of professional and machine translations?
2. What level of task repetition affects crowdsourced translation quality?
3. What level of diversity affects crowdsourced translation quality?
4. Is crowdsourced translation an acceptable means of language translation?

Figure 1 presents the research framework used in this study. The figure shows that translation quality is influenced by the absence of three types of errors, namely, author, usage, and overt (or user) errors. Further, task repetition and crowd diversity enhance crowdsourced translation quality, which leads to greater acceptance of crowdsourced translations. Moreover, the variable rank order captures the notion that when crowdsourced translations are ranked against machine and professional translations, crowdsourced translations will rank highly and this will lead to greater acceptance of crowdsourced translations. The relationships shown in Figure 1 are described in detail below.

In this study, participants translated an English text (source text) into French (target text). Translation quality is judged not only by the absence of lexical or grammatical errors or by poorly translated semantics but also by whether or not the target text has the same impact as the source text (House, 1997). For instance, if the goal of the source text is to get a person to contact the organization or to make a purchase and the target text is of acceptable quality, then after reading the text, consumers should feel comfortable contacting the organization in their native language or make purchases from the company. If the translation is weak, the same individual may avoid the company and its products or services (DePalma et al., 2006).

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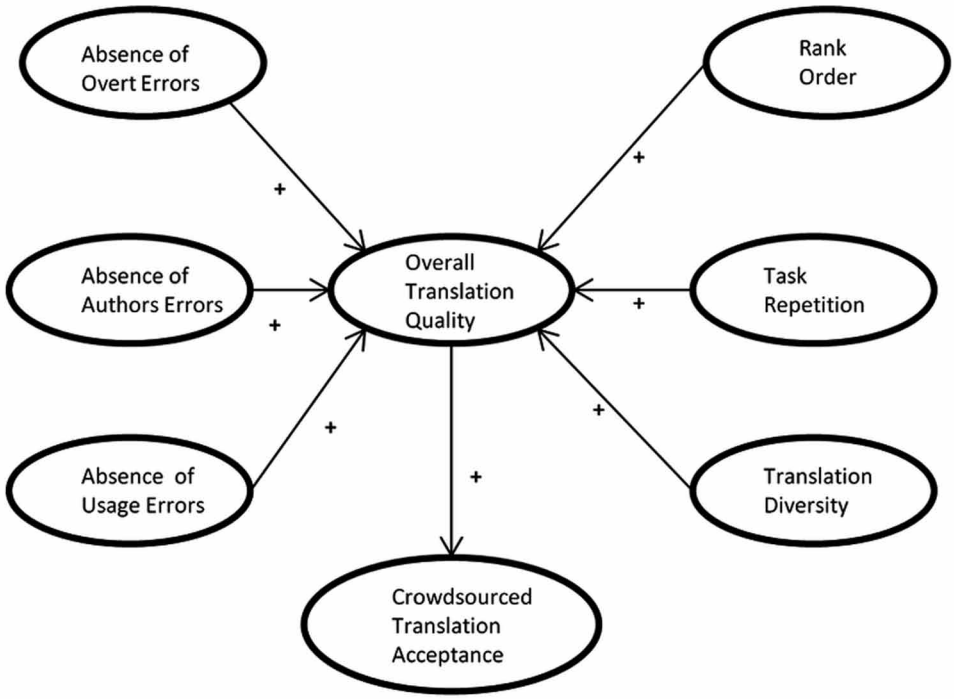
Figure 1. Research model



House (1997) also argues that three types of language mechanics errors are important when judging translation quality, namely, author, usage, and overt (or user) errors. Author error refers to whether or not the target text appears to be written by someone who is fluent in the target language, has a university education, and uses language that is appropriate today. Usage error refers to whether or not the target text is written in a style of a professional blogger for an educated middle-class audience that calls readers to action. Overt errors are errors in grammar, spelling, punctuation, semantics, and other language mechanics. It is operationalized as the extent to which the text has an understandable meaning and uses correct terminology and grammar. Generally, the quality of a translation is higher when author, usage, and overt translation errors are absent (House, 1997). In order to assess the quality of crowdsourced translations, the following hypotheses are proposed:

H_1: The absence of author errors in the target text positively affects the quality of crowdsourced translation.
H_2: The absence of usage errors in the target text positively affects the quality of crowdsourced translation.
H_3: The absence of overt errors in the target text positively affects the quality of crowdsourced translation.

Traditionally, professional translators translate web content in order to ensure high quality translations. However, this is a slow and costly process that is affordable to primarily big players (Garcia, 2009). The availability of online machine translation websites such as Google Translate, Bing Translator, and Yahoo! Babel Fish represent quick and inexpensive alternatives to professional translation. According to Garcia (2009) the consensus is that machine translations are not yet up to the standard required by organizations. Translation by crowdsourcing is a new area of practice and research; therefore, it is not

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clear how the quality of crowdsourced translations will compare to professional and machine translations, and whether users will accept crowdsourced translations.

Generally, in a crowdsourced environment, the workers may not necessarily be professionals or experts in their field but a large number of knowledgeable workers can produce results equivalent to those of experts (Hong & Page, 2004; Surowiecki, 2004). In the context of crowdsourced translation, it is reasonable to assume that many of the workers would be non-professional bilinguals with less experience and ability than their professional counterparts. This raises the question of whether or not these workers can produce translations that are comparable to professional translators. Proponents of crowdsourcing argue that task repetition is a mechanism that could increase the probability of obtaining higher quality translations when non-professionals are used (Eagle, 2009; Guyon, 2010; Von Ahn, 2006). Indeed, Eagle (2009) and Von Ahn (2006) provide limited insights into this efficacy of task repetition in the context of single words and terminologies with specific meanings. Based on these arguments, the following hypothesis is proposed.

H_4: An increase in task repetition will lead to an increase in the quality of crowdsourced translation.

Diversity is another important dimension of crowdsourcing that could affect the quality of crowdsourced translation (Hong & Page, 2004). Applying the arguments advanced by Hong and Page (2004) to the language translation context, it is expected that the more diverse the crowd of translators, the more likely it will produce equivalent or better quality translations than professional translators. In this study, the conditions governing diversity advanced by Hong and Page (2004) are met since non-professional bilingual individuals are intelligent regarding the languages to be translated, translation itself is a difficult problem (Bowker, 2008), and no individual translator can be said to always find the optimal translation (Williams, 2004). Thus, the following hypothesis is proposed.

H_5: An increase in diversity of the crowd will lead to an increase in the quality of crowdsourced translation.

Professional translations are widely accepted because of their perceived high quality. Since there are three methods to translate web content – professional translators, machine translators, and crowdsourcing – it is important to rank the resulting translations from these three methods in terms of their quality. The variable rank order in this study captures the ranking of the translations obtained through the three methods. The process used to determine the rankings is described in the methodology section. It is posited here that if the quality of translation emerging from crowdsourcing is sufficiently high, then bilingual individuals are more like to accept crowdsourcing as an acceptable means of translation. Thus, the following is proposed:

H_6: When crowdsourced translations are ranked against machine and professional translations, bilingual individuals will likely select crowdsourced translations.

Language Translation Process

Figure 2 shows the generic two-phase translation process for translating a source text into a target text (Garcia, 2009; Guyon, 2010). The two broad phases are (1) translation creation and evaluation and (2) revision creation and evaluation. Traditionally, this process is performed by professional translators (Gar-

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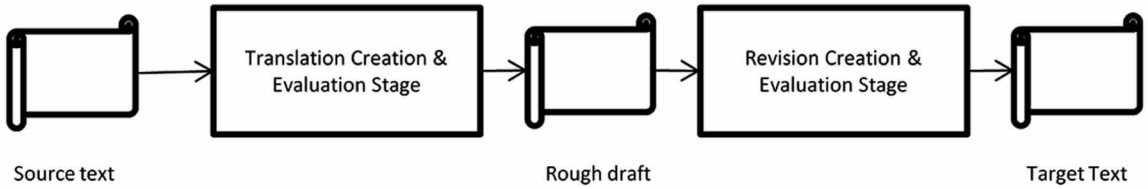
Figure 2. High-level translation process model



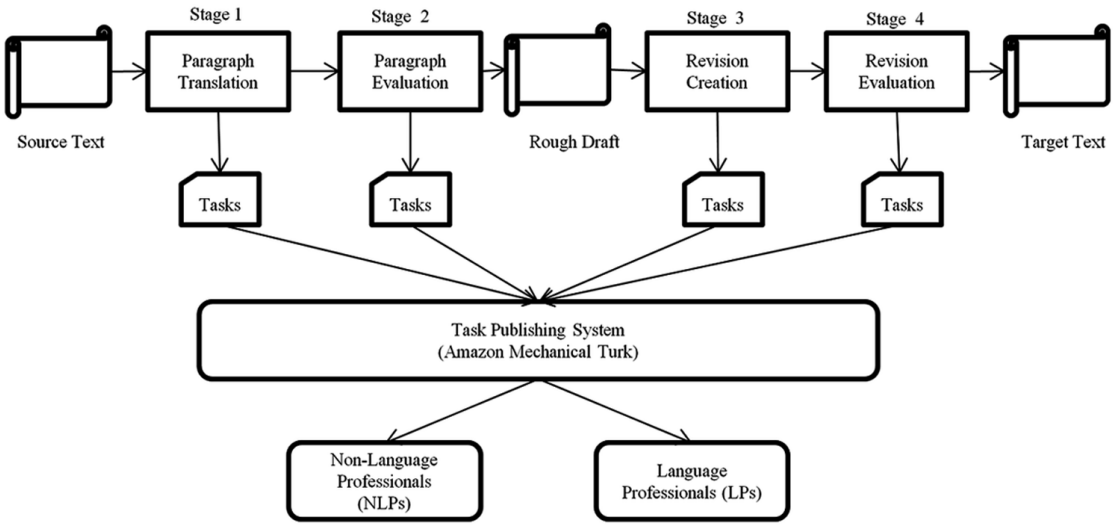
cia, 2009; Guyon, 2010). However, with the advent of machine translation, the initial translation is often done by machine and the revision done by professional translators or bilingual individuals (Garcia, 2009).

In the crowdsourcing environment, the two broad stages shown above are subdivided into four stages each with a series of sub-tasks as shown in Figure 3. This is because crowdsourcing involve a large number of participants working independently in a decentralized manner performing various small tasks whose work are ultimately aggregated to arrive at the best translation (Garcia, 2009; Guyon, 2010). Amazon's Mechanical Turk, a micro-tasking platform, was used to deliver the tasks in a structured and systematic manner and for aggregating completed work (Olsen & Carmel, 2013; Vuković, 2009). This is necessary because the source text chosen for the study is relatively long. At each stage, multiple workers perform the translation tasks and then select the best quality translation, which serves as input for each successive stage of the process. This detailed process is designed to involve as many workers as possible, each doing small tasks, in order to obtain diversity.

METHODOLOGY

The source text used in the study consisted of 360 words divided into three paragraphs. It is a restaurant review for a café. To assess the appropriateness of the source text, it was pretested on a group of 15

Figure 3. Crowdsourcing translation process with Amazon Mechanical Turk



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bilingual (English/French) professors and staff at a bilingual university. Pretest participants were asked to indicate on a seven-point Likert scale how easy or how difficult it would be for a bilingual person to translate the source text into French (1 = extremely easy and 7 = extremely difficult). The goal was to select a source text that was fairly challenging since a source text that was too difficult or too easy could compromise the value of the study. The average difficulty ranking was 4.9/7, which is fairly challenging.

The workers were language professionals (LPs) and non-language professionals (NLPs). LPs are fluent in both English and French and have translation education, training, and work experience. NLPs are fluent in both English and French but do not have formal translation education, training, and work experience. Participants were recruited by e-mail and through postings on LinkedIn, Kijiji, and sites of translators' groups. A prequalification questionnaire was used to ensure participants met the criteria of the study. Fifty-four percent of the LPs have a bachelor's degree, 31 percent have a master's degree, and 54 percent have more than one year of professional translation work experience. Regarding the NLPs, 32 percent have bachelor's degrees and 32 percent have master's degrees.

They could have participated in any of the four stages and could have chosen the number of tasks they wanted to work on except for paragraph translation (stage 1) and revision creation (stage 3) where they were restricted to a limit of one in order to ensure some level of diversity. Participants had a maximum of two hours to complete each task. The study is based on four crowdsourced experiments (described in detail below) involving thirty-two unique participants, which produced 128 data points (4 experiments * 32 participants).

The Data: Four Translation Experiments

Four experiments were conducted in order generate data to test the hypotheses of task repetition and diversity. The four experiments enabled the researchers to engage as many workers as possible and to have some level of task repetition. Details of the four experiments are presented in Table 1. The first experiment used a task repetition value of two, which produces two unique translations of each paragraph and two unique revisions of the rough draft. The second experiment used a task repetition value of four, which produces four unique translations of each paragraph and four unique revisions of the rough draft. The translations from stage 1 were used in stage 2, translation evaluation, which produced a rough draft translation of the entire source text that was used in stage 3, revision creation. In stage 3, there were two revision tasks when the task repetition was two and four when the task repetition was four. Once all revision creation tasks were completed, they were aggregated and used as input for the final stage, revision evaluation.

Table 1. Crowdsourced task distribution

Experiment 1	Experiment 2	Experiment 3	Experiment 4
LP – Task repetition 2	LP - Task repetition 4	NLP - Task repetition 2	NLP - Task repetition 4
9 unique participants	7 unique participants	6 unique participants	6 unique participants
PT = 2 participants, 6 tasks	PT = 5 participants, 12 tasks	PT = 3 participants, 6 tasks	PT = 4 participants, 12 tasks
PE = 9 participants, 27 tasks	PE = 3 participants, 27 tasks	PE = 5 participants, 27 tasks	PE = 6 participants, 27 tasks
RC = 2 participants, 2 tasks	RC = 4 participants, 4 tasks	RC = 2 participants, 2 tasks	RC = 4 participants, 4 tasks
RE = 2 participants, 9 tasks	RE = 2 participants, 10 tasks	RE = 4 participants, 9 tasks	RE = 4 participants, 10 tasks

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PT, PE, RC and RE corresponds to the 4 stages shown in Figure 3 -paragraph translation, paragraph evaluation, revision creation, and revision evaluation

To generate data to test the rank order hypothesis, which seeks to compare the quality of crowdsourced translation (CST) to professional translation (PT) and machine translation (MT), three professional translation companies were hired to translate the source text into French and three online translation websites were used to translate the source text into French. Altogether, this process produced 10 translations of the source text: four CSTs from the four experiments, three PTs, and three MTs. These ten translations were given to a Ph.D. student in translation to rank them in order of quality. The Ph.D. student was not told how the translations were created. Table 2 shows the rankings of the 10 translations. Crowdsourced participants were then given the highest ranked PT and MT along with the four CSTs and instructed to rank them from 1 to 6 (1= highest rank and 6 = lowest rank) in terms of translation quality. The reason for selecting these six translations is to compare the crowdsourced translations with the best machine and professional translations.

Finally, to ascertain if knowledge of how the translations were done influenced the rankings, the 32 crowdsourced participants were asked to complete two separate surveys for each of the six target texts. In the first survey, participants were not told how the target text was obtained. After completing the first survey, participants were provided with information on how the translations were generated and were asked to fill the same survey again. They were told about the duration of the translation process, the number of people involved in creating the CST, the participant group (LPs or NLPs), the name of the machine translation website, and the translation certifications of the professional translation company.

Participants had to indicate the extent to which they agreed or disagreed with a series of five-point Likert scale questions (1 = strongly disagree and 5 = strongly agree) pertaining to the quality of all the translations. They also rated the CSTs against the best PT and the best MT.

CST acceptance was measured on a 5-point Likert scale (strongly-agree to strongly-disagree) to the following statements: I prefer crowdsourced translation over machine translation; I prefer crowdsourced translation over professional translation; Crowdsourced translation should be performed by non-language professionals; Crowdsourced translation should be performed by language professionals; Crowdsourced translation should be used to translate website content.

ANALYSIS AND RESULTS

The impact of diversity on the quality of crowdsourced translations was evaluated with the reciprocal of Simpson's Diversity Index, shown below. In the formula, **R** is the reciprocal of Simpson's Diversity Index, **n** is the total number of tasks completed by a particular participant, and **N** equals the total number of tasks completed by all participants. This measure is computed for each of the four experiments (CSTLP2, CSTLP4, CSTNLP2, and CSTNLP4).

Table 2. Rankings of translation quality

Rank 1 – PT	Rank 6 – PT
Rank 2 – CSTLP2	Rank 7 – CSTNLP4
Rank 3 – PT	Rank 8 – MT
Rank 4 – CSTLP4	Rank 9 – MT
Rank 5 – CSTNLP2	Rank 10 - MT

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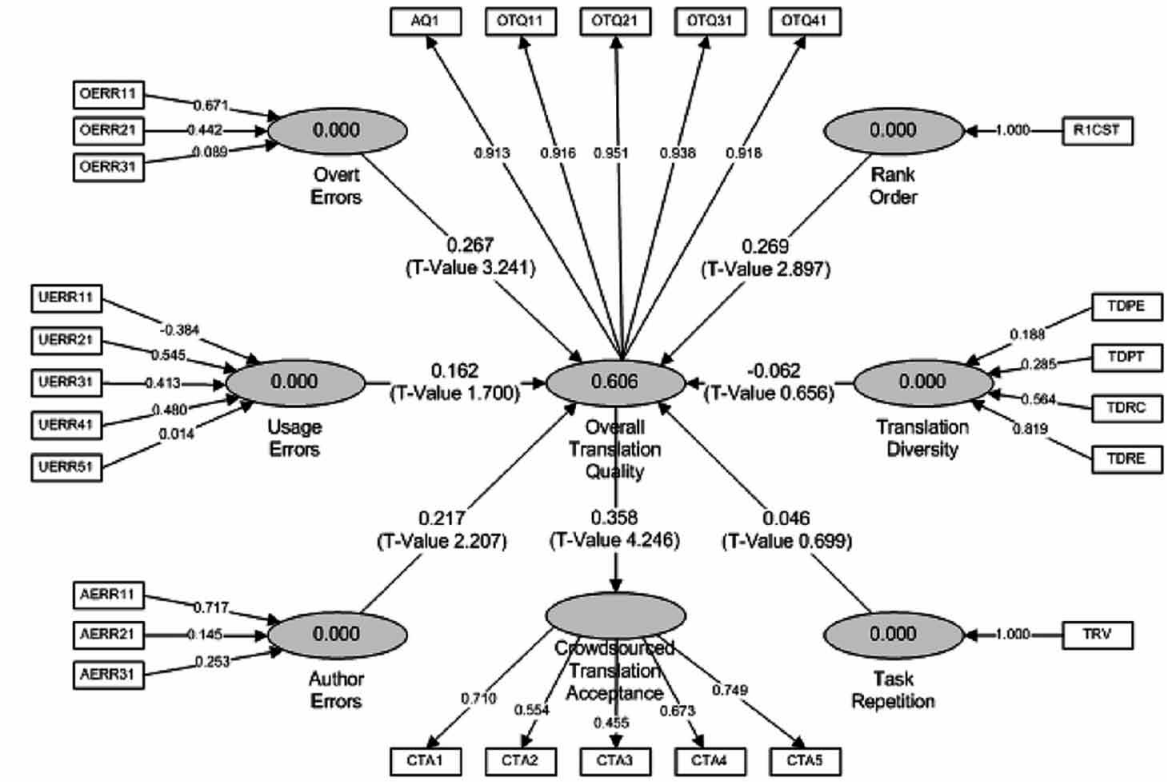
$R = 1/[\Sigma n(n-1)/N(N-1)]$

The reciprocal of Simpson's Diversity Index is used to control for the number of unique participants and tasks of each experiment. This means that if a participant did the lion's share of the work, R will be a lower number than if the tasks were completed equally among all the participants.

The data was analyzed using Partial Least Squares (PLS), which allows for the simultaneous analysis of the relationship among multiple independent and dependent variables (Ringle, Wende, & Will, 2005). It consists of an outer model (measurement model) and an inner model (latent model). The measurement model consists of observed variables, which determines the latent variables. In PLS, the measurement model must exhibit reliability and validity before inferences can be made about the latent model (Fornell & Larcker, 1981).

Figure 4 shows the results of the model. The results beneath Figure 4 show that the composite reliability (0.97), average variance extracted (0.96), and Cronbach's alpha (0.96) are above the commonly

Figure 4. Crowdsourcing translation acceptance



First Multivariate Model (PLS Statistics)

Overall Translation Quality	Cronbach's Alpha (0.959184), Composite Reliability (0.968410), Average Variance Extracted (0.859801), R^2 (0.605673)
Crowdsourced Translation Acceptance	Cronbach's Alpha (0.644663), Composite Reliability (0.768756), Average Variance Extracted (0.406432), R^2 (0.128375)

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used threshold of 0.70, which establishes the model's reliability and validity (Fornell & Larcker, 1981; Nunnally & Bernstein, 1994). In terms of the relationship between translation quality and crowdsourced translation acceptance, the Cronbach's alpha (0.65) is slightly below the 0.70 threshold, but the composite reliability (0.77) is above the threshold. Hulland (1999) shows that it is common to obtain values that are somewhat lower than thresholds when new variables or measurement scales are used, as is the case in this study. Overall, the statistical results indicate that the model is acceptable. Further, the model explains a very high proportion of the variation in translation quality ($R^2 = 0.6056$).

Crowdsourcing Translation Acceptance (PLS Statistics)

Overall Translation Quality Cronbach's Alpha (0.959184), Composite Reliability (0.968410), Average Variance Extracted (0.859801), R^2 (0.605673)

Crowdsourced Translation Acceptance Cronbach's Alpha (0.644663), Composite Reliability (0.768756), Average Variance Extracted (0.406432), R^2 (0.128375)

Table 3 summarizes the results pertaining to the hypotheses. The absence of author errors (H_1) and overt translation errors (H_3) are statistically significant with a positive effect on overall translation quality. The absence of usage errors (H_2) was not statistically significant. Taken together, this suggests that crowdsourced translations will be acceptable if they are free of language errors and seem to be written by someone who is fluent in the target text language. Interestingly, the style in which the target text is written is not a concern because both LPs and non-LPs appear capable of producing similar writing styles. Thus, high-quality crowdsourced translations could encourage users to interact online with organizations in their own language (DePalma et al., 2006).

Increases in both task repetition (H_4) and translation diversity (H_5) did not seem to increase translation quality since these relationships were not statistically significant. The lack of significance of diversity on translation quality was perplexing and prompted additional data analysis. The results shown in Figure 5 indicate an acceptable model with a high level of explanation of the variation in translation quality ($R^2 = 60\%$). The statistical significance of diversity to overt and author errors suggests that diversity indirectly influences translation quality. This implies that diversity may not necessarily contribute directly to better quality. Further, the negative signs for the paths seem to suggest that too much diversity may actually result in lower quality. Indeed, analysis of the raw data shows positive associations at lower levels of diversity.

Table 3. Summary of results of multivariate analysis

Hypotheses	Results
H_1: The absence of author errors in the target text positively affects the quality of crowdsourced translation.	Supported
H_2: The absence of usage errors in the target text positively affects the quality of crowdsourced translation.	Not Supported
H_3: The absence of overt errors in the target text positively affects the quality of crowdsourced translation.	Supported
H_4: An increase in task repetition will lead to an increase in the quality of crowdsourced translation.	Not Supported
H_5: An increase in diversity will lead to an increase in the quality of crowdsourced translation.	Not Supported
H_6: When crowdsourced translations are ranked against machine and professional translations, bilingual individuals will select crowdsourced translations.	Supported

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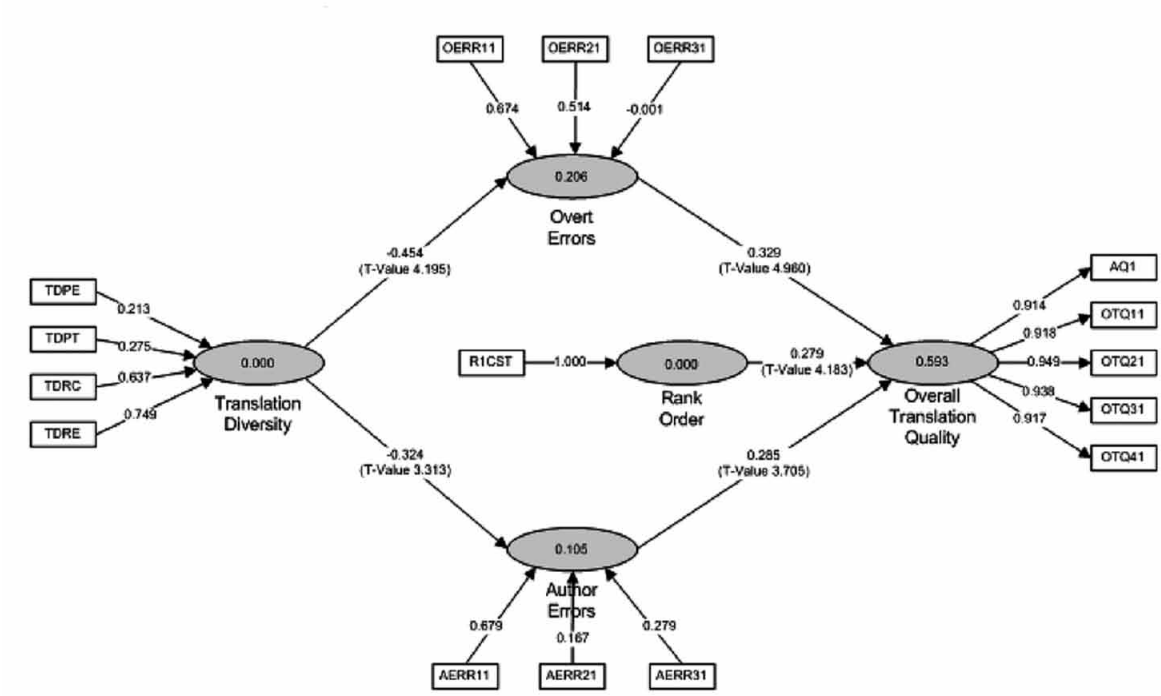
This observation is important for at least two reasons, one theoretical and one practical. First, it suggests that the diversity is a more nuanced concept than currently articulated in the literature. The data indicate that diversity and translation quality may actually have an inverse-U relationship, where diversity has a positive impact up to a certain point but beyond that, it negatively affects translation quality. This raises several important questions for which there are no clear answers yet. For instance, what is the optimal level of diversity that will produce high-quality work? Is the optimal level fixed or will it vary according to the task (i.e., task-dependent) or the skills and experience of the crowd (i.e., crowd-dependent)? From a practical perspective, it seems that managers may not need large crowds to get high-quality translations, which could save them time and money.

Participants evaluated the translations before and after knowing the methods used to generate the translations. The strongest positive changes towards acceptance were observed in the crowdsourced translations that used a Task Repetition Value of 4. Moreover, once the methods of translation were known, the crowdsourced translation experiments performed by non-language professionals did better than those of language professionals. These results indicate that crowdsourced translations, which are enhanced by Task Repetition are regarded as high quality translation. The results reported by Bowker (2008) concerning professionally edited machine translation do not appear in the evaluation of crowdsourced translations.

Figure 5. Crowdsourced translation quality



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In terms of ranking of translation quality (H_6), the results show that crowdsourced translations were ranked higher than machine and professional translations. This implies that crowdsourced translation is at least equivalent to or better than professional translations and superior to machine translations. This finding is consistent with the ranking of the translation Ph.D. student who ranked CSTLP2 as the second best of 10 translations and CSTNLP2 as higher than all the machine translations. The fact that crowdsourced translations are faster and cheaper than professional translations means that organizations have another option to bridge the linguistic divide. The Appendix shows that the costs of the crowdsourced translations is about 20 to 34 percent less expensive than professional translations.

DISCUSSION AND CONCLUSION

This study demonstrates that crowdsourcing is an effective method for translating web content. Users will accept crowdsourced translations regardless if they are aware or unaware of how the content was translated once the content appears to be translated professionally. Crowdsourced translations were substantially superior to machine translations and equivalent to or better than some professional translations. This finding is consistent with Behrend et al. (2011) who reported that the reliability of the data from unspecified crowd was equivalent to or better than the reliability of the data from university students. Similarly, Poetz and Schreier (2012) show that crowds can outperform professionals in many levels of new product ideation.

From a managerial perspective, the findings demonstrate that crowdsourcing is not only a feasible and viable method for translating web content but also quick and cost-effective. This could help them manage the high costs of quality translations and the scarcity of professional translators. Small businesses and non-governmental organizations with limited financial resources could use crowdsourcing to reach global audiences in their native languages. Crowdsourcing could also be an effective way to bridge the linguistic divide existing in places where people speak multiple languages.

From a theoretical perspective, this study provides empirical evidence of the validity of two key principles of crowdsourcing, namely, task repetition and diversity of crowds. It seems that diversity is a more subtle concept than currently proposed in the literature (Hong & Page, 2004; Surowiecki, 2004). That is, some level of diversity leads to better solutions but too much diversity may have the opposite effect. An interesting but unresolved issue is whether there is such a thing as an optimally diverse crowd or whether diversity depends on the nature of the tasks or the characteristics of the crowd. The issue is under-researched and the limited findings appear equivocal.

The results indicate that task repetition is an important mechanism for eliminating errors when the workers are non-language professionals but less so when they are language professionals because they have greater ability and experience. From a managerial perspective, this suggests that managers can reduce the amount of task repetitions by making greater use of language professionals. Theoretically, this implies that task repetition may be a more relevant when non-experts are used.

Finally, the study has some limitations, which require caution when applying the results. One limitation is that this study only looked at only two popular languages. Future studies should examine other languages using longer source texts and as Zaidan and Callison-Burch (2011) suggests other languages that are not covered by machine translations. Another limitation pertains to the small sample size of

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participants and the use of one Ph.D student to rank the translations. Studies with larger crowds combined with much longer source texts could add invaluable insights to those reported here. Moreover, having the target text evaluated by a large number of people in the general population alongside a larger pool of professional translators could allow for comparative insights concerning the acceptance of crowdsourced translations.

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APPENDIX: TRANSLATION COSTS

The costs of the translations are as follows: CSTLP2 and CSTNLP2 cost US$72.60 each and CSTLP4 and CSTNLP4 cost US$87.45 each. The professional translation that was used in Phase II costs US$110.00. Machine translation was free. On average, the costs of obtaining crowdsourced translations were approximately 20% (CSTNLP4) to 34% (CSTNLP2) cheaper than professional translations.

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Chapter 61
Business Strategies Creating Value for Social Entrepreneurs

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ABSTRACT

Social entrepreneurs seek to make a difference in their societies. It starts with the identification of a specific social problem and devising a specific solution to address the problem. A historical overview of social entrepreneurs shows how individuals considered the greater good of society over self interest as well as the trickle down impact in order to achieve that difference. This chapter explores the various strategies available to social entrepreneurs and begins by defining strategy then presenting a broad spectrum of different competitive, social skills, growth, marketing and communications well as resource strategies that social entrepreneurs can adopt. The chapter concludes by presenting possible solutions and recommendations for social entrepreneurs.

INTRODUCTION

Over the years, attempts to alleviate the high rates of unemployment and its detrimental effects worldwide have seen the substantial amount of attention being directed to the promotion of novel start-up businesses in most parts of the world. Apart from the Real Gross Domestic Product (GDP) and Balance of Trade, the formation of new businesses is not only a direct source of employment creation but also a significant indicator of economic growth (Mahadea, Youngleson, Botha, Dhliwayo, Fregidou-Malama, Musengi-Ajulu, Myres, Pillay & Reyneke, 2013).

As the rapidly changing socio-economic global environment presents new challenges to the business environment, it has been observed that the changes also affect the nature of social entrepreneurship at the level of business practice and in its quality as a discipline. It is therefore important to comprehend that business environment and entrepreneurship are interrelated and influences each other simultaneously. It is also significant to understand the evolving interrelationships between the two when pioneering a small business in order to address stability, growth and ensure the survival of the business. In order to see a small business from the introduction stage through to maturity, sound ethical practices and busi-

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ness relations should be applied within a secure and well researched framework which considers both the internal and external business environment and paying particular attention to the current competitors strategies, legislation governing small businesses as well as theories articulated by Mahadea and Youngleson *et al,* (2013).

The chapter explores some of the many business strategies available to social entrepreneurs. These strategies include the social skills strategy, the growth strategy, the marketing and communication strategies and lastly the resource strategies in particular. Relevant business strategies are provided for the readers to gain a better understanding of the importance of social entrepreneurs in the creation of value.

Mahadea and Youngleson *et al,* (2013) point out that entrepreneurs go against the flow in an attempt to be successful and by so doing they believe that what they do is right when everyone else is wrong. The modern social entrepreneur is thus someone who effectively controls resources and takes strategic decisions to produce goods and services for the given market.

BACKGROUND TO SOCIAL ENTREPRENUERS

Entrepreneurship is typically concerned with the measuring of performance in terms of profit or return. Social entrepreneurs are interested, in bringing about positive return to society. Social entrepreneurship typically goes beyond social, cultural, and environmental goals and is frequently associated with the voluntary and non-profit sectors. Just as business entrepreneurship is indispensable to the advancement of economies and business, social entrepreneurship is vital to the progress of societies.

Social entrepreneurs always consider the trickle-down effect of their business on society. They are those individuals who create special ventures with a view to solving the problems in society. Such problems include unemployment, housing, poverty, hunger and pollution. Social entrepreneurship attracts considerable resources and attention (Mahadea & Youngleson *et al*, 2013). Barendsen and Gardner (2004) articulate that social entrepreneurs are unusual in a number of ways. They have deeply rooted norms and beliefs, these norms beliefs are formed early. Social entrepreneurs are exceptional in what they believe and in how these beliefs originate.Social entrepreneurs can also be described as people who have to tackle major social problems. They provide the necessary leadership, energy, resources activism and innovation to address these social issues. Examples of social entrepreneurs include such people as politicians and public figures like former South African President, the late Nelson Mandela, Archbishop Desmond Tutu and Mahatma Gandhi as well as business persons and philanthropists, such as Bill Gates and Warren Buffet; celebrities, such as the late musician Michael Jackson and Bob Geldof as well as actress and talk show host Oprah Winfrey. The above mentioned all had visions of improving people's lives and bringing about changes that impact positively on the living conditions of people in their own countries and across the globe. Social entrepreneurs have existed for many years, although social entrepreneurship has been identified as being vital for progress in societies, there is no single universally accepted definition of the phenomenon. According to Dees (1998) the concept of social entrepreneurship means different things to different people. Drayton (2002) contends that social entrepreneurship is a result of unique personality traits that are found in a rather small number of the population, that however goes beyond selfless motivation and reveal fortitude to bring change to the society.

Mahadea and Youngelson *et al,* (2013) affirm that social entrepreneurship plays a necessary role in the development of social and economic regions. As highlighted earlier, social entrepreneurship creates value and opportunities for growth. Light (2006) concurs with Mahadea and Youngelson *et al*, (2013)

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and adds that although social entrepreneurship is a very popular terms in the non-profit sector, it is also often misunderstood. Sullivan Mort, Weerawardena and Carnegie (2006) contend that social entrepreneurship leads to the development of new social organisations and increasing innovation in the existing organisations. Sullivan Mort, Weerawardena and Carnegie (2006) emphasises that while this phenomenon is much discussed it is seldom understood. Empirical research on social entrepreneurs recommends that given the increasing importance of such social entrepreneurial organisations, the misunderstandings should be addressed.

Social entrepreneurs identify social challenges and problems and solve them by altering the existing system, instead of leaving the social problems and needs to the government. It is therefore very important that social entrepreneurs identify the right framework and relevant business strategies which will ensure that the purpose and aim of the business are achieved.

Lechler (2001) highlights that entrepreneurs founding and developing new businesses are confronted with variety of challenges. These challenges are mainly derived from uncertainty in technology and business. This will require social entrepreneurs to proactively adapt to the challenges and solve the technological as well as the managerial challenges. Adapting to a changing business environment will enable social entrepreneurs to better understand the needs of customers and thus ensure that value is achieved. This is all centred on adopting the right strategy which will complement the start-up venture. Strategy is discussed in detail hereunder.

STRATEGY

Bateman and Snell (1999) define strategy as a pattern of action and resource allocation to achieve the goals of the organisation. A strategy is usually achieved after a well-rounded strategic planning session. For Bateman and Snell (1999) strategic planning entails making important decisions about the organisation's long-term goals and plans. According to Oosthuizen (2002) the strategic planning process normally involves the following steps:

1. Developing the organisation's vision and mission that is the reason for its existence.
2. Analyze the business environment at macro, market and micro levels.
3. Set long-term objectives.
4. Develop corporate, business and functional strategies.
5. Develop action plans for the attainment of each strategy, with a resource plan and time allocation for each.
6. Implement and control the most appropriate strategies selected.

The decisions made by entrepreneurs should be in accordance with the mission, vision and objectives of the business. Venter, Urban & Rwigema (2008) highlight that strategies are often outlined to reflect the direction a company intends to take within a given context, its resources, purpose and objectives (Lynch 1997). This section of the chapter relies on this definition, notably the aspects of context, resources, purpose and objectives. The parts of the definition are elaborated as follows:

1. **Context:** Context represents the external atmosphere at intervals that associate the operation of entrepreneurial venture. This includes the political, economic, legal, technological, social, envi-

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ronmental, demographic and international problems that impact on the business. Comprehension of the context also will embrace exanimation of associate organisation's competitors, customers and suppliers.

2. **Resources:** Resources represent the inner assets that a corporation owns; not simply monetary assets such investments or cash, however conjointly mounted assets like instrumentation, machinery and buildings non-tangible assets like folks, material possession and copyrights and emblems.
3. **Purpose:** Purpose refers to a sense of determination that drives a company onward. it's typically characterised by a vision and mission that binds the corporation along and guarantees that the required resources are available to achieve the purpose of the plans so as to trigger actions.
4. **Objectives:** Each business entity has a set of distinctive objectives. The determination of what these are is essential within the strategic planning process. Whereas sustainable growth is commonly the fundamental goal, several corporations select a broader vision like the delivery of world class service or zero product defect. Regardless of the vision, the agreed objectives are going to be the means that realise a strategic amendment.

A strategy should entail a comprehensive plan for accomplishing organisational goals and objectives (Griffin 2014). Organisations engage in strategic plans in order to gain a competitive advantage and maintain value.

This section describes the five basic competitive strategy options. The choice of competitive strategy is a business decision meant to craft an overall strategy and represents a quest for competitive advantage (Hough, Thompson, Strickland, Gamble Human, Makin & Braxton, 2008). The competitive strategy deals exclusively with specifics of management's game plan for competing successfully. Social entrepreneurs, aim to do a significantly better job than their rivals by providing what buyers are looking for and thereby secure an upper hand in the market place.

A business achieves competitive advantage whenever is has some form of edge over its rivals in attracting patrons and addressing competitive forces. This section portrays the five basic competitive strategy choices which, assists organisations to identify the best option for crafting an overall strategy and to start to look for competitive advantage (Hough & Thompson *et al*, 2008). The ultimate aim for social entrepreneurs ought to be quite straight forward which suggests that they execute their work better than their competitors of meeting or exceeding customer expectations and thereby capturing a larger market share.

Hough & Thompson *et al*, (2008) present five competitive strategies which are outlined below:

1. **A low-cost provider strategy:** This strategy entails striving to realize lower overall costs than competitors and appealing to a broad spectrum of shoppers, sometimes by under-pricing competitors.
2. **A broad differentiation strategy:** This strategy is concerned with seeking to differentiate the company's product offerings from rivals' in ways in which can appeal to a broad spectrum of patrons.
3. **A best-cost provider strategy:** This strategy provides customers with a lot of value for the money they spend. It involves incorporating smart to wonderful product attributes at lower prices than competitors, the target is to possess all-time low prices and costs compared to competitors giving merchandise with comparable attributes.
4. **Market niche strategy based on low costs:** The focused low cost strategy involves concentrating on a slim purchaser section and outcompeting rivals by having lower prices than rivals and therefore having the ability to serve niche members at the lowest price.

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5. **Market niche strategy based on differentiation:** The focused differentiation strategy is centred on concentrating on a slim purchaser section and outcompeting rivals by giving niche tailored attributes that meet their tastes and needs higher than rivals' merchandise.

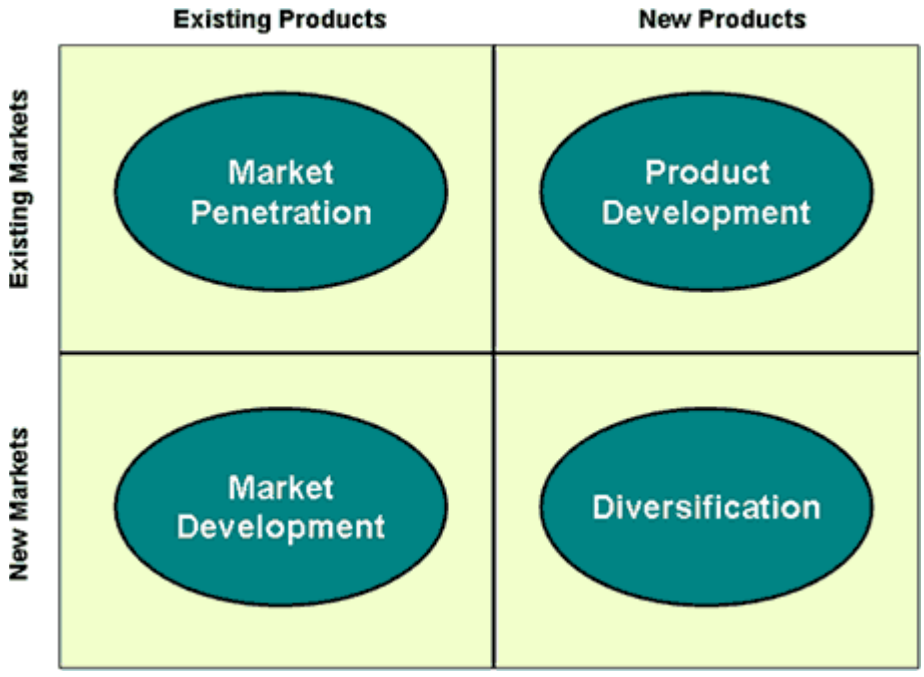
The five strategies mentioned earlier are competitive approaches that stake out a distinct market position, as shown in Fig. 1. Each approach involves distinctively completely different approaches to pursue a competitive advantage. The five strategies that business ventures can choose from are illustrated in Fig 1 hereunder.

Business Strategies Available to Social Entrepreneurs

This section targets the business strategies on the market which are available to social entrepreneurs. For several business ventures adopting the "correct" strategy is crucial because it determines the long run or short term success or failure. It is not only the businessperson or the atmosphere that matters, rather it is the strategic actions of the businessperson or the firm which can, outweigh competition. Therefore it is vital to make sure that the social entrepreneur has the power to change the atmosphere to their advantage instead of being reactive in the business environment. Social entrepreneurs work towards the uplifting of the community and as a result they have to be strategic to be able to select the best business strategy.

Social entrepreneurs seek success. After all, most of them are driven by passion for the cause and should not lose sight of the end game in order to build their business. The question that arises is how can business ventures keep their mission and remain relevant?

Figure 1. The Five Generic Competitive Strategies: Each stakes out a different market position.
Source: Hough & Thompson et al. (2008:142) Crafting and Executing.



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The following four lessons are important for social entrepreneurs:

1. **Your Mission Gives Direction to Teamwork:** The philosophy underpinning any start-up business particularly social entrepreneurs, is building a team with quality taking precedence over quantity. Additionally it is about finding folks with the correct ability sets to grow the business. Social entrepreneurs ought to identify those who not solely perceive the company's mission, however are willing to measure the company mission. At Green House Eco cleaning, they solely hire workers and executives who possess values that align with the company's standards and mission – people who want to do more than just a job, they want to create a positive and healthy change in the world. As such, the business is interested in people who are not simply employees, but people who make positive contributions to the business and in the world.
2. **Ethical Relationships:** Social entrepreneurs often advocate for others to align to their cause. After entering into any form of collaboration with a colleague, should contemplate what one is able to do to assist them accomplish their goals. Social entrepreneurs invest in those relationships that are mutually beneficial, true win-win partnerships, to make sure that employees are in it for the common good. Social entrepreneurs do not entertain self-interest as they are more concerned with public good.
3. **Be a Risk Taker:** While social entrepreneurs are risk takers naturally, they aim to develop a culture of risk taking in the organisation. Risk taking is not only concerned with being daring and gutsy, it is about leadership, experimenting, innovating, creating as well as taking calculated risks. Social entrepreneurs should empower and have interactions with their employees to encourage innovation.
4. **Continuous Learning:** The world changes rapidly and continued learning is important in day-to-day business activities. Continuous learning will assist social entrepreneurs adapt to changes in the business environment as well as maintain their competitive advantage. Investing in employee education and spending time with different groups of stakeholders will help social entrepreneurs learn from past mistakes and avoid repeating them.

Social entrepreneurs are change-makers. They are also role models who demonstrate how ideas can be made realities and those realities can make the world a better place for all. It is all about doing good and maintaining ethical business practices.

Further more Barendsen and Gardner (2004) mention three strategies social entrepreneurs use namely:

1. **Reframing Challenges:** Some social entrepreneurs have the power to envision positivity, like a commitment to a cause or to operating with underserved populations, which often emerges from a painful or tragic state of affairs. People who have experienced tough trauma demonstrate a capability to reframe these challenges into opportunities for growth.
2. **Sense of Obligation:** Social entrepreneurs feel accountable to the communities or causes they serve; business entrepreneurs discuss responsibilities with investors and workers. Social entrepreneurs feel all these obligations, and in some cases this results in the sensation that they know they have no alternative however they continue their work. It is vital to acknowledge, however, that though people could say they have "no choice" but to continue in their work, they after all choose to do so. As a result of their deep convictions, these people are willing to resort to and act on their obligations.

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3. **Measuring Success:** Social entrepreneurs often valuate their work. Several describe standards by which they quantify success. In assessing the worth of their work, social entrepreneurs feel the challenges of the opposite caring professions and face these challenges with business like organisation and strategies. Measuring the impact on a specific population or on behalf of a specific cause is not invariably simple, and also the social entrepreneurs share this challenge with the communities. For-profit social entrepreneurs face this challenge in an extremely business-like manner, by observing their monetary profits. Other, non-profit social entrepreneurs produce clear programmatic strategies of assessment that are substantially like business plans.

Therefore it's vital that full recognition is offered to social entrepreneurship as is the case with business entrepreneurship. Only then will all others be absolutely ready to guide social entrepreneurs.

Social Skills Strategy

Baron and Markman (2000) posed the question, "why are some social entrepreneurs so much more successful than others in starting new ventures?" Empirical research shows that building an inventory of social assets is vital. In their classic chapter on angle structuring, Walton and McKersie (1969) documented ways for building social assets. Instead of reiterating their comprehensive work, a summary of the key approaches is provided.

According to Walton and McKersie (1969) there are at least four major types of strategies to build social assets.

1. **Sharing Information:** By sharing knowledge the venture manager could also be ready to build up a list of social obligations or social affinities which might be spent at a future date.
2. **Solving and Receiving Help With Problems:** Solving issues for somebody is an understandable approach of developing social assets like feeling, gratitude or obligation.
3. **Giving and Receiving Favours:** This strategy operates very closely to that of solving and getting help with problems.
4. **Creating Opportunities for People to Demonstrate Their Skills and COMPETENCE:** By making or seeking opportunities that alter people to show their talents and to look competent ahead of others will engender extended social goodwill.

By investing time and focusing on the above mentioned strategies, it is possible to create a social quality base that becomes the inspiration for developing social assets, namely resource cooptation strategies which will be discussed later. The social enterprise's strategy is different for every business, however the following characteristics require consideration.

1. **Internal and External:** Connectivity between workers, departments, regions and divisions, is key. Improved communication within each company, in spite of the scale, should be effective from the corporate executive all the way right down to entry-level workers. Connectivity also aids in tactical communications associated with business processes, bringing on-boarding new workers, and building a culture of cooperation.

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Participation in external, public social networks is an addition demand on a social enterprise. By establishing a persona on public social networks like Facebook, Twitter, LinkedIn and YouTube, an enterprise will manage its complete customer base from wherever shoppers are present.

2. **Personal:** In the age of the social enterprise, each client gets a voice, and it behaves upon firms to address client problems proactively instead of reactively. Public social networks are crammed with client comments, questions, problems and opinions concerning the merchandise they use. As corporations' entre into these networks, they will get a clearer understanding of their clients and then prepare social profiles of their customers. By being attentive to their customers, social entrepreneurs will be able to determine the problems affecting their clients and take this opportunity to win over unhappy customers and convert them into advocates.

However, awareness of your consumer's opinions, expectations and problems is not enough. Incorporation of this data into operations is important. For example, Gatorade an established Mission Control to monitor social networks. As a result, Gatorade has been tracking media performance. It monitors the sport landscape; tracks sports trends and buzz; monitors on-line discussions; and performs proactive social media reaching.

3. **Contextual:** The personalization of the social enterprise, internally and outwardly, needs shoppers, partners and workers to converse on the topical issues about what they do. Customers looking for information to make an informed purchase or to solve a problem need time and related information. If they do not obtain it, they will go to a rival. Good businesses build client social networks.

Contextual social interaction creates a way of connectedness for both workers and customers. Customers feel valued once their voices are listened to. This interaction facilitates loyalty.

4. **Mobile:** It is important to discuss social entrepreneurship mobility. Social interactions cannot realistically be restricted only to captive audiences. The prevalence of smartphones associated with PCs has reached great and previously unimaginable heights. The trend is expected to continue. Social enterprises are establishing communication channels through mobile devices. Consumers have high expectations of what they need in form of merchandise. It is not enough for systems and applications to be functional; they have to be even fun to use.

The next section outlines varied growth paths which are employed by entrepreneurial businesses which are universally accepted and can be adopted by social entrepreneurs.

Growth Strategies

This section illustrates many aspects of business growth strategies. Growing businesses is of utmost importance for South Africa's economy and address the triple challenges of poverty, inequality and unemployment. Growing social business companies is crucial for both the business and individual entrepreneur (Mahadea & Youngelson *et al*, 2013).

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Ellis (2010) states that social entrepreneurs apply completely different growth paths depending on their company's development stage and whether or not they have quantitative or qualitative value-adding ambitions. It is important to find the optimum size and also the right method to grow in terms of development, instead of following growth for the sake of growth. In the field of social entrepreneurship one of the following Seven Growth Strategies are generally applied.

Accordingly the Seven Growth Strategies are as follows:

1. Stay small in structure size and target different growth parameters, for example; worker happiness, environmental enhancements or building native economies.
2. Grow quantitatively in size, for instance; turnover and variety of workers by attracting investors, increasing into new markets and/or increasing the client base.
3. Replicate the business idea to different national or world regions, for example through systematic franchising or 'amoebic' multiplication of little freelance units.
4. Build a movement, for example; by spreading the core plan and principles so governments, thought businesses, native communities or different entrepreneurs arrange to add support of an equivalent purpose.
5. Collaborate or merge with different social ventures within the same cluster to develop processes, merchandise and services or interact in 'network production; therefore micro-entrepreneurs will get together to produce massive corporations.
6. Enter into partnerships with actors within the non-public, public or civil sectors, for example; to realize access to data, skills, infrastructure and/or capital.
7. Sell components of or the whole social venture to a mainstream business, for instance; to extend the information and impact of the idea so it goes mainstream. (Ellis 2010)

However it is important to note that the choice of growth strategy is closely linked to financing the social venture.

Intensive Growth Strategy

Figure 2 below illustrates an intensive growth strategy as articulated by the Ansoff Matrix:

1. **Market Penetration:** Corporations penetrate deeply into the market so as to extend sales of this product in existing markets. This can be done by aggressive distribution and promotion of product and complete. The company will increase market shares and makes its product on the market to customers on an oversized scale to develop its market. The main challenge of using this strategy is that an oversized quantity of capital needs to be spent on promotional advertisements.
2. **Market Development:** This strategy aims to extend the amount of sales of the present merchandise in new markets. This can be achieved in numerous ways. For example, the business will change the name of its product so that it is compatible with the culture of the new market or change the merchandise's packaging so that it arouses curiosity in the public concerning the product.
3. **Product Development:** This strategy suggests that the business can grow if an associated improved product of an equivalent sort is developed for the present market. The business will either replace the present product or sell it additionally alongside the new one.

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Figure 2. The Ansoff Matrix
Source: Riley, J. Ansoff matrix. [Online]. Available: http://tutor2u.net/business/strategy/ansoff_matrix.htm [24 April 2013].

4. **Differentiation:** Differentiation is applied wherever the firm launches new merchandise and services. This can be a risky strategy since the business moves into markets in which it has very little or no expertise. The main challenge of this strategy is creating the choice to either replace or continue with the product.

Diversification Growth Strategy

These strategies are often adopted once it has been confirmed that the business cannot grow to any extent further within the market through its present product range. There are three choices for diversification: homocentric, horizontal and conglomerate.

1. **Concentric Diversification:** The foundation of this strategy is analysis and education to the market. Concentric diversification also known as homocentric diversification takes advantage of latest opportunities, using this platform of the business to provide machinery and technology to manufacture new products within the context of a familiar market. The business therefore begins manufacturing new products however existing production continues to be considered the core business.
2. **Horizontal Diversification:** This entails analysis of new opportunities for growing the business in an exceedingly familiar market. However, it differs from homocentric diversification in that the diversification needs new technology which is completely different from existing technology employed by the business. While the production of the merchandise uses new technology, the corporate will use its existing technology distribution and provide network to supply the merchandise to the market. This strategy works well when new products are created and are made to work with the main product that the firm produces.
3. **Conglomerate Diversification:** This entails development of a brand new product that is not technologically connected with the company's existing technology. As a result, the corporation

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needs to invest in new technology to develop this product. This product could target a brand new market. It should be noted that this method is complicated. It is affected by several factors, like the provision of essential resources, market seasonality and also the ability of personnel. This kind of diversification is commonly seen within the case of mergers between two completely different corporations.

Integrative Growth Strategy

This strategy is employed in instances where a corporation has strong base in business but being unable to use the strategy of growth. At an equivalent time, integration growth doesn't conflict with its long-term objectives. The corporation practices integrated growth both by acquisition of the opposite property and by internal extension.

1. **Backward Integration:** This type of integration involves merging with an organisation in the preceding stage of production. A company will integrate parts of different businesses that provide the raw materials it must manufacture. Using this approach, the corporate will secure continuous provision of raw materials. For example an acquisition of a textile works by a ready-made clothes producing company.
2. **Forward Integration:** This type of integration concerns merging with an organisation in the succeeding stage of production. A company that uses this strategy could integrate its channel as a part of the company. This provides the company with full management over distribution of its product. For example, a ready-made garment manufacturer might take over retail outlets so as to make sure its clothes are reaching a larger market.
3. **Horizontal Integration:** The final type of integration involves units of various corporations producing similar merchandise are united. This implies competitive companies are brought along to possess one management and ownership with a standard name. For example the merger of the two giant food retail outlets Shoprite Checkers in South Africa represents horizontal integration.

Once social entrepreneurs have used one of the growth strategies that have been outlined, new marketing and communication efforts that are in line with the growth strategies should be revised.

Marketing and Communication Strategies

The social businessperson needs to decide how best to serve its customers and the way to boost competiveness. A technique to consider in achieving this is marketing; often referred to as the four Ps, specifically product, pricing, promotion and distribution (place). Businesses build competitive benefits supported the marketing Ps. Smart promoting ways guarantee client satisfaction and thus business success (Mahadea & Youngleson *et al,* 2013). This section can verify the significance for social entrepreneurs in terms of identifying the right marketing strategy.

Marketing can be defined as providing information about a product and selling a product or service within the new sense of satisfying client desires (Kotler & Armstrong, 2010). Although small businesses do not typically follow the marketing processes of a large firm, understanding of these processes is useful in gaining a deeper insight into marketing.

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1. Corporate level strategy entails choices created on the size and scope, for instance the level of diversification, geographical scope and vertical integration of the organisation (Venter & Van Rensburg 2009). This can be the process nature of what the business is concerned with. Promoting connected choices at this level have an instantaneous impact on the business's core activities. The choices taken here are sometimes created by higher level management. It is at this level that the firm is monitored from an overall perspective. As argued by He (2008), company level strategy is supported by company level promoting, that focuses on problems like company identity, stigmatisation and communication strategy (he cited in Mahadea & Youngelson *et al,* 2013).
2. Business level strategies are based on how the best the firm competes (Griffin, 2014). The internal and external environments in which a firm competes are of paramount importance. The vital purpose to note is that the company's strategy should be in line with the strategic selections of the firm (Mahadea & Youngelson *et al*, 2013).

Consistency in Communication

Consistent communication at all levels of the organisation is vital. For example, wherever senior management regards the relationship as successful, disputes and disagreements may arise and this could lead to the relationship deteriorating. Hence paramount importance is given to consistent communication.

Communication as a Driver of Culture

Good communication is an enabler of a culture of openness, trust and mutual edges between the client and also the social entrepreneurs. Communication paves the way for openness between parties. Additionally the approach employees have and also the attitudes they hold concerning their companies and their relations is very important. Attitudes and behaviours, are as important in ensuring the foundation for good communication. Behaviours are the manifestations of the attitudes of these concerned in an exceedingly written agreement relationship. The correct attitudes can cause the correct behaviour (Office of Government Commerce 2002).

In general, it is useful for social entrepreneurs to develop the subsequent attitudes and behaviours:

1. Respect the contributions of others.
2. Do not over emphasise the ability of formal authority.
3. Take an extended term to read and understand short term edges.
4. Look for benefits for all parties and target gains for the cluster.
5. Recognise the independence of the connection which the beneficiary could directly influence the provider's ability to satisfy its objectives.
6. Be cooperative and comprehensive instead of adversarial.
7. Be involved with the success of the relationship, instead of achieving your side's objectives in isolation.
8. Be open with your employees and customers concerning your ways, plans, considerations and opportunities.
9. Empowering others to undertake certain business related activities, instead of demanding on hands-on supervising.

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10. Proactively look to anticipate change and build enhancements, instead of passively meeting existing desires and observation performance.
11. Create a persuasive relationship that operates on several levels within and outside the firm, instead of operating through one interface.

Everyone concerned within the relationship ought to be able to learn from the mistakes and experiences of others. The stress in providing and receiving feedback on performance ought to on using such information as a basis for improvement, instead of penalty. (Mahadea & Youngelson*et al,* 2013). Therefore it's crucial for the social entrepreneurs to totally recognize that marketing is concerned about ensuring full benefits are value for customers. So as to achieve success, companies have to be compelled to be each economical and effective in their varied promoting activities.

Segmentation/Target Market Strategies

Segmentation involves a firm's deliberate option to service a particular market section. This is supported by the promoting the segmentation strategy chosen by the firm. In selecting the market strategy, it is vital to appear as enticing to the market section. Factors like growth, competition, new entrants to the market, substitute merchandise within the market and also the role of the suppliers and shoppers should be assessed. Additionally the social entrepreneurial firm needs to have the aptitude and capability to be ready to target specific markets (Mahadea & Youngelson *et al,* 2013).

The following strategies are often applied in the segmentation of markets (Lamb, Hair, McDaniel, Boshoff & Terblance, 2008):

1. **An Undifferentiated Strategy:** This strategy means all segments within the market are going to be targeted using the same approach. However, this is not always a helpful approach of addressing customer needs.
2. **A Focused Strategy:** This involves segmenting shoppers into specific groups and making a separate strategy and promotional mix for every group.
3. **Multi-Segment Targeting:** This occurs once two or more of market sections are outlined and a definite promotional mix is developed for every segment.

Social entrepreneurs should in the slightest degree times valuate the target promoting strategy because the small and macro environments. As a social businessperson being incessantly conversant and created conscious of the atmosphere is imperative to make sure a competitive advantage. Below are ways employed by entrepreneurs to realize a competitive edge against rivals in competitive markets.

Resource Strategies

Human recourse invariably plays an important role within the success of any business. Social entrepreneurs need to rigorously choose the personnel which will run the business. This section involves associate assessment of the entrepreneur's own management capabilities. Any gaps that arise have to be filled with a decent management team and different key workers. The human resources issue considers the number and quality of management and workers (Mahadea and Youngleson *et al*, 2013).

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Bloom and Chatterji (2009) state that achieving excellence at staffing can clearly need the organisation to pay attention to its personnel and human resource functions, so recruiting, training, appraising, and compensating the paid employees should be done in a professional manner. Still, several social entrepreneurial organisations can have to be compelled to pay greater attention to recruiting, training, and managing unpaid volunteers in order to develop a strategy guaranteeing the acquisition of well trained employees.

From analysing the works of Kanter (1983, 1988), Burgelman and Sayles (1986) and many case examples, there appear to be four major classes of co-optation strategies for taking advantage of underutilized resources. Cooptation as a resource acquisition strategy is regarded as one of the easiest means for gaining access to acquired resources. These strategies are outlined hereunder:

1. **Borrowing Strategies:** Borrowing strategies serve the purpose to secure, quickly or sporadically, the employment of assets or different resources, below the premise that they are going to eventually come back.
2. **Begging Strategies:** Begging ways secure resources appealing to the charity, honour, or goodwill of the owner of the resources. During this approach venture managers gain access to the resources without having to return them, despite the actual fact that the owner acknowledges the assets have a price.
3. **Scavenging Strategies:** Scavenging strategies are a means whereby the social entrepreneur may extract usage from merchandise that others shun or do not use. This is as a means to save and use precious funds elsewhere in the business.
4. **Amplifying:** Amplification is that the capacity to lever much more value out of asset than the original owner of that asset. It is a development that is notably vital in societies that are urgently poor, or companies that are in dire circumstances, and therefore deserves considerable more study.

These four strategies of resource co-optation could permit the social entrepreneur to secure resources that might otherwise have to be compelled to be secured by economic exchange at a lot of larger value and in doing so will cost the social entrepreneur.

Therefore, there are crucial recommendations hereunder:

Recommendations for Social Entrepreneurs

1. Social entrepreneurs should conduct market research in order to identify the right marketing mix and the appropriate strategy for their start-up venture.
2. It is important to charge a price that gives the customers the best value for their money while covering the start-up production costs. Value and customer satisfaction are two vital aspects of social entrepreneurs.
3. Ethical considerations should be at the core of all social entrepreneurial ventures as they are centred on public-interest as opposed to self-interest and profit making.
4. Once the business has reached maturity, it is time to consider implementing growth strategies. Innovation, risk taking and continuous learning are some of the strategies social entrepreneurs need to consider. The social entrepreneur is encouraged to adopt a proactive approach to better respond to changes in the internal and external environment.

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CONCLUSION

The success of social entrepreneurship relies extensively on the social skills strategy, the growth strategy, the marketing and communication strategies as well as the resource strategies.

Social skills influence the ability of social entrepreneurs to excel in their business by creating social assets and using them to the organisation's advantage. An entrepreneurs' social skills and specific competencies facilitate social entrepreneurs to act effectively with the people they relate with and also play a major role in their success.

Choosing an effective growth strategy has a significant bearing in the long-run of a start-up venture. Social entrepreneurs should have an in-depth understanding of the market in which they are operating and also the targets they wish to achieve. The right growth strategy will not only contribute to the success of the business, but will also guarantee the attainment of a larger market share.

Marketing and communication influence consumer perceptions and will give a social entrepreneur a favorable product positioning. Effective communication and marketing efforts will make the consumers aware of the products value.

Efficient management of resources works to the advantage of any business. Particularly in social entrepreneurship, human resources play a significant role in the success of the organisation. Training and development of employees and providing chances for growth are some of the strategies social entrepreneurs can use.

This chapter has explored the evolving traits of social entrepreneurs while providing the strategies they use to sustain their organisations.

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KEY TERMS AND DEFINITIONS

Business Growth: Growth may be measured in several ways, including growth in sales volume, number of employees, territorial expansion, venturing into different business/ market sectors or new product/service lunches.

Business-Level Strategy: The set of strategic alternatives from which an organization chooses as it conducts business in a particular industry or market.

Corporate-Level Strategy: The set of strategic alternatives from which an organization chooses as it manages its operations simultaneously across several industries and several markets.

Differentiation Strategy: A strategy in which an organisation seeks to distinguish itself from competitors through the quality of its products and services.

Entrepreneurship Marketing: A social, personal activity where an entrepreneur uses innovation to create value-added competitive advantage.

Product Mix Consistency: How well all the different products of a firm relate or link to each other.

Social Entrepreneurship: Social entrepreneurship is a type of entrepreneurship that combines the resourcefulness of traditional entrepreneurship with a mission to change society through new organisations and ideas. The aim is to provide a solution to social problems and adding value to society. Social entrepreneurship is driven by social entrepreneurs and embraces various forms of organisations, from non-profit to cooperative to philanthropic.

Social Marketing: Firms with a societal orientation that utilise marketing tools in order to inform or advocate a change in behaviour/attitude regarding a social issue.

Strategic Management: A comprehensive and ongoing management process aimed at formulating and implementing effective strategies; a way of approaching business opportunities and challenges.

Strategy: A comprehensive plan for accomplishing an organization's goals.

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Chapter 62
The Potential of Crowdsourcing in the Health Care Industry

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ABSTRACT

Crowdsourcing has immense potential in the health care industry as it can tap into a vast global pool of knowledge to solve a wide variety of health care problems. This chapter first categorizes the different problems in the health care industry. It then describes some existing health care services and also discusses the future challenges that a typical crowdsourcing service could face. The chapter emphasizes the potential of crowdsourcing to disrupt old ideas and introduce new ones as well as a make a significant improvement in the social quality for different population groups.

INTRODUCTION

The twenty first century has seen the advent of technical advances in storage, transmission and analysis of information. This has had a profound impact on the field of medicine. However, notwithstanding these advances, various obstacles remain in the world regarding the improvement of human lives through the provision of better health care. The obstacles emanate from the demand (i.e., the problem) as well as the supply (i.e., the solution) side. In some cases, the nature of the problems might not have been correctly identified. In others, a solution to a problem could be known only to a small niche of the global population. Thus, from the demand perspective, the variety of health care issues can range from the quest for a cure for a rare illness to the inability to successfully implement verifiable preventive measures for a disease that affects particular pockets of the global population. Alternatively, from the supply perspective, the approach to a host of health issues might vary because of fundamental differences in both medical philosophies and organizational policies.

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In many instances, effective solutions to health care problems are lacking because of inadequate global knowledge about the particular disease. Alternatively, in other cases, a solution might exist but the relevant knowledge about it might only be available to selected pockets of the global medical community. Sometimes, the barriers to the transfer of knowledge might have their root causes in ignorance or prejudice about the initiator of the cure or solution. However, the advent of information technology has now provided an opportunity for individuals located at different geographical locations to collaborate on solutions to various problems. These crowdsourcing projects now have the potential to extract the "wisdom of crowds" for tackling problems which previously could not be solved by a group of experts (Surowiecki 2014). Anecdotal evidence suggests that crowdsourcing has achieved some success in providing solutions for a rare medical disease (Arnold 2014). This chapter discusses crowdsourcing's potential to solve medical problems by designing a framework to evaluate its promises and also suggest recommended future paths of actions.

The chapter consists of five sections. The first section builds on a phrase used by former US Defense Secretary, Mr. Donald Rumsfeld, in the context of Iraq, to devise a classification scheme for all possible medical issues likely to be faced by health care professionals. This categorization provides a convenient way to evaluate the myriad health care problems affecting the global population. The next section summarizes the relevant dimensions that differentiate the various medical approaches to health care problems. These are rooted in either different medical philosophies, governmental approaches, ingredients used, etc. The third section compares some existing popular medical crowdsourcing sites. The fourth section discusses the various challenges facing the dissemination of knowledge in the health care industry. The section suggests solutions for overcoming these problems related to these knowledge-based deficiencies. The recommendations include expanding the crowd and building appropriate algorithms that effectively identify the most efficient medical solutions. The final section concludes the chapter with a discussion of crowdsourcing's potential to evolve beyond the initial stages and be a force for positive changes for the quality of life around the world as well as an engine for disruptive innovation.

A CLASSIFICATION OF HEALTH CARE INDUSTRY CHALLENGES

In February 2002, the then US Defense Secretary, Donald Rumsfeld (2002) used the terms the "known knowns," the "known unknowns" and the "unknown unknowns" when discussing the situation in Iraq. Later, philosopher Slavoj Zizek (2004) added another term, the "unknown knowns" as a fourth classification. While, both Rumsfeld and Zizek used the terms to discuss the US involvement in Iraq, this classification scheme is used as a springboard in our chapter to classify the myriad problems facing the global health care industry. These four classes allow us to evaluate the different types of challenges facing the health care industry and help evaluate how modern methods of knowledge sharing in crowdsourcing can provide solutions to these problems.

1. **The "Known Knowns":** "Known knowns" describe situations in which the solutions to a common health problem or issue might already be known. However, the applications of the solution to different situations might come up against myriad obstacles. Examples include the presence of malaria in geographic areas, which are adjacent to places from which the disease has been eradicated. Similarly, while one government can provide better health care to its citizens, another with

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more investments might be lagging behind on most measures. In some instances, an effective solution is available (hence the term "known knowns"), but unfortunately the results cannot be easily duplicated for different regions or populations. Sometimes, the answers might lie in adjusting the incentive/disincentive programs through specific government policies. In other cases, the programs might have to be fine-tuned in order to combat pockets of ignorance based on either tradition or misinformation. While the solutions to these problems might not involve breakthroughs in the basic field of medicine, health care professionals cannot be left out of this dialogue as their own discipline is inextricably linked with the process of solving the "known knowns" generalization problem.

2. **The "Known Unknowns":** In the field of medicine, there are some instances when failures occur because the disease was not detected earlier. This is illustrated with the problems of early detection of pancreatic cancer (American Cancer Society 2014). It is currently a "known unknown". Once a test is validated under stringent laboratory conditions, this problem will then transform to a "known". However, till such a test gains broad acceptance via the medical community, the problem will remain a "known unknown," still waiting to be solved.
3. **The "Unknown Unknowns":** While future predictions for any industry are always difficult to make, it is likely that a company can introduce a future drug whose potential harmful side effects can only be discovered years later. As of today, both the drug and its side effects are "unknowns". When both the drug and side effects are "unknown," it is tempting to relegate this problem to the realms of science fiction. However, the history of sulfonamide drugs provides an interesting insight into what the future might hold for the medical community. Sulfonamide based drugs were a popular antibiotic in the 1930's. However, the introduction of the drug in a liquid form, called 'elixir sulfanilamide' caused the deaths of more than a hundred consumers (Akst 2013). Later, the side effects of sulfa drugs, particularly taken in large doses were discovered (More 2014). Although, current rules of drug testing are more stringent than during the 1930's, competitive pressures to bring 'new elixirs' to the market could cause future unknown problems.
4. **The "Unknown Knowns":** Zizek (2004) contends that there are some facts that a culture might intentionally refuse to acknowledge. These psychological barriers are likely to be present in the health care industry. While traditional Western medicine has dominated the delivery of medical solutions, in many instances other alternative methods acquired through generations by specific population groups or based on alternative treatment philosophies might also exist. These alternative medical approaches include but are not restricted to Acupuncture, Ayurveda, Unani, Homeopathy systems, etc. This list is incomplete as various groups of indigenous people such as the Aborigines, American Indians, Tibetans, etc. also have their own medical traditions. While such alternative medical practices have long historical traditions, they might not be known to a large audience because of various factors. One of these could be the lack of medical solutions validated under controlled laboratory conditions, expected in traditional Western medicine. Another could be prejudices rooted in attitudes towards the indigenous people who originated the cure. Here the history of the fight against malaria provides an interesting insight. In 1898, Ronald Ross discovered the link between the mosquito and malaria. However, in the seventeenth century, a Jesuit missionary in South America had already discovered the remedial use of the bark of the cinchona tree in treating malaria. Reportedly, he in turn, had learnt about this from the indigenous population in Peru, who knew of the cure for many years (Parker 2013). Like the cinchona bark, "known" solutions to

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medical problems which are "unknown" to a wider population might still exist. Another example of an "unknown known" is the confidential results of a test for a new drug. The wider audience might be ignorant of these results, particularly if they revealed undesirable side effects. Thus, various barriers, psychological or profit-driven, might effectively change the "known" problem to an "unknown" one for a wider population.

SALIENT DIFFERENCES IN MEDICAL TRADITIONS

To provide solutions to the problems facing the health care industry, an effective crowdsourcing service must be able to identify and then effectively tap different pools of medical knowledge in the world. Subbarayappa (2001) in his survey of ancient remedies identifies the Ayurveda, Chinese and Greek medical systems as the three early ones that existed in the first millennia. This is in contrast to the twenty first century, where multi-billion-dollar pharmaceutical companies promote drugs which have been ostensibly tested under stringent laboratory conditions. However, the history of recalls in the drug and pharmaceutical sector suggests that information about some of these drugs might be incomplete or inaccurate in certain cases. These incidents underscore the importance of sharing knowledge about all available solutions to health care problems and emphasize the need for a crowdsourcing service. However, for a crowdsourcing service to be successful, a proper understanding of the nature of the information to be shared is essential. This is only possible if the underlying dimensions that differentiate the various approaches to medicine are identified.

1. **Empiricism vs. Rationalism:** Coulter (1995) identifies the empirical and rationalist philosophies as a conflict between traditional Western medicine, usually termed as "allopathy," with other approaches to medicine such as Homeopathy, Acupuncture, etc. Many of the alternatives to traditional Western medicine adopt an empirical approach. This is based on a long experience of studying both the symptoms of the disease and a range of possible treatments. Traditional Western medicine on the other hand usually bases its diagnosis on theoretical insights backed up by tests conducted under stringent laboratory conditions. The difference in the two approaches is related to other differences in medical traditions as well.
2. **Holistic vs. Atomistic:** Numerous medical traditions are based on a unified approach. This is the underlying construct used in combating health issues. An example is the principle of *Qi* in Acupuncture (Finando and Finando, 2012). These holistic philosophies are markedly different from an atomistic approach. Here, each health care problem is tackled in disconnected bits and portions. In case of solutions derived from holistic medical traditions, the actual application can be appreciated better by understanding the fundamental philosophy it originated from.
3. **Structured vs. Unstructured:** A large component of Western traditional medicine is based on knowledge recorded in encyclopedias, medical journals and books. Exceptions exist in the case of more modern treatments whose actual impact has only been accepted in a few countries (Schrotenboer 2015). In contrast, many indigenous treatments, which are often based on the skill and individual knowledge of the medical practitioner, follow an unstructured path. In several cases, a corollary to this dimension is that the more structured medical solutions are sometimes also more transparent and easier to access. Accessibility and transferability are often more difficult in the case of medical traditions where the knowledge base is unstructured.

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4. **Natural vs. Synthetic:** The drugs prescribed or bought over the counter as part of traditional Western medicine are in most cases mass produced in high volumes. Each drug is expected to be identical to another. This mode of delivery is in contrast to that followed in some medical traditions where the dosage is designed with a specific patient in mind. In some cases, the dosage is composed of naturally occurring ingredients extracted from herbs and plants. In the continuum on the natural to the synthetic approaches, treatments are easier to be fine-tuned for individual patients when the medical traditions are closer to the "natural" end of this dimension.
5. **Regulated vs. Unregulated:** In addition to variances in philosophical approaches, the different medical traditions can also be distinguished by the diverse rules and regulations of the environment in which they operate. For example, a naturally occurring substance can be regulated by rules covering medicine in some countries while being regarded as a food product in others. Here, it is important to be cognizant of the variances in the global regulation of particular medical remedies, as well as appreciate the rationale behind the underlying reasons for the differences.

In order to efficiently tackle the four types of problems described in the second section, it is important for a crowdsourcing medical service to recognize the above dimensions that differentiate various medical approaches to treating health care problems.

CROWDSOURCING'S ROLE AS A SOLUTION PROVIDER

Existing Crowdsourcing Services

Crowdsourcing is often considered as a virtual production and collaboration platform for enabling collective idea generation and problem solving. It resembles an open call for intellectual contributions pitched to an undefined group. It is also a means by which experts can receive a call to brainstorm, assess, evaluate and consult on specific projects (Jain 2010). In the health care industry, crowdsourcing enabled by the Internet and 'backed' by the collective knowledge of large groups of individuals, is supporting health-related research collaboration, enabling prediction of disease outbreaks, and allowing diagnosis of rare medical conditions. With the advent of crowdsourcing and human computation, new and innovative approaches to health care are emerging to tackle open problems via crowd-based Internet services (Cheng et al. 2015). For example, community question answering and specialized medical sites offer new ways of solving medical cases. There are several examples of crowdsourcing initiatives currently underway in the health care domain. The salient features of some of the popular services are described below.

1. **CrowdMed:** Physicians are trained to identify common causes behind symptoms and then develop treatment plans. However, there are cases that challenge common causes. At that point, specialists are called in to provide their expertise. Even so, there are some cases so rare that both the health care providers and patients end up spending extraordinary amounts of time and money trying to provide a precise diagnosis and effective treatment strategy—with 7,000 currently known rare and/or difficult-to-diagnose diseases. On CrowdMed, patients with rare (or difficult-to-diagnose) diseases list their case to seek consultation for possible diagnosis from contributors; a broad pool of individuals (including physicians). These "Medical Detectives" review patients' symptoms, medical histories, and other pertinent data before recommending their diagnoses and expert opinions.

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Prediction market algorithms aggregate medical solutions provided by the crowd and filter them to a probable list of diagnostic suggestions for each patient. It then sends patients the top diagnostic recommendations, stating the estimated probability of accuracy for each one. Patients can then discuss those findings with their personal physicians and/or health care teams. To date, CrowdMed reports an accuracy rate of more than ninety percent (Kamajian 2015).

2. **PatientsLikeMe:** PatientsLikeMe, is an online community enabling health information exchange between patients. The site provides visualization tools to allow patients to understand and share information about their health condition and uncover new knowledge. Patients can connect conveniently with other patients that have the same conditions, experiencing the same symptoms or using similar treatments (Cheng et al. 2015). Most join the site based on the recommendation of their health providers, other patients, or patient blogs, or after finding the site through online searches. Patients that join the website can choose to share their detailed health and treatment data. These data sets are presented as "health profiles" and aggregated as reports, accessible to other individuals on the site. Members can then discuss these data sets either within a group forum or individually through private messages. The resources on the site are designed to help members answer the questions such as: "Given my status, what is the best outcome I can hope to achieve, and how do I get there?" PatientsLikeMe is gaining recognition for its clinical research in areas such as patient-reported outcomes, identification of symptoms in neurological diseases, patient education and decision-making, and patient-lead clinical trials.
3. **CureCrowd:** Founded by doctors, CureCrowd is a "medically" guided search engine. It invites visitors to complete a survey of their experiences with various medical conditions and treatments. Collective wisdom of users is aggregated to offer ratings of the effectiveness of various medical-treatment alternatives. The "medical team" of CureCrowd reviews all user treatment suggestions before adding them to its database. Users can search the database and find the most dependable evaluations and answers regarding their medical conditions and/or treatment questions. An individual can type a medical condition or treatment into CureCrowd's search bar which will return results provided by users and reviewed by medical professionals. CureCrowd will not make recommendations by itself. Instead, it provides user-based statistics in graphs, allowing individuals to make their own interpretations of the data. The CureCrowd privacy policy states that the site doesn't share personally identifiable information with third parties. Unlike many health-information exchange websites, one can access the treatment survey results without having to provide any personal information.
4. **SERMO:** SERMO is a social networking platform exclusively meant for certified physicians. Doctors across the world can share information online anonymously on patient cases with the intention of obtaining recommendation from their peers. The contributing physician(s) can ask follow-up questions, post advice, and vote on the best treatment options for patients. The networking site also allows doctors to discuss topics unrelated to patient care without having to reveal their identity. This crowdsourcing platform is unique since it brings together physicians from eighty countries spread across five continents. These doctors have several millions of years of combined medical education and experience. Sharing of cumulative medical expertise improves the 'odds' of solving difficult medical cases and enhances quality of patient care at significantly lower cost to the health care system.

Table 1 compares the salient features of these crowdsourcing services.

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Table 1. A comparison of some crowdsourcing services in the health care industry

	CrowdMed	Patients Like Me	CureCrowd	SERMO
Concept	Patients with rare diseases list their case to seek consultation for possible diagnosis from contributors who provide medical advice.	Health information sharing website for patients. Patients share personal stories and health data about conditions to uncover great ideas and new knowledge.	Founded by doctors. Medically guided search engine that allows users to find the most authentic answers regarding their medical conditions and/or treatment questions.	A private social network that allows doctors to share their medical wisdom and insights with peers, anonymously across geographical borders. Sometimes referred to as 'virtual lounge' for doctors.
Contributor Community:	Contributors are not necessarily medical experts. They are 54% males and 46% females, 56% work in or study medicine, across 23 different job titles or specialties. The average age is 35 years representing 22 countries of which 68% are in the US.	Patients	Participants and Medical Doctors	About 500,000 verified and licensed physicians that form a global community of doctors from eighty countries spread across five continents.
Revenue Model	In addition to a free case submission option, three paid packages are offered: Lite ($99/mo), Standard ($149/mo), and Premium ($249/mo). Some of these packages also include monetary incentives to attract the best case-solvers.	Takes information that patients share and sell it to companies that are developing or selling products to patients.	Non-profit	Physicians do not charge fees.
Problem Solving Mechanism	Prediction market algorithms are used to filter solutions provided by the crowd to a probable list of diagnostic suggestions for each patient.	By sharing information online, patients connect easily with other patients that have similar conditions, experiencing the same symptoms or using similar treatments.	User simply types medical condition or treatment into CureCrowd's search bar and will receive results provided by other users and vetted by medical professionals. CureCrowd does not make its own recommendations. Instead, visitors are provided user-based statistics in graphs, allowing them to have their own interpretations of the data.	Physicians can post patient cases online from anywhere. Posted patient information including images, test results, etc., can be anonymous. The submitting doctor usually requests for recommendations. Contributing physicians can ask additional questions, provide advice, and recommend treatment. Most patient cases receive a response within 1.5 hours and are solved within 24 hours.

DESIGNING THE IDEAL HEALTH CARE CROWDSOURCING SERVICE

The Knowledge Based Challenges

The promise of crowdsourcing hinges on accumulating knowledge from a global population and arriving at an effective solution to an existing health care problem. In most cases, there could be many possible answers. The challenge for a crowdsourcing service is to select the correct solution from myriad provided answers. This is a particularly important issue since a wrong selection could result in fatalities in

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extreme cases. Given the impetus to have a zero defect process, it is important to understand the underlying reasons why mistakes occur. In almost all cases, the root cause is lack of perfect knowledge about the appropriate solution. This lack of perfect knowledge can be termed as nescience about the problem at hand. Three different types of failures can lead to nescience.

1. **Failure to Identify the Median:** Surowiecki (2004) summarizes the inherent advantages of the "wisdom of crowds" when he describes scientist Francis Galton's analysis of a crowd's guesstimate of the final weight of a slaughtered ox. Galton found that the average guess of the crowd, who were essentially fair-goers, was on the mark. The challenge for a crowdsourcing service dealing with health care problems is to hone in on the median solution. In most cases, particularly for "known" problems, the correct remedy might be known to a significant number of people. However, in some cases, vested interests can lead portions of a crowd to resort to "block" voting. In these instances, the crowd's wisdom is limited as the individual members of the crowd are not independent of one another (Surowiecki 2004). Here, a possible solution is to expand the width of the crowd in order to combat the problems of lack of individual independence.
2. **Failure to Recognize an Uneven Distribution of Knowledge:** In case of the guestimates of the weight of a slaughtered ox (Surowiecki 2004), every participant, even if they were not experts, had an opportunity to actually see the ox. In contrast, there might be cases, where vast pools of the available population are completely unaware of a cure or the potential side effects of a drug. However, a few small segments of the crowd could still have detailed knowledge about the product in question. For example, a few individuals who were treated with it might only know the benefits of an herbal remedy. These are therefore examples of "unknown known" problems. In these cases, the challenge for crowdsourcing is to avoid large swaths of ignorance but instead identify and utilize small isolated pools of knowledge. Here, preliminary questions can be designed to ascertain the responder's extent of knowledge about the particular herb in question. Budescu and Chen (2015) have shown that it is possible to derive a method that identifies a smaller crowd of premium contributors that outperforms the aggregate crowd. Thus, instead of expanding the crowd's width, the crowdsourcing service should concentrate on utilizing the depth of knowledge of particular sections of the crowd. Here, the crowdsourcing service provider should be careful to avoid any bias, conscious or sub-conscious, to affect their judgment about the differential weightage of crowd opinion. Thus, the utilization of the depth of crowd strategy should only be adopted in cases where there is a definite call for the application of rare, specialized knowledge about a new drug or hitherto unknown remedy.
3. **Failure to Recognize Idiosyncratic Knowledge:** Hayek (1945) describes the existence of a kind of knowledge which cannot be easily condensed into statistics. This type of knowledge is only available to the individual at the scene, i.e., as Hayek states to the "man on the spot." Knowledge which is difficult to transfer across different persons has been called "tacit" (Polanyi 1958). Jensen and Meckling (1990) describe the knowledge of specific skills, peculiarities of specific machines, etc., as idiosyncratic. Transfer costs for idiosyncratic knowledge are often high as it is impossible to know in advance what particular piece of knowledge is the critical portion (Jensen and Meckling 1990). In the field of health care, medical traditions that have an unstructured knowledge

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base have a wealth of information that can be termed as idiosyncratic. In these cases, sharing it with others through a crowdsourcing service becomes difficult. However, one way to recognize the salient aspects of this knowledge is to use an ethnographic approach for developing a better understanding of its intricacies. Thus, a crowdsourcing service can use an algorithm which gives more weightage to the opinions of individuals who have an underlying appreciation of the social and cultural background of the particular medical tradition from which knowledge is being tapped. As idiosyncratic knowledge might be available in unexpected quarters, the crowdsourcing service should attempt to attract members from many disciplines and backgrounds in order to assimilate it. While transferring idiosyncratic knowledge is likely to remain expensive, the world-wide access to internet technology provides a chance of selectively utilizing the depth of knowledge of certain sections of the crowd. However, a crowdsourcing service must be cognizant of the various nuances that inhibit the transfer of medical practices that contain idiosyncratic knowledge. It should therefore strive to patiently build a heuristic model that improves with experience over time.

The three different types of failures call for the design of a crowd sourcing service which has the appropriate algorithms in place. For the failure to identify the median, the algorithm should give equal weightage to individual opinions. This must be linked to a process which attempts to solicit responses from the broadest swath of the population possible. However, when the relevant knowledge about a cure or a drug is limited, the algorithm should be based on a vetting process that first identifies the particular pockets of the population which have the knowledge relevant to the medical problem at hand. The next step should attempt to find the popular consensus from these small pools of knowledge within the respondents. However, when the knowledge is idiosyncratic, the crowd sourcing service should make an effort to first identify all the dimensions that come into play when discussing a possible remedy or cure. It should then solicit responses on these relevant dimensions to arrive at the correct answer. Here, the process is likely to take more time as the relevant knowledge might be tacit and difficult to share across the internet. The success of the crowd sourcing service might hinge not only on the design of its algorithms, but also on its ability to distinguish between the three different types of failures.

CROWDSOURCING IN THE HEALTH CARE INDUSTRY

In the information age, business entities as well as individuals can benefit from innumerable talents via open-ended networks, which provide access to accumulated individual experience. This aggregate knowledge, termed as collective intelligence, has immense potential in the health care industry. In this context, crowdsourcing can enable medical providers and other stakeholders for using their collective intelligence to deliver higher quality health care. In addition to efficiently selecting the correct medical solution, crowdsourcing can also break down the barriers that exist between different medical disciplines and traditions. Thus, it has the potential to disrupt old ideas and herald in new ones (Peisl et. al. 2014). In addition, if crowdsourcing in the health care industry brings to light effective medical remedies that were originally based on the wisdom of indigenous people, it will empower these groups through world-

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wide social recognition and the provision of both intrinsic and extrinsic rewards. Thus, the efficient use of information and communications technology, in addition to providing effective medical solutions, has the potential to highlight the contributions of hitherto neglected pockets of the global population (Wallace 2012).

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Chapter 63
Shared Value Creation for Sustainability in Not-for-Profit Organisations

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ABSTRACT

The objective of this chapter is to delineate the sustainability problems encountered by not-for-profit organisations and to explore how these challenges can be can be managed through shared value creation by the stakeholders. Case study-abductive research methodology was adopted to explore stakeholder shared values and sustainability. This method of study is especially useful for trying to test theoretical models by using them in real world situations. Findings revealed that the sustainability strategy in not for profit organizations must be a holistic approach. Such an approach needs to build upon value-creation that is integrated to develop social entrepreneurship and create social capital along the three dimensions which includes innovative, proactive, and risk management behavior. This chapter contributes to the shared value with stakeholders to provide a social enterprise pathway for a not for profit organization to achieve long-term financial sustainability while maintaining the core social mission and objectives.

INTRODUCTION

Partners in Micro-Development (PIMD) adopted a social enterprise model and introduced a commercial training arm which would provide training at subsidized rates to staff from donor corporations and the sales proceeds. This division would support the diminishing donations which will enable PIMD to continue with the social mission and provide sustainability. The contention in this discussion is that nonprofit organizations would benefit from the development of an entrepreneurial sustainability strategy to survive. The findings suggest that an innovative business model for the creation of shared value with the stakeholders provide a pathway to achieve long-term financial sustainability while maintaining the core mission objectives.

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The objective of this chapter is to understand the survival strategies for not for profit organizations and to identify approaches to meet the challenges faced by them for long-term sustainability. The intention here is to advance the theory of corporate social responsibility in the context of social enterprise sustainability. To this end, financial sustainability challenges faced by a not for profit organisation (NPO), PIMD is explore and two main challenges are examined:

1. Over reliance of the trustworthiness theory on the non-distribution constraint.
2. Failure to explain why this constraint does not destroy the motivation of undertaking social entrepreneurial activities.

In this discussion, the challenges of financial sustainability faced by not for profit organisations but particularly the case of PIMD highlights those challenges. Drawing from the academic literature and the intellectual and human capital experiences of PIMD, an explorative case study investigates the challenges of financial sustainability faced by NPOs Data was collected through a structured interview. This chapter advances the theory of corporate social responsibility in the context of social enterprise entrepreneurship to expand the understanding of survival of not for profit organizations. To achieve this outcome, corporate social responsibility and social enterprise entrepreneurship theories are explored to illustrate the complexities of a not for profit organization as it transitions and shifts to a new business model where the production of multiple goods with social value attracts funding for sustainability.

A conceptual framework influences the theoretical framework of sustainability which contributes to the development of a new business model for PIMD. Such an approach capitalized upon value-creation that is integrated to develop social entrepreneurship and which creates social capital along the three dimensions of:

1. Innovative.
2. Proactive.
3. Risk Management.

This chapter contributes to the understanding of long-term financial sustainability, entrepreneurial social enterprise business model development. Commencing with an introduction and literature overview, this chapter then provides real-life case study observations which in turn guides the research methods. Second, the theoretical framework of social enterprise entrepreneurship business and not for profit sustainability are analysed. Third, understanding financial sustainability influences the on the development of a business strategy and the application of the development of a business model. Fourth, shared values with stakeholders and a social enterprise pathway for not for profit organisations to achieve long-term sustainability while maintaining the core social mission and organisational objectives are highlighted. Fifth, multiple challenges are identified, solutions are suggested and future research directions concludes this chapter.

LITERATURE REVIEW

Salamon & Sokolowski's (2003:13-27) study on NPOs in India illustrates the wide variations in definitions of NPOs along the dimensions of economics, services, financing, legal structure as well as regional

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patterns. These views are supported by Salamon and Anheier (1997:11-51), Boris and Steuerle (2003: 66-110) and PRIA (2002). The NPO industry has also grown exponentially in the developing countries of Asia, Africa and Latin-America due in part to the increasing reliance of governments and international agencies on the third sector to deliver services, innovations in information and communication technology and the media (Te'eni & Young 2003), and growing demand for change in socio-economic conditions, politics, human rights, environment, rise of advocacy, volunteerism, and community groups.

Partnerships and channeling of funds between NPOs in the developed world and those in the developing world have also been a contributing factor (Salamon & Anheier 1997: 321-467; Salamon & Sokolwski, 2003: 1-13; UN NGO/Civil Society Forum 2004). More governments are turning to the not for profit sector to deliver goods and services to communities that are underserved. As a consequence, there is extensive research on not for profit organizations Dees and Economy (2001).More recently this research has branched out in the areas of social enterprises and social entrepreneurship (Kourula and Laasonen, 2010). Literature on these topics is a progression from not for profit research in the 1970-1980.

However, diminishing trend of the traditional donor-based funding model precipitated by the global financial crisis is threatening the survival of many not for profit organizations. To overcome this challenge, not for profit organizations need to explore new financial sustainability strategies that will provide financial independence to continue the core mission of service delivery to the community as well as building social capital. Dees and Economy (2001) have argued the case for NPO leaders to be particularly enterprising to meet the challenges and demands for greater accountability from donors, as well as new forms of competition from the business sector. The commercialisation of not for profit organisations has also gained wider acceptance due to the global economic downturn Weisbrod (1998).

PARTNERS IN MICRO DEVELOPMENT

Partners in Micro Development (PIMD) an Australian-based volunteer supported not for profit organisation delivers primary education in underserved communities in the northern and eastern provinces of Sri Lanka. For the past eight years, PIMD's programs have focused on English as a second language (ESL) and computer literacy (CL) for primary grades in remote rural village schools. The organisation has developed curriculum and lesson plans, designed and delivered teacher training programs and provided computers, educational software, printers and other accessories for the sixty participating schools. This work constitutes the early stages of the teacher training e-learning and m-learning strategies as illustrated in Figure 1.

The aftermath of the conflict in Sri Lanka and the 2004 tsunami have devastated the economic, social, physical and human capital of the North and East provinces. Sri Lanka is now confronted with challenges on many fronts (social, political, economic, psycho-social, residual ethnic tension and divisions, gender and other issues) in its post-conflict recovery, reconstruction, and reconciliation programs. PIMD investments in social, human, intellectual capital, and infrastructure and other resources have also been lost. This has left the organisation with no choice but to make a fresh start on its education programs in a very challenging post-conflict environment.

Post-war reconstruction in the north and east of the country commenced in the latter half of 2009 with the help of international donors to rebuild the basic infrastructure in the war ravaged areas to sustain and rehabilitate the communities returning from the IDP camps UN (2010). In the final years of the war, the relationship between the government of Sri Lanka and western donor aid agencies was strained

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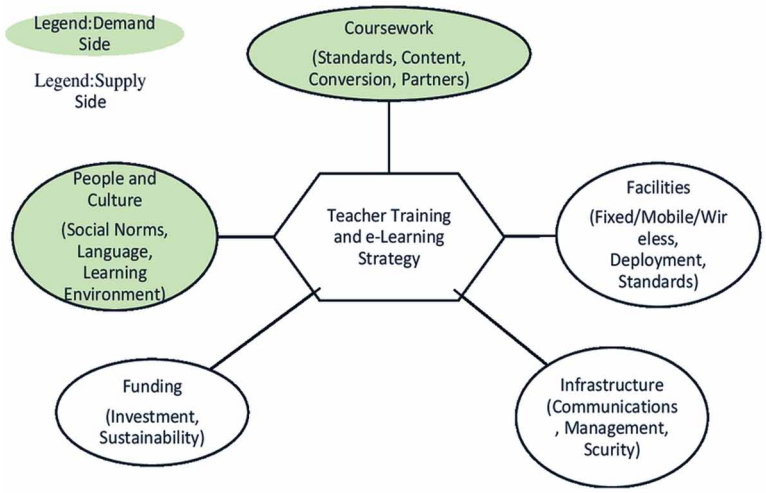
Figure 1. PIMD e-Learning and m-learning strategy: Five Pillars
Source Adapted from Ministry of Defense (2000)



(Samath, 2010) and has since continued to be an impediment to the reconstruction effort in the early stages (Goodhand et al. 2002; Ofstad 2000; Senanayake 2009).

As a part of the reconstruction effort in the northern and eastern provinces and as recognition of the success of PIMD programs in the past the Ministry of Education, Sri Lanka has approved the restart of the ESL and CL programs in the northern and eastern provinces. The current donative (Hansmann, 1987) PIMD business model which is dependent exclusively on revenue from donations is unsustainable. New entrepreneurial strategies and business models for sustainability are explored if PIMD is to survive and grow upon the trust and confidence that the communities and government have in the organisation to deliver outcomes.

THEORETICAL FRAMEWORK

Numerous case studies on social enterprises and social entrepreneurship (Kernot & Mcneill 2011) are a testament to the phenomenon of social and economic business model development. However some scholars have argued that the demand-side and supply-side theories are incomplete as they do not consider the interactions between supply and demand. They advocate the need for an integrated approach and holistic understanding of NPOs where various elements are inter-related to each other and the roles of each sector (Ortman 1996; Steinberg 2006: 129-134; Valentinov 2008b).

A number of interesting academic contributions on the complete or integrative theories on not for profit organizations (Ortman, 1999, Steinberg, 2006, Valentionov, 2008b) but for different reasons are not relevant in this discussion. For example, Ortman (1996) have proposed theories based on the division of labour and game theory. Steinberg (2006: 29-134) proposed a framework to clarify thinking on developing complete and integrated theories. Valentionov (2008b), like Ortman (1999) have proposed theories based on the division of labor and game theory.

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To further enhance the understanding of the adoption and implementation of a social enterprise business model for PIMD, two ground-breaking contributions Weisbrod (1975) and Hansmann (1980) are of particular relevance in this case study analysis. Weisbrod (1975) in public goods theory and Hansmann (1980) in trustworthiness and non-distribution constraint theory provide insights into the challenges and successes of not for profit organizations. Furthermore, theories categorized as demand-side economic theories takes into account the role and need of NPOs and supply-side theories considers the objectives and motivation of entrepreneurs. The contributions of Weisbrod's (1975) public goods theory and Hansmann (1980) trustworthiness and non-distribution constraint theory have both argued that NPOs exist due to market and state failure to satisfy the demand of the citizens.

Public Goods Theory

Weisbrod (1975), argued that not for profit organisations fulfilled the demand for public goods which remain unsatisfied by government agencies. For example, while satisfying the demand for the median voters, the government overlooks the needs of some citizens which are then provided by not for profit organizations that receive donations from citizens. Although some not for profit organization would like to increase their financial sustainability and subsequently the availability of public goods based on the definition of the NPF, policies are restricted in terms of profit distribution, financial management and accountability. Furthermore, managers of not for profit organizations continue to lack the incentive of profit maximization that could possibly misrepresent the provision and delivery of goods and services (Weisbrod 1998: vii).

According to Weisbrod (1975), the public goods theory also be offered as semi-public or private goods. For instance, playing music in the open area is a public good but if the same music is played in a concert and fees applied, it will be considered as a private good (Heitzmann, 2000). These theories and subsequent theoretical and empirical studies are categorized as demand-side economic theories which conceptualize the role and need for NPOs, and supply-side theories which conceptualize the objectives and motivation of entrepreneurs (Krashinsky 1997; Valentinov 2006). What is noteworthy is the subsequent extension of these two theories to explain the complexities of the not for profit sector as it developed new business models and moved to the production of multiple goods with social value in order to attract funds.

Non-Distribution Constrain Theory

According to the non-distribution constrain theory of Hansmann (1980) NPOs are legally prohibited to distribute their net earnings to their controlling members such as directors, managers, trustees and so on. In spite of the limitation imposed upon them, nonprofits may succeed in distributing some of their net earnings through inflated salaries, various perquisites granted to employees and other forms of excess payments (Hansmann 1980: 844)

This non-distribution constraint therefore renders not for profit organizations attractive to donors in terms of trustworthiness on efficient utilization of their funds. Hanmann's (1980) trustworthiness theory (or contract failure approach) explains that NPOs exist due to asymmetric information in the marketplace. In most cases, the producer or supplier of goods and services have much more information than those who demand it. Commercial organizations have their own incentives in exploiting this information to

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increase their profit margin. However, since NPOs are not profit-oriented and legally obliged to refrain from using net earnings for personal use, they are assumed to be more trustworthy by the donors.

Both Hansmann and Weisbrod theories are based on the assumption that NPOs and other profit-making enterprises are competitors. For instance, that not for profit organizations satisfy the service delivery demands which government fail to meet. However, Salamon (1997) argues that in many countries, NPOs and the state operate jointly rather than separately. Empirical study performed in Austria revealed that NPOs which operate jointly with the state-owned organizations received funding from the public institutions although amounts varied significantly (Heitzmann, 2000).

Kingma (1997) and Valetinov (2008a) have criticized the over reliance of the trustworthiness theory on the non-distribution constraint and the failure to explain why this constraint does not destroy the motivation to undertake social entrepreneurial activities. Valentinov (2008a) and DiMaggio & Anheir (1990) contend there are other motivational factors such as sympathy, altruism, reciprocity and prestige that enhance the utility function of stakeholders in being engaging, participating and enjoying the process, akin to the diverse motivations of the members of PIMD for participating in social capital building programs.

The crucial issue confronting not for profit organisations is how to achieve financial sustainability to manage and sustain projects for extended periods in a complex, competitive and unpredictable environment (Hugget 2009; Landsberg 2004). Furthermore, commercialisation in the NPO sector is not a new phenomenon (Hansmann 1990) but one that has gained wider acceptance due to the global economic downturn and competition for diminishing funding pools (Bradley 2004: xiii-xvi; Tuckman 1998; Weisbrod 1998: 1-22).

The paradox of a not for profit mission and the for-profit commercialisation, mission creep and motivational dilemmas facing volunteers and stake holders can erode the trust and social capital built by the not for profit mission. Tuckman and Chang (2006) have enunciated the necessary conditions for successful commercialisation of the NPOs including establishing the need for financial resources to sustain social programs such as through the sale of goods and services, the existence of opportunities for commercial activity, and to ensure that there is no or minimal mission conflict between the not for profit and for-profit objectives.

Not for profit commercialisation requires the adoption and implementation of for-profit business models, governance regimes and market orientation without compromising the core not for profit mission. This contradiction has spurred the entrepreneurial social activists to create a new form of hybrid organisation, the social enterprise. The social enterprise draws from business, charity and social models (Alter 2007: 13-22; Mair & Noboa 2006:121-135; Nicholls 2006: 1-23). The drivers behind the growth of the social enterprise business model in the NPO sector can be attributed to the adoption of hybrid business models for sustainability by the corporate sector through corporate social responsibility programs. Figure 2 illustrates a sustainability strategy to achieve sustainability equilibrium through dual value creation strategies.

Current studies have focused on the not for profit and public policy domains are social entrepreneurship phenomenon-driven and lack a cross-disciplinary theoretical framework (Dees 2001; Mair & Marti 2006; Short et al. 2009). However, existing studies focused on the social enterprise and social entrepreneurship fields are nascent areas of scholarly research (Dees, 2001, Mair and Marti, 2006, Short et al, 2009).

The conceptual framework in Figure 3 encapsulates key elements of a sustainable business model. It draws from, and integrates key dimensions of financial sustainability and frames the questions raised by an NPO such as PIMD by addressing the key sustainability challenges.

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Figure 2. Sustainability equilibrium
Source Adapted from Alter (2007:15) 2

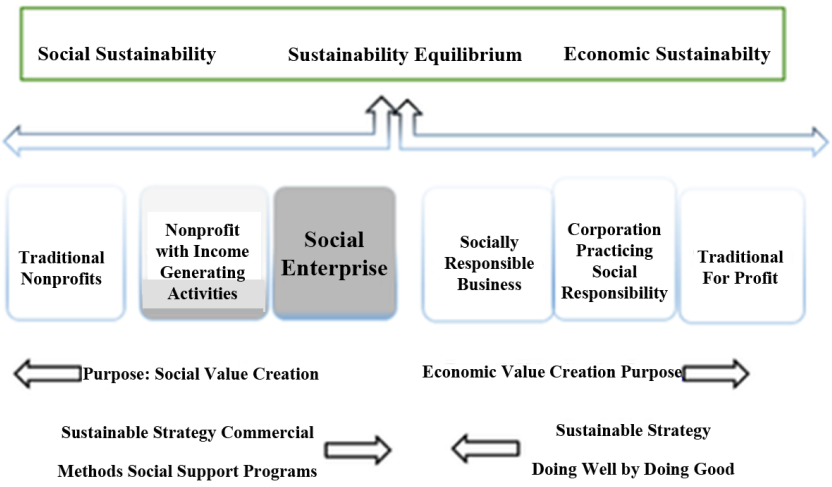
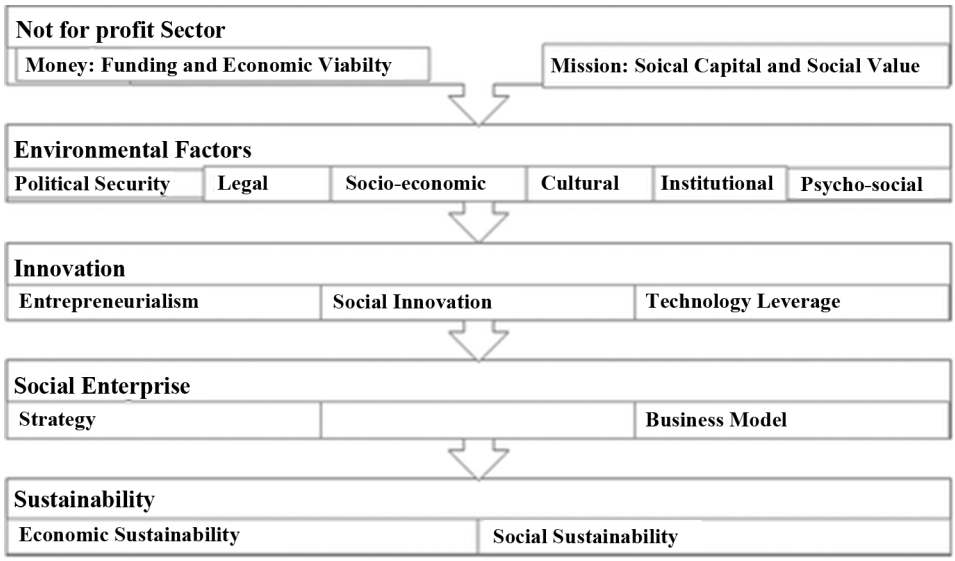


Figure 3. Conceptual sustainability framework



The ultimate goal is to achieve a balance between a sustainability economic equilibrium and social value creation as referred to by Alter (2005). Given that some NPO sectors have embraced and implemented social enterprise business models, hence the adoption of this model has been considered a practical proposition for PIMD to achieve financial sustainability. Based on the above-mentioned observations, adapting a social enterprise business model as a sustainability strategy for NPOs is an economically viable response to the challenge of financial sustainability.

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CASE STUDY

According to the grounded theory of sustainability (Seel, 2006) NPOs can no longer follow the traditional pattern of small incremental changes, but instead require multiple and organizational-wide transformation and adaptation of organizational culture. A specific approach for PIMD is therefore to develop a transformative business strategy and model for the long-term financial sustainability for the organisation. This can be achieved by asking two questions:

1. Drawing on theory and literature relating to the not for profit and particularly social enterprise and financial sustainability, what is the sustainability strategy that can ensure long-term economic and financial sustainability for an organisation such as PIMD?
2. What is the conceptual business model that will ensure the feasibility of the identified sustainability strategy?

A case study methodology was thought to be appropriate for this research project. This method of study is especially useful for trying to test theoretical models by using them in real world situations. A case study provides more realistic responses than a purely statistical survey. Furthermore, qualitative case study methodology provides tools for researchers to study complex phenomena within their contexts.

As outlined by Blumberg, Cooper and Schindler (2008), the case study method is appropriate for explanatory, descriptive and exploratory research and most appropriate to accomplish the research objectives. This view was supported by Yin (1989:23) who defined case study research as an empirical inquiry that investigates a contemporary phenomenon within its real-life context when the boundaries between phenomenon and context were not clearly evident and in which multiple sources of evidence are used. In the real world case study examined in this chapter, an abductive research methodology is best suited to gain insights into the complexities experienced by not for profit organizations.

Kovacs and Spens (2005) argue that the inductive and deductive research approaches look for relations between existing constructs and are not conducive to the creative process which leads to an intuitive leap to creating knowledge. The abductive research process is viewed as systematic creativity or intuition to discover/develop new knowledge (Saraniemi 2009: 23). Chamberlain (2006) observes that the literature on formulation of business strategies leans more towards the traditional normative and descriptive outputs (Haugstad 1999; Ortner 2007).

These approaches however do not consider research methodology as a critical research task and can lead to methodological problems. Chamberlain (2006) for example contends that business strategy formulation is a subjective social construct as is the case of PIMD. Chamberlain (2006) advocates instead the adoption of an interpretive approach as suggested by Blaikie (2004). The interpretive version of abductive research focuses on the subjective social constructs such as business strategy formulation. In particular where the researcher is engaged or immersed in the interpretivist reality of the situation to perceive remarkable or noteworthy and then insightfully speculate on likely associations or causations thereof (Chamberlain, 2006: 295). It is also argued that the abductive research approach is commonly used in both action research and case studies (Saraniemi 2009: 22-24) due to the parallelism of data collection, theory development and theory building element common to both methods (Dubois & Gadde 2002; Kovacs & Spens 2005)

In the case of PIMD, the prior theoretical knowledge (step 0) discussed in this chapter, the real-life observations (step 1) drawn from its work to date are used to match relevant theories (step 2). The de-

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velopment or extension of an integrated theory of financial sustainability (step 3 in Figure 4) form the basis for the development of a business strategy and the application of conclusions (step 4 in Figure 4) leads to the development of a business model for PIMD.

TRANSFORMING PIMD INTO A SOCIAL ENTERPRISE

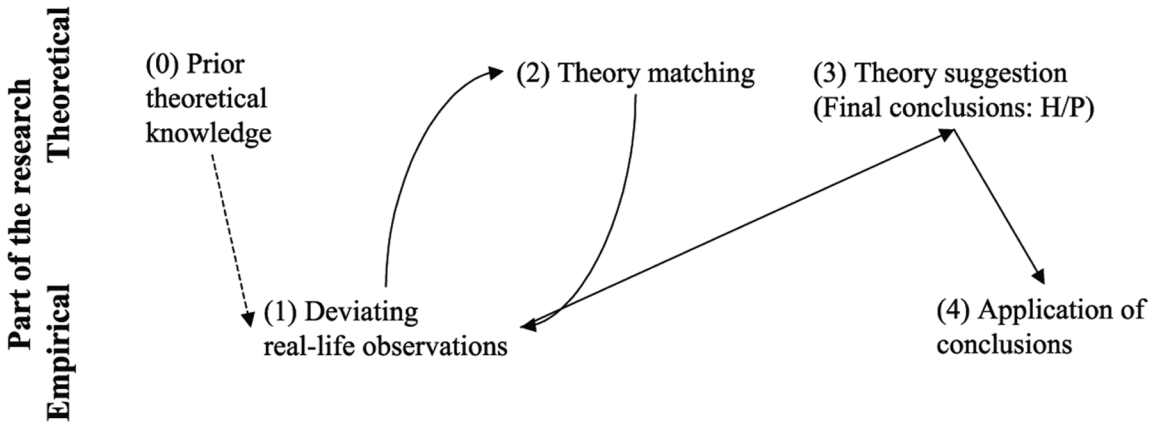
While the discussion so far suggests that adapting a social enterprise business model as a sustainability strategy for NPOs is an appropriate and economically viable response to the challenge of financial sustainability, the decision to embark on a new business strategy and model demands disciplined and meticulous analysis of the business opportunity underscored by entrepreneurial creativity and innovation, pro-activeness and risk management. It also involves a learning process in which theoretical and empirical studies are used to add clarity to defining objectives, managing stakeholder expectations and setting realistic performance targets (Dees 2004: 3-18; Caesar & Baker 2004:207-223). The cost of failure is much more devastating to NPOs compared to the government or corporate sectors who are better positioned to withstand the loss and move on.

The findings of Weerawardene et al (2010) empirical research on sustainability of not for profit organisations emphasize that NPO sustainability should be a strategic issue and not an operational one. Adoption of multiple strategies that consider competition, opportunity recognition, governance, operational efficiency, revenue enhancement and cost reduction should be part of the overall business strategy which underpins the social enterprise business strategy and model.

Chesbrough and Rosenbloom identify the functions of a business model as follows: articulate value proposition, identify market segment, define the structure of the value chain, estimate cost structure and profit potential, describe the position of the firm within the value network and formulate competitive strategy (Chesbrough & Rosenbloom 2002: 536).

It was decided that PIMD's social enterprise can therefore be designed using the above functional framework as a basis. It is an entrepreneurial response (Steinberg, 2003) to ensure the long-term sustainability of PIMD's social projects in Sri Lanka. The question relating to strategy should draw on

Figure 4. The Abductive Research Process
Source 3 Adapted from Kovacs and Spens (2005)



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Weerawardene and Mort's, 'Bounded multidimensional model of social entrepreneurship' as the foundation of PIMD's sustainability strategy. The strategy in turn will be based on a holistic perspective of a social enterprise and built around themes which are integrated to develop an approach in which social entrepreneurship creates social capital along three dimensions: innovative, proactive, and risk management behavior. These behaviors are constrained by the need to fulfill the social mission and ensure sustainability of the organization within the environmental dynamics in which it operates. Thus, the sustainability dimension of the social enterprise strategy will underscore PIMD's conceptual business model for financial sustainability.

A similar but pragmatic approach as above can be adapted for the second question relating to the social enterprise business model itself, due to the real life application to PIMD. Literature on financial sustainability issues in social enterprises, entrepreneur business models, adoption of commercial practices in NPOs, functions of business models and business models will serve as a guide in developing PIMD's e-business model based on Chesbrough and Rosenbloom business model framework. It was determined that PIMD would adopt a social enterprise model and introduce a commercial training arm which would provide training at subsidized rates to staff from donor corporations and the sales proceeds from this division would support the diminishing donations which will enable PIMD to continue with the social mission and provide sustainability. Besides, a PIMD fund would be created which would be supported by the Government, donations from donor corporations and small voluntary donations from benefit recipient families and candidates. This would enable the creation of shared value by all the stake holders and sustain PIMD.

CONCLUSION

The demand side and the supply side of nonprofit organization should be viewed as complementary to each other, rather than mutually exclusive. In this paper we focused on the demand approaches to nonprofits through the public good approach based on Weisbrod's path-breaking paper from 1975 and the trust approach, which stems from Hansmann's influential paper from 1980.

Weisbrod's theory delineates that public good provision dilemmas are solved by collective action of the affected individual. He stresses more donative financing necessarily leads to more provision of public good. Extensions of Weisbrod's approach identifies altruistic behavior, possible integration with Hansmann's trust approach which rationales for nonprofit entrepreneurship and a variety of stakeholders with partly conflicting interests. Many of these models maintain donations as a key feature (Kingma 2003)

PIMD's education projects for underserved rural communities in Sri Lanka are unsustainable in the long-term due to financial constraints. Donations are essential for its survival. As a volunteer-based not for profit organization, PIMD's reliance on a donative financial model to support its programs is untenable. The development of a new approach to achieve long-term financial sustainability and independence without compromising the core social mission and jeopardizing the social capital building projects is a matter of urgency and survival. Contributions to the third sector literature from academics and practitioners emphasize the imperative for the sector to adopt entrepreneurial and innovative business strategies and models and to leverage technology (Dart 2004b; Dees & Economy 2001: 1-18) which is supported by Hansmann's trust approach which rationales for nonprofit entrepreneurship

Organizations such as PIMD should adopt the social entrepreneurship (SE) model which will enable the creation of shared value. It was suggested that PIMD should therefore adopt an abductive research

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methodology in order to formulate an entrepreneurial sustainability strategy and innovative business model for the creation of shared value with the stake holders to provide a pathway for PIMD to achieve long-term financial sustainability while maintaining the core mission objectives. The literature review served as a starting point to help formulate the key questions for the PIMD case study.

It needs to be acknowledged that the PIMD case is focused exclusively on a single aspect of –financial sustainability which is part of a much wider sustainability strategy. While the social enterprise business model is the beginning of the journey to commercialization of PIMD, other elements of the transformational process such as organizational, stakeholder and volunteer strategies will require the organization to also address social, cultural, economic and socio-psycho issues.

Future research will explore and scrutinize varied social entrepreneurial models which are in existence and operating successfully to deliver continuous growth to a region and benchmark these to develop a best practice and customized cross cultural model suited to wide-ranging environments. SE models from different regions of the world need to be compared in terms of their firm specific factors, external environment, orientation of the owner manager and their current regional growth and sustainability contribution. The aim is to get an understanding of the different existent models of social entrepreneurship and investigate the success factors of these models and recommend a customized regional best practice model suitable to adapt with in a not for profit organization.

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Chapter 64
Social Commerce Benefits for Small Businesses:
An Organizational Level Study

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ABSTRACT

Small businesses represent an important element of many western economies. However, they often struggle with resources needed to succeed, and small business owners often have to perform many, if not all, roles in their organizations. One of the key functions that small businesses need to excel at for business success today is social commerce since much of their business is migrating towards the use of social media for business. In this study, determinants of social commerce benefits for small businesses are explored. Using survey data from 60 small companies, this research identifies stakeholder pressure and partner pressure as the most significant factors in determining social commerce benefits for small business. Implications of these findings and provide suggestions for future research are discussed.

INTRODUCTION

There is no doubt that small businesses represent a core number of organizations in many countries. In fact, the Office of Advocacy of the Small Business Administration in the United States claims that small businesses have created more net jobs in 2011 than large firms, a pattern that has existed since 1992 (SBA, 2012). However, small businesses often face unique challenges in terms or skills and resources and small business owners must perform themselves all job functions, such as accounting, marketing, and employee management (Schaupp & Bélanger, 2014). Yet, they are also challenged with lack of technical skills needed to handle Internet-based requests. Hiring of technologically trained employees

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is expensive, and often beyond the reach of many small business owners. A solution for small business owners faced with these challenges is social commerce, which allows them to use social media to reach new markets and potentially gain competitive advantages (Zhou, Zhang, & Zimmermann, 2013). Social commerce refers to using Web 2.0 in e-commerce (Kim & Srivastava, 2007), including user-generated content and sharing of content via social media (Huang & Benyoucef, 2013).

Social media is "the use of a technology platform to develop a community of stakeholders to collectively create, know, like, and trust relevant matters of the business entity" (Schaupp & Bélanger, 2014). A survey reveals that 66% of small business owners strongly agree that social media is important for their businesses (Stelzner, 2011). Social commerce for sales and marketing involves building relationships with individual consumers. While these relationships are superficial by their very nature, they can lead to substantial brand awareness; and, when customers are in the market to purchase the small business' product, it becomes the best option because it is the customer's "friend" (Wirthman, 2013). Indeed, advantages of social commerce for marketing include increased business exposure, increased traffic, and improved search engine rankings (Stelzner, 2011). Indeed, 74% of marketers believe Facebook is important for their lead generation strategy and social media generates almost double the marketing leads of trade show, telemarketing, daily mail, or pay-per-click (Anonymous, 2013). Not surprisingly, social media is now the top Internet activity, with Americans spending an average of 37 minutes daily on social media, a higher time-spent than any other major Internet activity, including email (Bendror, 2014). As of May 2013, 72% of online adults were using social networking sites (Brenner & Smith, 2013).

For small businesses, therefore, social commerce presents one possible means of obtaining business benefits by reaching a broader market and conducting sales and marketing efforts at reduced costs. Social commerce can help increase exposure and site traffic at a fraction of the cost of traditional marketing since the main cost is the time it takes to realize the benefits of the effort put forth (Schaupp & Bélanger, 2014). There are, however, a number of obstacles such as skills, regulations, and resources. This paper explores the factors that can lead to small businesses deriving benefits from their involvement in social commerce, which helps answer the call for "rigorous empirical work using business data" (Lang & Li, 2013, p. 5). The research is guided by the following research question: *What factors influence how small businesses perceive the benefits of social commerce for sales and marketing?*

From a research perspective, this study explores the use of social commerce from an organizational unit of analysis, which requires the use of potential adoption theories beyond the traditional individual level models, such as the Technology Acceptance Model (TAM) and Theory of Planned Behavior (TPB) used in other studies of social commerce (e.g., Hajli, 2013; Shin, 2013). This research uses and extends the Technology-Organization-Environment framework to the domain of social commerce benefits for small businesses. Few social commerce studies have focused on small businesses, which is one of the contributions of this study. The research model is tested with survey data from 60 small businesses in a variety of industries engaged in social commerce. This is another important contributions of the study as most prior studies have focused on social commerce use by individuals (e.g., Heinrichs, Lim, & Lim, 2011; Scott & Orlikowski, 2012; Shin, 2013) instead of by businesses.

The paper is organized as follows: First, theoretical foundations and relevant literatures used to develop the research model are presented. The methodology and data analyses are then presented. The paper ends with a discussion of results, including implications for research and practice, suggestions for future research, and concluding comments.

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BACKGROUND

Social Commerce as a Sales and Marketing Tool

As social media has entered the mainstream as an efficient tool for socialization and information sharing, it has also created a new form of e-commerce called social commerce (Liang, Ho, Li, & Turban, 2011). Social media combines user-generated content with social networking features to allow users to create, initiate, and circulate information within online social networks (Tang, et al. 2012). Social commerce, on the other hand, is the use of social media for commercial transactions and activities primarily driven by social interactions and user contributions (Liang et al., 2011; Wang & Zhang, 2012); although a number of different definitions do exist (Lang & Li, 2013; Liang & Turban, 2011). Social commerce can occur through networking sites (SNSs), blogs, micro-blogs, Wikipedia, social shopping sites and other content sharing sites, such as YouTube and Flickr (Liang et al., 2011; Ng, 2013). Social commerce goes beyond simply doing business via social media (Zhou et al., 2013). Social commerce allows for customer engagement and a platform to attract new customers through word of mouth (Liang & Turban, 2011; Ng, 2013). In fact, in an analysis of social commerce and the "tragedy of commons," Kim (2013) concludes that word of mouth is still the most recommended approach for leveraging social commerce. In fact, 70% of people trust recommendations from unknown users online (Burmaster, Lee, & McGiboney, 2009).

Social commerce is rapidly becoming a driving force in western economies. For example, it is expected to reach US$ 30 billion in the USA in 2015 (Anderson, Brusa, Price, & Sims, 2011). The interest in social commerce has culminated in several special issues in academic journals (e.g., Lang & Li, 2013; Liang & Turban, 2011; Zhang, Zhou, & Zimmermann, 2013; Zhou et al., 2013). Marketing and sales remain the most important uses of social media (Askool & Nakata, 2011; Looney & Ryerson, 2011). For example, the recent Nike 2014 World Cup ad, featuring Real Madrid star Cristiano Ronaldo, was seen by 78 million people in four days. This is before it went to television (Ricadela, 2014). Nike stated that its World Cup TV ad buying is declining while it increases its social media spending on Facebook, Twitter and YouTube to reach fans in a battle with Adidas AG for supremacy in the global soccer-products market (Ricadela, 2014). Not surprisingly, Adidas also spent more on Internet promotions than on television for the 2014 World Cup (Ricadela, 2014). In a recent survey, 86% of marketers state that social media is important for their business and 89% state that increased exposure was the number one benefit of social commerce marketing (Stelzner, 2013).

Most social media statistics and research conducted has focused on large organizations, which stand to gain substantially from their investments. Size of an organization and the region in which it operates were found to be significant determinants of the extent of social media usage for financial institutions in Europe, the Asia-Pacific region, and the Americas (Bonsón & Flores, 2011). Yet, small businesses represent an important sector of most economies. For example, they represent 99% of organizations listed in the European Union, generating more employment than large organizations (Nieto & Santamaría, 2010). While the Small Business Administration considers small businesses to be organizations with less than 500 employees, most IS researchers use a cutoff of less than 100 employees when studying small businesses (DeLone, 1988; Thong, 1999). In this study, this more restrictive number is used, which is consistent with the definition of small business employers in Australia defined as less than 15 employees by Section 23 of the 2009 Fair Work Act (Fair_Work_Commission, 2009).

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Small businesses often lack resources or competencies necessary to implement social media (Wamba & Carter, 2014). In fact, Looney and Ryerson (2011) found that only 37% of small businesses believe they are competent enough to deal with social commerce; most state they need more training (32%), have just enough skills (20%), or are totally lost (11%). Others have argued that there are four main challenges for small business use of social commerce: lack of time, inability to measure value, difficulty integrating social media with other business activities, and lack of budget (Bendror, 2014).

Theoretical Foundation

According to Liang and Turban (2011)'s social commerce framework, the four main social commerce activities are social media marketing, enterprise management, technology and support integration, and management and organization. The present research focuses on the first of these: social media marketing, and develops a theoretically-based model of social commerce benefits for sales and marketing. Given that this research focuses on an organizational perspective of social commerce, the theoretical foundation for this research is the Technology-Organization-Environment (TOE) framework (Tornatzky & Fleischer, 1990). The model has been used in other e-settings, such as m-business (Picoto, Bélanger, & Palma Dos Reis, 2012; Picoto, Bélanger, & Palma Dos Reis, 2014), e-government (Srivastava & Teo, 2009), e-business (Kuang-Wei & Yan, 2010), and social media (Schaupp & Bélanger, 2014).

The TOE framework suggests that three types of factors influence organizational usage: technology, organizational, and environmental factors. These factors serve as both enablers and constraints to use of technology innovations (Tornatzky & Fleischer, 1990). Examples of factors explored in prior research include technology competence, process integration, firm size, degree of formalization, managerial obstacles, the legal environment, availability of technologies, competitive pressure, etc. In the context of m-business, Picoto et al. (2014) use the TOE framework to identify determinants of usage and value and find that a variety of technological, organization and environmental factors impact m-business usage. In a review of social commerce articles published between 2005 and 2011, Wang and Zhang (2012) identify people, technology, organization, society and information factors discussed and found significant in social commerce research. Combining these TOE and social commerce research findings, this study proposes that the most relevant factors impacting small business owners' perceptions of social commerce benefits include: the quality of social media technologies available (technology and information factors), the availability of social commerce rules and regulations (society factors), organizational constraints and competitive pressure (organization factors), and stakeholder pressure (people factors).

Quality of Social Media Technologies

The quality of social media technologies relates to both the technological features and the human factors associated with technology usage (Basole, 2005). The Web 2.0 environment to which a small business belongs can influence the adoption and usage of social media. Many small-businesses pass on social media, particularly if they reside in seemingly low-tech industries; however, social media use in industries that are slow to adopt can create a competitive advantage (Jantsch, 2010). In fact, network economics, when applied to social media, suggest that a critical mass of users is essential for success. For small businesses, this means that the more there are users of social media, the greater the potential value of social media.

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Customers interact with the social media platform through the technologies available to them, which helps form their opinions of the firm (Parboteeah, Valacich, & Wells, 2009). As a result, the quality of social media technologies available to the organization not only reflects the objective technology independent of the customers, but also the subjective properties perceived by customers (Jiang, Chan, Tan, & Wei Siong, 2010). Zhang, Lu, Gupta, and Zhao (2014) found that technological characteristics available in the social commerce environment leads to increased customer participation.

H1: The quality of social media technologies is positively associated with perceived social commerce benefits for small businesses.

Availability of Social Commerce Rules and Regulations

The regulatory environment in which a business operates is an important determinant of technology adoption (Zhu & Kraemer, 2005; Zhu, Kraemer, Xu, & Dedrick, 2004). This can include policies, rules, and regulations. For example, prior research has shown that telecommunication policies affected competition and the reorganization of the mobile telecommunication sector (Dholakia, Dholakia, Lehrer, & Kshetri, 2004). Another example is the Paper Reduction Act in the United States, which forced government agencies to transact solely in electronic commerce by January 1997. It forced small businesses to adopt Electronic Data Interchange technologies to conduct business with federal agencies (Kuan & Chau, 2001). In a social commerce context, protection of privacy rights of consumers, security of purchase transactions, and legal protections of consumers in general can be critical to the success of a social commerce implementation. An environment with clearly defined regulations can provide guidance to small businesses on what is acceptable or not with respect to their online marketing efforts.

H2: The availability of social commerce rules and regulations is positively associated with social commerce benefits for small businesses.

Stakeholder Pressure

Pressure from stakeholders impacts technology adoption (Hart & Saunders, 1998). For small businesses, they may feel pressured to adopt a new technology if, for example, customers recommend this technology or request it from the small business (Kuan & Chau, 2001). Stakeholder pressure can involve customers or other relevant stakeholders in the small business' domain (Schaupp & Bélanger, 2014). Depending on the level of bargaining power their stakeholders have, they can pressure the small business to implement social commerce (Teo, Wei, & Benbasat, 2003). In fact, Kim (2013) argues that social commerce has emerged due to the collective bargaining power of Internet users. This is consistent with the view that social commerce emerged from improvement in Web 2.0 technologies and the bargaining power of consumers (Ng, 2013). In small business research, it is "easier for the management to make a decision if someone they know has it or is getting it" (Askool & Nakata, 2011, p. 212). Since small businesses need to respond to stakeholder demands, it is likely that more pressure from clients will increase their social commerce efforts.

H3: Stakeholder pressure is positively associated with social commerce benefits for small businesses.

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Competitive Pressure

External pressures exist for small business to adopt technologies that sometimes have nothing to do with the technology itself or even the business as a whole. These competitive pressures, defined as "the degree to which an organization is affected by competition in the market" (Schaupp & Bélanger, 2014), can influence adoption of technologies because of the perception that an organization needs to adopt similar technologies in order to remain competitive (Kuan & Chau, 2001). Pressure from competitors has been found to be an important factor in adoption of social media (Askool & Nakata, 2011; Schaupp & Bélanger, 2014), e-business (Zhu & Kraemer, 2005), and m-business (Picoto et al., 2014). In the context of social commerce, low barriers to entry may be a key factor leading to greater social commerce usage, and to increased competition in this domain (Kim, 2013). As social commerce is evolving rapidly, researchers have suggested that firms using social commerce need to spend an increasing amount of money in their efforts to face competition from other businesses (Kim, 2013). Therefore, it can be expected that for small firms, use of social commerce by competitors impacts their perceptions of social commerce benefits for sales and marketing.

H4: Competitive pressure is positively associated with social commerce benefits for small businesses.

Organizational Constraints

While the constructs discussed before are enablers that can help the small business reap benefits from social commerce, there are also barriers or constraints that may inhibit the ability of the small business to get those benefits. These are labeled organizational constraints. Prior research has shown that obstacles such as lack of top management support or difficulty integrating new technologies with one's current business systems is negatively associated with usage of new technologies (Liang, Saraf, Hu, & Xue, 2007; Picoto et al., 2012; Picoto et al., 2014). This is not surprising since top management support, for example, is needed for successful technology implementations (Basole, 2005; Liang et al., 2007). In the context of social commerce, Kim (2013) points out that human resources and manpower are critical to successfully implement and use social commerce. This is even truer for small businesses, which as was discussed before, often lack both human and financial resources. In the present study, one of the most important barriers to social commerce usage by small businesses identified in prior research (e.g., Schaupp & Bélanger, 2014) and the trade press (e.g., Bendror, 2014; Looney & Ryerson, 2011) is their ability to manage social media technologies. Indeed, Looney and Ryerson (2011) find that 65% of small business owners attempt to manage social media without the necessary competence. In a study of social media adoption, Askool and Nakata (2011) also specifically identify technology infrastructures, applications, system integration, and employee training as required for adoption.

H5: The more there are organizational constraints in the small firm, the less the small business can recognize benefits of social commerce for sales and marketing.

Figure 1 presents the research model and hypotheses presented in this section.

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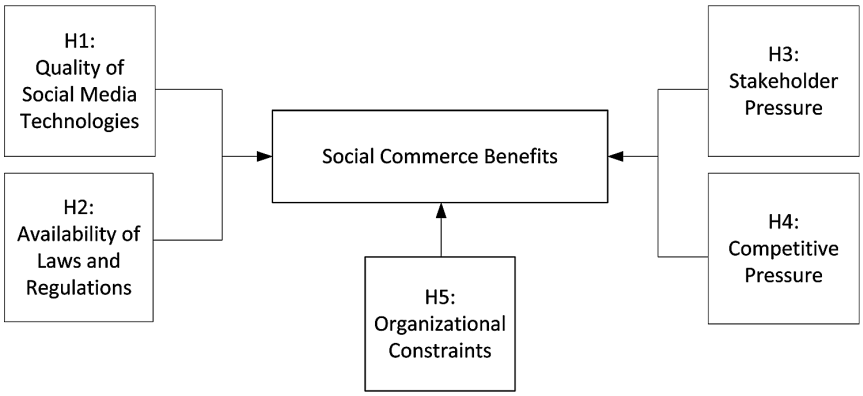
Figure 1. Research model



METHODOLOGY

To investigate determinants of social commerce benefits for small businesses, we surveyed small businesses that use social commerce for sales and marketing. The instrument was developed by compiling questions from validated constructs (Moore & Benbasat, 1991). Wording was modified to fit the social commerce context, and resulting items were included in a random order on the instrument. Each question was measured on a 5-point Likert-type scale, ranging from 1 (strongly disagree) to 5 (strongly agree). Academics and practitioners pre-tested the instrument, identifying ambiguous or poorly worded items. The instrument was then pilot tested with undergraduate students. Final items are presented in Appendix A.

Study Sample

To provide a realistic investigation of social commerce benefits and its antecedents, several small businesses from different geographical areas were solicited to participate in the survey. Of the 123 small businesses contacted, 60 (49%) completed the survey. Upon survey completion, respondents could enter a drawing for an iPad. Respondents included owners, general managers, marketing managers, and other key personnel who were the primary person in charge of social commerce efforts at the business. They represented a wide variety of industries, there were slightly more male respondents (52%), and there was a wide spread of age groups. In addition, the majority (52%) of respondents did not use their personal social media accounts for business. Demographics are summarized in Table 1.

DATA ANALYSES AND RESULTS

The research model was tested using Partial Least Squares (PLS) as implemented in Smart PLS (Ringle, Wende, & Will, 2005). It is imperative to ensure sample size is large enough to support the conclusions (Marcoulides & Saunders, 2006). In this study, the sample size of 60 meets the generally accepted rules of thumb since the computational efficiency of the PLS algorithm allows the estimation of large complex models containing hundreds of latent variables and thousands of indicators with minimal sample size ranging from 30 to 100 (Chin & Todd, 1995).

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Table 1. Demographics

Age (years)	21-24	30%
	25-30	25%
	31-35	25%
	36-40	5%
	41-50	5%
	50+	10%
Gender	Male	52%
	Female	48%
Use of personal social media account for business	Never	52%
	Once a month	15%
	Once a week	15%
	Daily	18%
	N/A	2%

Measurement Model Testing

Convergent and discriminant validity were assessed first. Convergent validity is assessed with three ad hoc tests recommended by Anderson and Gerbing (1988). Appendix A lists the standardized loadings, composite reliabilities, and variance-extracted estimates. The loadings are highly significant. Composite reliabilities, similar to Cronbach's alpha, range from 0.66 to 0.85. Variance-extracted estimates are measures of the variation explained by the latent variable to random measurement error (Netemeyer, Johnston, & Burton, 1990) and ranged from 0.56 to 0.82, all exceeding the recommended lower limit of 0.5 (Fornell & Bookstein, 1982). All tests support convergent validity of the scales.

Discriminant validity was first assessed by looking at item-total correlations (Appendix B) (Anderson & Gerbing, 1988). The correlation pattern shows that an item posited to form a given sub-construct has a stronger correlation with it than another construct providing further evidence of discriminant and convergent validity. An additional discriminant validity criterion is that the variance shared by a construct with its indicators should be greater than the variance shared with other constructs in the model (Appendix C). A construct is considered to be distinct from other constructs if the square root of the average variance extracted for it is greater than its correlations with other latent constructs (Barclay, Higgins, & Thompson, 1995). All constructs pass this test.

Finally, internal consistency was assessed using Cronbach's alpha and composite reliabilities. All but two constructs have alphas above 0.70 (Nunnally, 1978): quality of social media technologies and availability of rules and regulations had alphas of 0.66 and 0.68. Given their high composite reliability of 0.85 and 0.86, and their closeness to the cut-off point, the internal consistency of these items is acceptable. In addition, their items have strong loadings above 0.79. In summary, the tests of the measurement model show strong evidence that the constructs demonstrate good measurement properties.

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Structural Model Testing

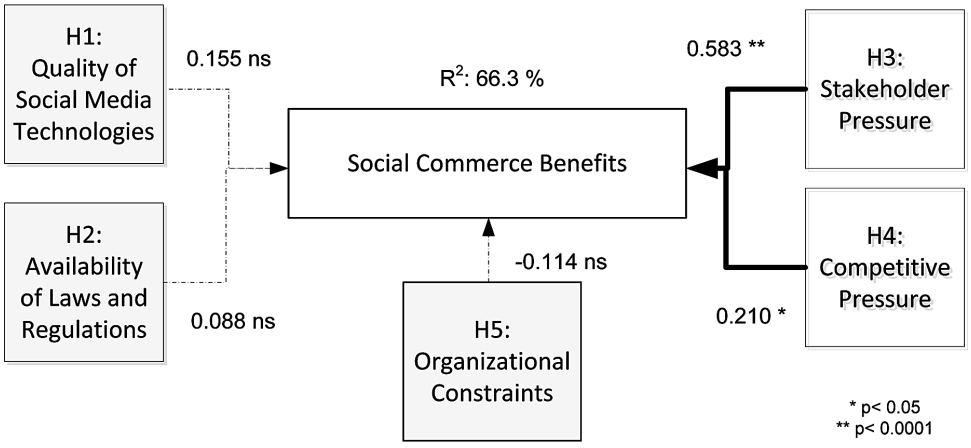
Results of the PLS analysis (done with 1000 bootstrapping sub-samples) are presented in Figure 2. Two of the specified paths in the research model are significant: stakeholder pressure and competitive pressure significantly affect perceptions of social commerce benefits for small businesses. One indicator of the predictive power of a model is the variance explained in the endogenous variables, as measures by R-squared (Barclay et al., 1995; Chin & Todd, 1995). For the social commerce benefits construct, 66.3% of the variance is explained. Therefore, while there are only two significant paths in the model, they have strong predictive power for social commerce benefits for small businesses with a parsimonious model. The strongest path in the model is between stakeholder pressure and social commerce benefits.

DISCUSSION

In this research, we explore antecedents of social commerce benefits for small businesses. Elicited from surveying 60 small businesses utilizing social commerce marketing, two dimensions were found to be highly significant. The results of the analyses confirm that the factors identified as pressures (stakeholder and competitive) are strong predictors of social commerce benefits for small businesses. Thus, the research contributes to the existing literature by testing a conceptual model to measure the antecedents of social commerce benefits in a small business context. In the following discussion, we answer the research question and discuss implications for practice and research. We also recognize several limitations to the study.

What factors influence how small businesses perceive the benefits of social commerce for sales and marketing? Based on the technology-organization-environment (TOE), small business, and social commerce literatures, we identified several potential determinants of social commerce benefits for small businesses, and found through the empirical study that two of them have a positive impact on social commerce benefits: greater stakeholder pressure (H3) and greater competitive pressure (H4) impact social commerce benefits for small businesses.

Figure 2. Research results



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Social commerce provides benefits when used as a tool for nurturing relationships with previous and current customers. Perhaps, social commerce's greatest advantage is that it facilitates communication with customers, which in turn leads to increased convenience and satisfaction for customers. This may explain why H3 was not only significant but was the strongest path in the research model. Respondents identified that their customers expect them to participate in social commerce with the goal of improving communication channels to the customer. As consumers immerse their social networks into their daily lives, they begin to realize benefits from social commerce offerings and are likely to increase the pressure on organizations, including small businesses, to offer such tools.

Social commerce provides the small business with a low-cost and direct interactive link to the customer. A critical success factor for small businesses is their ability to market themselves efficiently and cost effectively. Reducing/eliminating marketing costs is vital to many small businesses' ability to advertise at all; social commerce provides the means by allowing more direct control over marketing objectives, i.e. target audiences. Social commerce also provides flexibility since marketing efforts can be realized immediately as opposed to the delay in traditional media outlets (Zhou et al., 2013). If social commerce is leveraged appropriately to facilitate and enhance social interaction, sales and marketing benefits can be realized. Organizations often believe that the ultimate measure of success is a positive impact on sales. Social commerce has the ability to expand a small business's geographic sales region by providing information about products and services, with the potential of sales, to prospective as well as existing customers outside of the local area. In addition, social commerce has the potential to improve existing products and services through customer feedback. If utilized correctly, social commerce provides a tool for small business by providing direct customer service channels, enhanced marketing abilities, and opportunities to increase sales.

Competitive pressure (H4) is a significant determinant of social commerce benefits by small businesses. Respondents indicated that competitors' social commerce initiatives largely influenced their use of social commerce. This is an important finding as competitive pressure has rarely been used in IS studies of innovation adoption. Yet, this study indicates that in the context of small businesses, an analysis of the competitive environment is important in understanding small business behaviors. Respondents noted that competitors influence other small businesses mainly in the local market. The local environment may be more important to small businesses as opposed to large organizations. This insight needs to be further explored in future research. Because the sample included respondents from various industries, it was not possible to do industry comparisons. However, it would be interesting in future research to study many firms in fewer industries to provide a comparative analysis of the impact of competitive pressure on social commerce usage between industries, such as low-tech versus high-tech industries. This is important because prior social commerce research has identified industry as an important determinant of social commerce adoption by small businesses (Wamba & Carter, 2014).

Several hypotheses were not supported. The quality of social media technologies in the environment the small business operates in was found to be a non-significant factor in achieving social commerce benefits (H1). This is not surprising as the current state of technology in the geographical regions surveyed is that social media technologies are widely adopted. This would result in limited variance in the level of such technologies available. Similarly, the availability of rules and regulations did not impact social commerce benefits (H2). The construct represents rules supporting usage of social commerce and consumer protections in place to safeguard purchases. The lack of regulations specific to social media might have

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impacted this result. Interestingly, increasing regulations are expected in various areas regarding both social commerce and Internet sales. Therefore, future research is likely to find different results regarding the regulatory environment. One way to test this would be to conduct a study with organizations doing business in regions that exhibit diverse regulatory environments. Finally, organizational constraints was also identified as a non-significant antecedent of social commerce benefits (H5). Constraints included lack of staffing, non-sufficient support from management, and difficulties with integrating social media initiatives into the overall marketing strategy of the business. This is a surprising finding, as we would expect small businesses, in particular, to struggle with these constraints in implementing their social media marketing efforts.

Implications for Research

Taken together, these results have important implications for research. The two significant constructs represent external factors (pressure from competitors and other stakeholders), while the non-significant factors are both internal (organizational constraints) as well as external (quality of social media technologies available and the regulatory environment in which the business exists). A potential explanation for these interesting findings is that small businesses implement social commerce because they are pressured to do so even when they are not ready. As such, they feel overwhelmed by the organizational constraints that exist even though they can see the benefits of social commerce for sales and marketing. These pressures can exist internally, such as a manager or business partner recommending the use of social commerce. These perceived pressures may also be a result of the business's own customer base. External pressures are the result of the external business environment. Competitive pressure referred to the level of social commerce in the firm's industry and of its competitors. Competitors in the industry may also pressure a firm into adopting the technology out of feeling a need to stay competitive. For IS researchers interested in technology usage at the organizational level, these findings suggest that they need to consider external factors, such as stakeholder pressure, in addition to the traditional technology or innovation factors such as usefulness, relative advantage or ease of use.

An additional major contribution of this research is the use of the TOE framework to understand organizations' perspective on social commerce, as opposed to the individual perspective taken by most research (e.g., Heinrichs et al., 2011; Kim & Park, 2013; Liang et al., 2011; Ng, 2013; Scott & Orlikowski, 2012; Shin, 2013). In addition, the research focuses on social commerce benefits, as opposed to an individual's intentions to use social commerce, one of the most studied dependent variable (e.g., Kim & Park, 2013; Liang et al., 2011; Ng, 2013).

Implications for Practice

For practitioners, this research provides a tool to guide and evaluate small business initiatives. For small businesses to be able to capitalize on the potential benefits of social commerce, our results suggest that the technological features and the impact of those features on customer experiences should be managed and fully understood by the firm. Second, our findings suggest that stakeholder pressure is the best predictor of social commerce benefits. Stakeholder pressure can include business partners within the firm as well as the customer base itself demanding the technology.

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Social commerce technologies provide small businesses the ability to integrate ratings and reviews into product pages. By creating a social experience for customers, and leveraging the unique components of social commerce from a technical, application and strategic perspective, retailers have the ability to create brand and product advocates. In turn, this creates a more interactive, and more effective online experience for customers with the hope of increased sales. As shoppers have adopted social commerce, merchants and manufacturers have responded by providing features such as ratings, reviews and integration to SNS. Companies are innovating the shopping experience with social commerce technologies that provide integrated social campaigns. Social commerce has allowed small businesses to evolve beyond e-commerce.

Limitations

The survey approach resulted in a lack of direct control over subjects while taking the survey, which was distributed via e-mail to potential subjects. The subjects were able to click on the link provided to them, which directed them to the survey posted on the Internet. Once the users accessed the survey, it was up to them to complete the survey at their own pace in a place of their choosing. While the time that each respondent spent completing the survey was monitored, the respondents could not be observed. The sample size could also be considered somewhat small for the analyses performed. However, the rules of thumb of PLS analysis suggest that the sample was sufficient for the analyses performed, and there remained several degrees of freedom when the analyses were performed.

CONCLUSION

The objective of this research was to examine the antecedents of social commerce benefits for small businesses. The model explains 66.3% of the variance in social commerce benefits for small firms, which provides a strong foundation for future research on social commerce. The resulting model is parsimonious yet explanatory. As small businesses are likely to face increased demands for social media from customers and other business partners, this research provides a first step towards an understanding of how they can better utilize social commerce and realize their potential benefits.

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APPENDIX A

Table 2. Measurement model testing

Constructs	Std. Loading	Comp. Reliability	AVE	Alpha
Quality of Social Media Technologies (Designed for study)				
There are social media outlets readily available for use	.788	.847	.736	.657
There are a large number of people in my region using social media technologies	.922			
Availability of Social Commerce Rules & Regulations (Zhu & Kraemer, 2005)				
In my industry, business laws support social media use as a sales/marketing tool	.850	.861	.756	.679
In my industry, legal protections exist for consumer protection on the Internet	.889			
Organizational Constraints (Zhu, Kraemer & Xu, 2006)				
It is challenging to integrate social media initiatives into one's overall marketing strategy and business	.539	.784	.559	.705
My company is lacking staff with social media expertise that is required to fully utilize and benefit from social media	.732			
My company lacks sufficient top-management support to achieve social media benefits	.922			
Stakeholder Pressure (Hsu, Kraemer & Dunkle, 2006)				
Customers demand it	.917	.899	.748	.830
To improve communication channels to your customers	.805			
Top-management requires it	.869			
Competitive Pressure (Wang, Wang, & Yang, 2010)				
Degree to which social media influences the competition in your industry	.877	.902	.822	.789
Degree to which your competitors influence your business in the local market	.935			
Social Commerce Benefits (Picoto et al., 2014)				
Improved marketing flexibility	.720	.891	.622	.846
Increased control of direct marketing objectives	.834			
Reduce marketing costs	.794			
Sales increased as a result of social media use	.844			
Sales area widened	.744			

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APPENDIX B

Table 3. Item-construct correlation

Items	CP	OC	RR	SP	SMT	SCM
Competitive Pressure 1 (CP1)	**0.877**	0.073	0.146	0.282	-0.052	0.321
Competitive Pressure 2 (CP2)	**0.935**	-0.025	0.273	0.310	0.088	0.436
Organizational Constraints 1 (OC1)	0.156	**0.539**	-0.054	-0.032	-0.244	-0.163
Organizational Constraints 2 (OC2)	0.170	**0.732**	-0.229	-0.075	-0.391	-0.149
Organizational Constraints 3 (OC3)	-0.072	**0.922**	-0.506	-0.535	-0.449	-0.530
Av. of Rules and Regulations 1(RR1)	0.290	-0.323	**0.850**	0.314	0.208	0.400
Av. of Rules and Regulations 2 (RR2)	0.139	-0.459	**0.889**	0.466	0.245	0.459
Stakeholder Pressure 1 (SP1)	0.358	-0.313	0.364	**0.917**	-0.042	0.598
Stakeholder Pressure 2 (SP2)	0.196	-0.394	0.388	**0.805**	0.074	0.680
Stakeholder Pressure 3 (SP3)	0.302	-0.417	0.419	**0.869**	0.050	0.647
Qual. of Social Media Technologies 1 (SMT1)	-0.138	-0.458	0.323	0.013	**0.788**	0.166
Qual. of Social Media Technologies 2 (SMT2)	0.131	-0.407	0.168	0.041	**0.922**	0.265
Social Commerce Benefits 1 (SCM1)	0.436	-0.411	0.355	0.650	0.277	**0.845**
Social Commerce Benefits 2 (SCM2)	0.240	-0.389	0.376	0.579	0.307	**0.744**
Social Commerce Benefits 3 (SCM3)	0.145	-0.475	0.504	0.518	0.163	**0.719**
Social Commerce Benefits 4 (SCM4)	0.388	-0.425	0.400	0.593	0.505	**0.833**
Social Commerce Benefits 5 (SCM5)	0.443	-0.197	0.331	0.599	0.428	**0.794**

APPENDIX C

Table 4. Discriminant validity test

**	CP	SMT	OC	SCM	SP	RR
Competitive Pressure (CP)	**0.907**					
Quality of Soc. Media Technologies (SMT)	0.031	**0.858**				
Organizational Constraints (OC)	0.018	-0.490	**0.747**			
Social Commerce Benefits (SCM)	0.425	0.260	-0.481	**0.788**		
Stakeholder Pressure (SP)	0.327	0.035	-0.437	0.747	**0.865**	
Av. of Rules and Regulations (RR)	0.240	0.262	-0.454	0.495	0.454	**0.870**

** Diagonals are square roots of AVE

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Chapter 65
Smart Tourism Development: The Case of Halkidiki

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ABSTRACT

Halkidiki is a district embedded in Central Macedonia, Greece where tourism has been the most significant pillar of development; however, the sharply declining economic performance of the recent years, clearly indicates the need for structural changes and the development of an ambitious long term regional strategy plan, in order to face economic challenges, explore new market opportunities and robust the existing regional competitive advantages. The purpose of the chapter is to introduce smart tourism development model, which is based on three distinctive development tools: 1) Smart Specialization Strategy Methodology, as the pillar to determine and support specific priorities; 2) Quality Policies, as a pillar of stakeholders commitment to provide superior quality products and services, mostly though Local Quality Agreements; and 3) Social economy entrepreneurship, as the third pillar upon which local population and social entities will be engaged and involved. Smart tourism development model aims to establish a new tourism development perception, closely linked to the existing local market opportunities and simultaneously contributing to the enhancement of the competitive advantages of as many as possible of the other sectors of the regional economy.

INTRODUCTION

At a time when a significant number of the European Union member-states are dealing with the detrimental effects of the ongoing economic recession and the refugees' issue, the E.U. has defined, in the Europe 2020 Strategy Framework, a new "smart" vision for a social market economy, deeply rooted within the three interconnected priorities of Smart, Sustainable and Inclusive Development.

Defining "smart", we need to delve into the EU Strategy for regional development, as it was referenced in the Europe 2020 declaration. According to that definition, the actual meaning of the term is

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the intention of the European Union to enhance development by activating and customizing all possible strengths of EU regions, towards a feasible, mature and focused productive goal in order to enhance significantly the level of competitiveness in the global market (Gomez & Nunez, 2014).

Focusing on the area of interest, Halkidiki is a district embedded in Central Macedonia, Greece where tourism has been the most significant pillar of development at least during the last three decades; however statistical data regarding the period 2008-2014, issued from the Greek Tourism Confederation, bring out that earnings, employment ratings along with income and investment multipliers are sharply declining, indicating the need for structural changes (SETE, 2015).

Given the fact that Smart Specialization Strategy (3S) is the leading benchmark for development in Europe, the purpose of the study is not merely to highlight the alignment of a smart specialization strategy within the tourism sector, but to elaborate a holistic *smart tourism development model* in the region of Halkidiki Greece, using three distinctively functioning, nevertheless conceptually cooperating, development tools: (i) Smart Specialization Strategy Methodology, (ii) Quality Policies, and (iii) Social economy entrepreneurship. The expected final outcome of a smart tourism development model is twofold: to contribute to the establishment of a new tourism development perception, closely linked to the existing local market opportunities, and simultaneously to contribute to the enhancement of the competitive advantages of as many as possible of the other sectors of the regional economy, using in parallel as catalysts, the notion of quality and the initiative of social entrepreneurship in order to gain active involvement of local communities and stakeholders.

BACKGROUND

First Development Tool: Smart Specialization

The concept of Smart Specialization was developed at the end of the previous decade by a group of experts-academics as a new approach for increasing the efficiency of European investment in research, innovation and entrepreneurship (Forey, 2014).The concept is based on the understanding that it is not possible for all regions to perform equally well in all areas of science and innovation, as they do not have the necessary critical mass of basic factors, such as enterprises, knowledge and research centers. In fact, more often than not, regions do not have sufficient prerequisites to ensure an effective collaboration between innovation factors, which are necessary for gaining larger market shares at a global competitiveness level. Smart Strategy is a regional initiative seeking to explore and discover existing and potential technological and market advantages in order to establish a robust competitive opportunity, upon which related development policies will be conceptually based and implemented (Forey & Goenega, 2013).

Hereby, it is important to clarify that Smart Strategy is not a doctrine that requires a region to specialize in a particular set of industries. Instead, the strategy espouses the element of "vertical and non-neutral" intervention, implying a bottom- up, multidimensional and broad development mechanism of economic transformation, able to support the European Commission vision of "smart, sustainable and inclusive growth" (Avdimiotis et al., 2015).

Under this outline and in terms of strategy implementation, the European Commission requests regions to join forces and resources in order to support specific priorities, instead of diffusing their investments in a wide range of economic activities. Therefore, each region is encouraged to establish a set

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of priorities-based on particular comparative advantages and strengths to maximize focus and reinforce its competitiveness in the global economy.

It is to be noted that the, so called, Research and Innovation for Smart Specialization Strategies (RIS3) has become the dominant norm in Europe 2020 vision aiming to ensure a rational and effective use of public funding. The European Council has underlined the meaning of RIS3, as a concept where "each region relies on its own strengths to determine priorities for national/ regional strategies for innovation, as well as for cross-border collaboration". The Council called for the EC "to guide member-states towards the right direction for improving the performance levels of national innovation systems through the implementation of RIS3"(Peter & Frietsch, 2009).

In terms of actual implementation, Smart Specialization evolves in a meticulous and distinctive six-step-bottom-up methodological approach aiming to actively involve as many as possible social, economic, innovation and research stakeholders (Muscio et al., 2015).The six-step methodology was developed in the original Guide to Research and Innovation Strategies (European Commission, 2012). The initial, first step refers to the analysis of the actual economic structure of the region. The second step focuses on governance since the effectiveness of smart specialization to nurture "innovation-driven growth" is severely affected by such capabilities. The next, third step refers to the establishment and declaration of a common-shared vision for all stakeholders. The fourth step refers to selection of limited number of priorities for regional development, the fifth step entails the construction of an action plan, serving the coherence of players and domains, whereas the final step monitors and evaluates the accuracy of all undertaken policies.

Second Development Tool: Social Entrepreneurship

The term *Social Economy* is used to determine a certain part of the economic system: a whole set of organizations, such as cooperatives, non-profit organizations, unions/federations and, recently, institutions. The driving force of social economy is the *social capital*, which is the essential issue for any economic activity. Social capital involves socialization relationships among the members of a community, trust building, reciprocity, common rules, official and unofficial social networks and effective communication channels, which are ready to be activated by individuals or groups of a community as economic entities.

Moreover, another concept within the Social Economy framework, is that of the *Social Innovation,* which is understood as a combination of "new ideas and measures for resolving societal challenges, widely accepted and applied from the social groups which will present an interest" and usually include services, rules, processes and social practices (OECD, 2016).The working definition of Social Innovation adopted in the framework of the 2000 Forum on Social Innovations stated that "it can concern conceptual, process or product change, organizational change and changes in financing, and can deal with new relationships with stakeholders and territories". Social innovation seeks new answers to social problems by (OECD, 2016):

- Identifying and delivering new services that improve the quality of life of individuals and communities.
- Identifying and implementing new labor market integration processes, new competencies, new jobs, and new forms of participation, as diverse elements that each contribute to improving the position of individuals in the workforce.

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Social innovation can therefore be seen as dealing with the welfare of individuals and communities, both as consumers and producers.

Social Entrepreneurship, which according to the European Economic and Social Committee (2012) employs 6% of the European workforce and represents 10% of all European firms, is also viewed as one of the main tools to achieve welfare, sustainable development and generate new job opportunities. Social Business Initiative(SBI) has been inaugurated on 2011 and represents the wider EU initiative that aims to support the development of social enterprises across the continent. Within the SBI text, the Commission has placed the social economy and social innovation at the core of its interests, in terms of both territorial cohesion and search for new solutions to social problems. Social entrepreneurship is meant to target in solving social problems, such as the protection of the environment, education, health service, poverty, energy, water sources etc. The solution of the each time targeted problem should be set in the center of the social enterprise activities and should arise through the implementation of innovative approaches (European Commission, 2013). This perception aims to be in line with the Europe 2020 vision, which understands social economy as the basic sufficient structure to face severe social problems, such as social exclusion, poverty etc. (Campos & Avila, 2012).

According to European Commission (2013), the lively character of the social mission of social enterprises is that the profits made by a social firm (regardless of its legal form of profit or nonprofit) are primarily reinvested in the organization and used for the accomplishment of its mission. The restriction on the distribution of profits and assets is often called "asset lock" and it is established in the company's statutes or requisitioned by law. This main characteristic of the social enterprises in many European countries mainly aims to ensure that the assets will remain in the company and will continue to be available for the public interest that the organization has set.

Acknowledging that there have been many arguments, which dispute the effectiveness of social private entrepreneurship, it is argued that the most essential feature of any social activity is the collective action of people and social networks. Social innovations arise and depend on alliances between different partners; hence the outlook of any social innovation depends on the existence of social networks and social capital. Through the objectives of the networks social economy might become more achievable. Of course, such a direction requires certain economic, law and institutional, both national and European, prerequisites. These are the necessary conditions for any attempt in the area of social economy that might aim to create social and economic value, develop and expand new innovation potentials. On the other hand, it is strongly questionable if regional development could be achieved based only on private initiatives without any social economy effort. In this study it is suggested that social networks, social innovation and regional (smart) development are strongly inter-related (See Figure 1).

In Greece, the 4019/11 law established the institutional framework of Social Economy. A new legal form of Social Enterprise was introduced while certain conditions were set for the recognition of the existing legal forms, social economy organizations and entrepreneurship. According to this framework the Social Economy is defined as "all economic, entrepreneurial, productive and social activities, which are undertaken by legal entities or associations, whose statutory purpose is the pursuit of collective benefit and the service of general social interests". Focusing on the area of interest, the last decade, social economy undergoes a constant transformation from mainly agro-cooperatives, to social entrepreneurship expanding synergies and incorporating stakeholders from other sectors, creating social networks and clusters (Reid et al., 2012).

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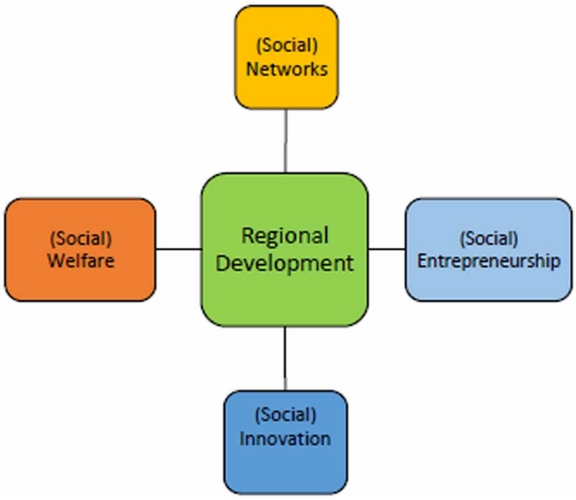
Figure 1. Social regional development



Third Development Tool: Quality

There have been many arguments creating an impression that the conquest of Development and the assurance of Quality at a local and/ or regional level, are by nature competing objectives, one putting obstacles in the way of the other. A key factor in creating this negative and inhibiting image is the prevailing, fuzzy or distorted perception of the content of those two concepts. This is especially apparent in the concept of development, which for decades was understood as synonymous with the concept of growth. Most approaches of development, have usually one-sided, devoid of quality elements, selectively focusing on some of its aspects, especially on the financial development (CQGRD, 2011).

On the other hand, there are some completely different points of view; that not only there is no inherent antagonism between the development and quality goals but on the contrary, the gradual achievement of the first one is a prerequisite for the promotion of the other one. Of course, this is not an easy task to follow, as the strategy for the simultaneous pursuit of development and quality should be built on the clarification of concepts, on the search of links between them and on the elucidation of the required commitments in each one, in a way sufficient to ensure a framework of harmonious and coordinated collusion(CQGRD, 2011).

A fine example of the coordination and synergy between development and quality is the development process of local products. Local products are able to contribute in the development of a region by the creation of a qualitative "identity" of the place, creating links between products, human resources, landscape and culture (Jarvis et al.,2003)

In recent years, a remarkable shift in consumer behaviour towards local products is evolving (Blythe, 2009). In general, local products are those goods or services that are produced or provided by different companies in outdoor areas and can be identified by a recognizable socioeconomic identity (Libery & Kneafsey, 1999). Local products are considered to be the traditional, specialty products, which are very often of high quality, compared to the conventional, mass products. The reasons for the aforementioned consumer shift might be found among the following ideas (Deloitte, 2015):

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- Food crises and anxiety about the quality and safety of food products
- Rising environmental concerns
- Residents' removal from rural areas and the lack of "authentic" products
- A certain consumer target holding relatively higher incomes, which is seeking for high quality in products and services that are related to tradition, inheritance and culture of a region

All of the above provide increased demand for such products and services and constitute a potential economic opportunity for regions capable to properly diversify their products, as well as an opportunity for the endogenous dynamics of disadvantaged areas towards their own development path. Especially in the case of Greece and the so-called Mediterranean diet, there have been globally recognized research results relevant to public health and life expectancy (Psaltopoulou et al., 2004).

Of course, the narrative that local performance should be always linked to "good quality" and the global or mass performance to "bad quality" is clearly in danger to collapse unless accompanied by actual quality. On the other hand, the quality of a product is a socially constructed concept with different meanings and forms depending on the products, the countries or regions and the social context in which it has been developed and evolved (Libery & Kneafsay, 1999, Morris & Young, 2000, Jarvis et al., 2003).

There are some rather formal criteria that link the quality of a product with its attributes and characteristics that make it able to fulfill the consumers' needs and wants (Christmann and Taylor, 2006). These criteria are:

- The actual quality of the product, which usually regards the quality of the material used in the production process, the recipe, the technology involved, the nutritional value of the product (if it is a food product) etc.
- The certified quality, which is derived from various certification systems. The certification refers to two separate and distinct processes: the first one certifies the origin and / or production process giving specificity to the products, while the second one refers to the quality markings of raw materials or to the guarantee of the production process and to the product safety (e.g. organic label, certification systems ISO or HACCP, integrated management, etc.).
- The symbolic quality, which refers to the quality attributed to a product due to specific cultural, ideological or symbolic relations developed between the product and the consumer. For example, cultural heritage, tradition, mythology, values, the "way of life"might become available to and obtained by consumers through certain products or services.

It is to be noted that a differentiation in the price of these products is usually necessary as the cost of production, in less favored or disadvantaged areas, is by definition higher; in most cases local products cannot compete in terms of price with similar conventional products coming from advantageous areas, especially if the local products are undifferentiated and unspecialized.

In all cases, the combination of actual quality, certification and symbolic quality may result in higher value-added product. Of course, this prerequisite does not imply automatic benefit of local producers, as the question of which link, in the production and distribution chain, enjoys in practice the added value is open and depends on local conditions, especially on the consumption rate on the spot.

In any case, there is no doubt that certain opportunities arise for producers, processors and providers of services in the remote areas. In the long term, if these disadvantaged, so far, areas were oriented towards following certification processes in their traditional, qualitative products and/or services they

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might evolve in proportionately cheaper, hence competitive market entities. At the same time, the production of local products could be established as the cornerstone of synergies between different economic sectors. This requires local synergies, collaboration between producers of raw materials, finished goods producers, retailers and service providers in smart and flexible procedures that are able to create positive externalities. This coexistence may contribute to the development of these regions by raising the productive activities and employment, encouraging entrepreneurship, and strengthening the economic structures and social cohesion (Tsartas et al., 2010).

Current Situation Analysis

In line with the aforementioned tools, the initial step of the economic structure analysis is able to provide the basis, on which all following steps can be structured and evolved. In order to implement this highly important stage of analysis, as thoroughly as possible, the following benchmarks were pursued in this study, adopted, after minor amendments, from a European Commission funded study by Technopolis Group & Mioir (2012):

- Map all economic activities of the region
- Record all the technical and business innovation infrastructure
- Record and analyze the current synergy network on a national and international level
- Outline the friendliness of the business environment towards innovation and business detection
- Investigate the Research and Development current support and funding policies
- Ensure the necessary amendments, to reinforce competitiveness dynamics.

Map All Economic Activities of the Region

Halkidiki is situated in the northern part of the Aegean Sea. Thermaikos bay lies on the west of Halkidiki and the city of Thessaloniki on its west-northern side. Geomorphologically, the southern part of Halkidiki consists of three scenic, same in size peninsulas, namely: Kassandra, Sithonia and Mount Athos, the autonomous monastic territory, where "the bell tolls only for men" indicating that the Mount Athos area is not accessible to females. The region took its name from the town of Halkida, in EviaIsland (Greece), which alongside with the city of Eretria, were the first ancient cities to establish colonies in the region. According to another view, the name is generated by the word "copper" (halkos in Greek), due to the abundance of valuable metals in the subsoil of the region.

The Demographics of the Prefecture

The number of permanent residents of Halkidiki totals 105,950 people, with strong population variations mainly during the summer months, representing 0.98% of the population of Greece, 5.65% of the Region of Central Macedonia, achieving a positive average population growth over the last decade, at a rate of 0.90. Regarding the residential network, the region is polycentric, without any urban center in the conventional sense. Halkidiki has a wide dispersion of inhabitants over more than 210 settlements, of which only four have more than 4,000 inhabitants, while 57.7% have fewer than 150, explaining the argument that the residential synthesisis directly connected to multi scattered attributes and wide dispersion of local economy (Halkidiki Hotel Association, 2014).

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At the social level, Halkidiki seems to have strong family ties, following the standards of the Region of Central Macedonia. 55% of residents are married, 8% widowed and divorced is the 1.8% of the total population. With regard to the conditions in households and families, the nuclear family model is followed, with the number of children to decrease significantly. Regarding education level, 67% of the citizens are primary, secondary and post-secondary school graduates, 20% are graduates of higher education institutions, and 13% of the population is illiterate, mostly spotted in the above of 65 years of age group (Hellenic Statistical Authority, 2015).

Current National and Regional Economic Juncture Overview

Evidence from the Hellenic Foundation for Economic and Industrial Research (2016), the Greek economic environment remains unstable and marginal; unfortunately the European level of development is weak too, as the whole edifice of the European Union faces the most severe crisis of all times. In Greece, although the national macroeconomic indicators reflected recently a stabilization of the economy according to the Hellenic Ministry of Finance (2015), all business indicators (liquidity, profitability, capital structure, sustainability investment indices, etc.) remain still at disappointing levels (Foundation for Economic and Industrial Research, 2016). In addition, the classification rank of the country in the Global Competitiveness report of the year 2014 seems extremely low (91st in total 144 countries) in comparison to pro-crisis eras. In overall, it seems that the whole country and of course the business domain, particularly the SMEs' sector, is still struggling to restrain recession. Almost two out of three of small and very small businesses are declining without emerging recovery prospects, while for the first half of 2016, the valuation of prospects remained negative. Focusing on Central Macedonia, the data published by the Hellenic Statistical Authority (2014) indicated that the overall growth rates keep hindering since 2004, even before the official starting point of the economic crisis (late 2009).

Nevertheless, it has to be mentioned that the larger share of destruction fell on people's shoulders. Almost one out of three in overall and six out of ten young citizens is unemployed; the population portion below the poverty limit is close to 25% (Hellenic Statistical Authority, 2014), while the wages and salaries have decreased by 50% average since 2009.

The Primary Sector

Halkidiki is largely hilly - mountainous and geographically fragmented. Only 21.6% of the total area is flat and it is mainly located on the coastal zone of the Kassandra peninsula and the area of Ierissos in the east part. It has a large coastline and extensive woodland. The combination of rich vegetation and coastline creates a noteworthy landscape that gives the area a significant competitive advantage. On the other hand, the territory relief creates difficulties in agricultural activities. The area of cultivated agricultural land is about 23% of the total area, pastures account for 1.6% of the total area, while the forest land, covers about 73.4% of the region. According to the Hellenic Statistical Authority (2014) there is a considerable large variation of average altitude of the total cultivated area,, approximately 52% is cultivated with cereals 32% with tree cultivation, 2% with vines and 9% are fallow, while 33% of the area is rented to farmers. It is significantly important to note, that only 0.5% of the total land, is systematically cultivated having a severe impact on standardization of production and generated income.

Due to the large forest cover, there is a very significant timber production. The total of the pine forests and evergreen broadleaf also offer significant exploitation potentials for the development of alternative

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forms of tourism. Furthermore, greatly important is the contribution of forests to the local economy through beekeeping. The geographical boundaries of the municipality, collected a notable amount of production making beekeeping strategic advantageous.

Regarding fisheries, the number of employees is declining, while the over-exploitation of marine wealth, is becoming threatening. Fishing catch is primarily absorbed by the market of Thessaloniki, but the export efforts in countries of Central Europe gain in importance. The professional vessels operating in the region reach the number of 250, of which 15 are trawlers or purse seines and the rest fall into other types of coastal fisheries. The overall number of direct and indirect employees recruitment, reaches the 1200, while the amount of the catches which was transferred to the markets reaches 550 tn (Municipality of Aristotle, 2015). Taking into account the overexploitation of the sea spices, in the gulf of Ierissos, the reinforcement of the biodiversity was endeavored with the establishment of a technical reef.

With concern to the livestock sector, the most important areas are those of Arnea and Ierissos, where almost 29.000 sheep and goats, 1000 cattle, 1220 swine and 1070 cows are breed, sufficiently supplying the local meat market and creameries (Municipality of Aristotles, 2015).

In the municipal district of Taxiarchis of Polygyros municipality one of the most important agricultural activity is the cultivation of spruce trees to be sold as Christmas trees. The climatic conditions of the region make it unprofitable to any other crop, except spruce trees. It is to be noted that 75% of the national demand for Christmas trees is covered by the Taxiarchis region.

The fruit and vegetables production is rather small, quite unplanned, highly scattered, designated for the local market covering an insignificant percentage of the hotel demand.

In conclusion, during many decades, growth in the primary sector has been unplanned, based on randomness, without taking into consideration the concept of carrying capacity, which resulted into negative effects in almost all domains, particularly in the fisheries sector. The analysis revealed the dramatic absence of strategic planning in the region, which is essential to interconnect individual production activities, set priorities for development, and thereby ensure the stability over time in the production, long-term maintenance of profits and finally social cohesion and prosperity.

The Manufacturing Sector

The structure of the manufacturing industry in Halkidiki is entirely consisted of micro and small enterprises (about 97%), employing fewer than ten people, having mainly family character (Ministry of Environment and Climate Change, 2013). During the recession, processing notes significantly keep declining mainly because a) the primary production sector continues to shrink b) there is an overall shift of the growth model towards services, where the investment required is considerably smaller, and c) a significant number of companies transferred their headquarters in countries with more favorable taxation.

During the last years the manufacturing sector, is mainly supported by the oil and olive process units. Halkidiki's "green olive" has become the trademark of north and central region, achieving exports in several countries, while extra virgin olive oil is also exported as a wholesale in several countries. The overall contribution of oil and olive oil process industry to employment is more than 1500 workers (Halkidiki Hotel Association, 2014).

The region is also an important location of the wine routes of Northern Greece, attracting a significant number of wine loving tourists. The route begins at St. Paul and Nea Gonia, from the winery of Evangelos Tsantalis, nearby the "cave of ancient man" in Petralona and continues to taverns and restaurants of Kassandra. In Sithonia, the route includes the vineyards of Porto Carras and the tasting facilities on

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the slopes of Mount Meliton. In the area of Mount Athos, the vineyard in dependency of Chromitsa and winery Mylopotamos can be found. Further north, in the mountainous Chalkidiki, in Polygyros, the winery of the estate Claudia Papagianni is founded. Almost 50% of the overall production of wineries is worldwide exported. The remaining 50% is allocated in the Greek market, a small percentage of which remains to be consumed in the local market.

The Tertiary Sector

During the past few decades the Greek economy evolved into a service oriented economy, with tourism, commerce, and banks, acquiring the lion's share of the GNP. Nevertheless, it is to be mentioned that although Greece is able to provide services of excellent quality, the tertiary sector, as a whole, appears to be unstructured, lacking thorough, detailed and long term planning.

In the same pattern, the tertiary sector in Halkidiki plays an imperative role having a significant impact on a wide range of other sectors. In thick lines, the structure of services consists of 20% tourism businesses, 30% commerce (whole and retail), 5% transportation, 15% leisure and recreational businesses, while the remaining 30% includes other activities such as financial intermediates, education, management, marketing services etc. (Ministry of Environment and Climate Change, 2013).

It has been mentioned previously that tourism industry is dominant while several domains and other activities notably develop according to the extent of tourism development (Halkidiki Hotel Association, 2014). For instance, the sectors of transportation, financial intermediaries, retail and wholesale commerce, logistics, restaurants, recreation, entertainment and other activities are substantially depended on tourism. Although tourism has become the cornerstone of development, influencing almost the whole local economy, yet, it remains randomly developed and unstructured, strongly depended on tour operators and (at the same time) is vulnerable to exogenous factors.

Employment

Halkidiki, seems to stand below the national average rate of unemployment and seasonal employment of Greece. Evidence from the Hellenic Statistical Authority indicate that the general structure of employment remains seasonal and roughly mixed, with a slight emphasis on the tertiary level of production, including a wide spectrum of ages, both genders and educational level. The grid of employment is directly connected with the current production model, which involves mainly tourism and partly food processing, agriculture and fishing.

Table 1. Employment structure

Main Settlements of Halkidiki	Productive Population 2011 (15-64)	Agricultural Level -Unemployed or Seasonal Employed-%	Secondary Level -Unemployed or Seasonal Employed-%	Tertiary Level -Unemployed or Seasonal Employed-%
Ierissos	5.273	21,38%	31,88%	34,25%
Polygyros	10.748	14,79%	24,74%	41,18%
Moudania	5.525	16,22%	26,19%	40,61%

Source: (Ministry of Environment and Climate Change, 2013).

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Investments

Despite the unfavorable economic environment, Halkidiki has become receptor of major investments, particularly in tourism, and recently in the field of copper and gold mining. More specifically, in the area of Ouranoupolis, a luxury hotel chain, extends its existing infrastructure in an area of 15000 square meters, while in the area of Canistroin Kassandra peninsula, a luxury hotel- spa and marina construction investment is realized. Both investments will offer more than 500 direct and indirect jobs. At the same time, the recently in full extent completed investments of newly established hotels in Neos Marmaras and Gerakini are about to establish a dominant role in Halkidiki hospitality infrastructure. Finally, the strategic partnership of a major domestic hotel chain and a significantly important fund, create appropriate conditions of further investments in tourism and the overall improvement of infrastructure in tourism sector (Halkidiki Hotel Association, 2014).

In the field of copper metallurgy and gold, a consortium of domestic and Canadian companies, established an extensive, nevertheless controversial, mining investment in NE Halkidiki, which is at a considerably insecure state due to strong reactions on behalf of the local community and professional associations with reference to the negative environmental footprint of the activity (Halkidiki Hotel Association, 2014). In the area of manufacturing, investments are restricted to olive oil and wastewater treatment processes.

New Technology and Innovation Capabilities

New technologies are one of the necessary requirements to achieve, in order to maintain and improve the region's comparative advantages. Although in Halkidiki, the new technology absorption is found to be at acceptable standards, at least to some extent, it has to be clearly stated, that this is by no means a region innovator of new technologies.This could be related with the insufficient connection of Universities and research centers with the active industry, the currently existing structure of the local economy, which is largely depended on Small and Very Small Enterprises and finally to the discouraged economical juncture and the subsequent heavy taxation policies. All factors, together could have an apparent influence on production costs and the time which is required to incorporate innovation. Towards this direction it is necessary for the government to address the issue and establish lower taxation rates of innovation integration. Furthermore, the Smart Tourism Development Model - that this study aims to suggest - could be a landmark of innovation enhancement and further incorporation of new technology, as a result of well designed, focused, targeted and extensive production.

Record Technical and Business Infrastructure

On the issue of infrastructure the region shows an uneven distribution and marginal efficiency, especially during summer period. The electricity grid covers only marginally the increased demand mostly in the peninsulas of Kassandra and Sithonia. Concerning transportation network, the whole range is quite unsatisfactory, inadequate and very dangerous, having as direct consequences the inability of the region to support mass transportation during tourist period towards Kassandra and Sithonia (both important tourist destinations) and the exclusion of east Halkidiki from the international road of Egnatia Odos s.a., due to the very low standards of the vertical connection to Ouranoupolis (Municipality of Aristotle, 2015). Port and docking infrastructure is also inadequate to support the safety of passengers and vehicles,

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undermining the development prospects of marine tourism in the region. As for the water supply and irrigation network, significant deficiencies and problems were found despite the sufficiency of groundwater. There are, for example, major delays in implementing the Havrias dam in Ormylia and Petrenia dam in Gomati, to facilitate the water supply of the local population and irrigation of agricultural land.

It is to be noted that the European Union Funding Framework 2007-2013, which provided the necessary financial basis, where on important works of infrastructure were established such as the reconstruction of road networks, the slaughterhouse in Arnaia, the marine terminal in Ouranoupolis, the Port of Nea Moudania. Beyond infrastructure elements, a great number of SME's were funded to expand and rebuilt, improve and renovate their equipment. Tourism sector extensively employed the opportunity to upgrade existing infrastructure, absorbing almost the total of tourism related funding programmes.

Record and Analyze The Current Synergy Network on a Local and Regional Level

Halkidiki is divided into five municipalities, Aristoteles, Kassandras, Neas Propontidas, Polygiros and Sithonia. It is commonly accepted by all stakeholders that the small financial size of the region restricts the potential of large-scale economy. Therefore, there have been previous suggestions that the optimum direction should have been the establishment of business networks (either horizontal or vertical) in order to reinforce synergies, set common strategic targets and policies, ensure joint quality standards and hopefully obtain large-scale benefits(Municipality of Aristotle, 2015).

There are already significant co-operatives, associations and networks in the area, which however lack in links and bounds between and among them. In the primary sector, there is a dominative cooperative, named "Sithon", in the honey production, which was established in 2005 and is permanently succeeding to control the cultivation and distribution of the total honey production. There is also the "Agriculture Cooperative Union" while there are ongoing procedures to create a co-operative among producers of herbs. In the field of olives and olive oil production, there is the "Agriculture Association Union", which handles a major part of production. In the secondary sector, an important established network is the social company of "Aristotles Land", which since 2013, has become a major stakeholder in food process and standardization.

In the tertiary sector, the "Halkidiki Hotel Association" and the "Association of Rental Rooms and Apartments" were established in the early 2000 playing currently an imperative role in synergies development. In 2007, the "Halkidiki Business Network" was established, as a social entrepreneurial initiative, aiming to collect all the productive forces towards the direction of continuous cooperation. This network established in2011 the "Local Quality Agreement", in an effort to set the quality standards in a wide spectrum of SME's. The Local Quality Label is currently supported by a notable number of companies, shaping the quality standards in oil production and olive labeling, also in taverns and restaurant service, quality service of accommodations etc. (Municipality of Aristotle, 2015).

Business Friendliness Environment

As it was aforementioned, the local economy of Halkidiki is characterized by the existence of many micro, small and medium enterprises. Under this structure, for many years Halkidiki accounted as an investment center of reference, particularly in the tourism sector. However, this procedure was disrupted by the recession and the restructuring of the banking sector since 2010 and onwards. As it was previously

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highlighted the financial sector holds the most particularly important role in shaping the future business environment. Greece has been in the era of "Memorandums", which are agreements between a country member of EU and its partners-lenders. The strict, restrictive both fiscal and financial measures have strangled all productive forces, the working people most of all, nevertheless any business investment plans. However, the EU institutions and Greek Governments expect that the consolidation of the banking sector and the removal of restrictive measures are expected to eventually restore stability, raise the volume of deposits at satisfactory levels and gradually reduce the cost of borrowing.

Private investment fell by 30 billion Euros during 2007 – 2015 period of years, which is the 65% of its initial value (Melas, 2015). Regarding startup procedures, they were found to be rather complex, overdemanding, time consuming and bureaucratic, so far. Alongside with startup insufficiencies, the issue of heavy and unstable taxation remains significantly important towards the realization of an investment (Hellenic Institute of SMEs, 2014).As from September 2013 the institution of the Investor Ombudsman was established through Enterprise Greece, aiming to unblock bureaucratic Public Services (Greek Investment and International Trade Company, 2016)

Research and Development Funding Policies

All four of the country systemic banks operate through numerous branches throughout the region. However, there are certainly serious deficiencies in funding innovative ideas and schemes, furthermore research and development initiatives. Traditionally, the funding support of innovative ideas had been strictly limited to public expenditure, a policy which was terminated due to capital controls. Restrictions in funding should be also attributed to the nature and the structure of the vast majority of the SMEs in the region, which suffer from low prioritization, or insufficient budget or even total absence of research and development departments.

Nevertheless, financial organizations address with great reticence almost any innovative venture scheme, mainly due to the general negative economic and business environment. It could be postulated that the whole framework of current economic context, does not contribute to the development of innovation driven investment culture (Halkidiki Hotel Association, 2014).An imperative hope for the recovery of the banking system and the Greek economy as well, remains the new programming period 2014-2020 of the national financial reporting framework of the European Union. Towards this direction, among other regions, the region of Central Macedonia, to which Halkidiki belongs, prepared the Strategy of Smart Specialization, in order to achieve sustainable, inclusive and flexible development, on sectors with existing or potential competitive advantage (Reid et al., 2012).

Necessary Amendments towards Reinforcement of Competitiveness Dynamics

The outcomes of the preceding analysis (which was attempted through the prism of the smart specialization concept in conceptual collaboration with the social entrepreneurship and quality concepts) revealed weaknesses and strengths of the region with regards to the three sectors of production and the so far development model of the area. First of all, it was understood that the most advantageous cluster of the region is undeniably tourism. Nevertheless, it was found that tourism growth itself, although profitable, has been randomly developed and unstructured, strongly depended on tour operators, isolated from the other sectors of production and the social evolutions and dynamics of the region. Secondly, it was found that there is significant production of qualitative products with apparent competitive advantage such as

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oil, olives, honey, fish, fruits and cereals, which are not usually being processed and/or consumed within the region. Moreover, unlimited margins of further increase of the production of qualitative, traditional, local products were revealed. On the other hand, the whole primary sector, more specifically agriculture and livestock are heavily threatened by the general economic and political evolutions, such as taxes and funding difficulties among others. In addition, the analysis clearly indicated that although the social innovation initiatives of EU have been rather neglected so far, there is a considerable social capital in the region and some good examples of social networks, too.

In overall, the analysis supports a simple, however misunderstood and neglected, idea: that it is neither very clever for the tourism sector to fulfill its needs by buying products and services either from other regions or from imports,nor for the productive enterprises of the region to deliver their products in outlets outside the region. In conclusion, the analysis highlighted that the reinforcement of competitiveness dynamics of the region could be built upon the following points:

- Sustainable and flexible development.
- Support of entrepreneurship–innovation and networking between enterprises in a vertical and horizontal manner.
- Development of strategic sectorial plans that will create the foundation for future development.
- A step-by-step process of monitoring in order to establish continuous feedback and control.

Solutions and Recommendations: The Smart Tourism Development Model

The region of Halkidiki stands before the threshold of a new, post crisis era, seeking to shape and establish a multi core, innovative and smart development model. The preceded analysis indicated that Halkidiki is a vital, multidimensional and dynamic unity, whose inherent advantages though have been either neglected or irrationally exploited, so far. Therefore, any future development model should be carefully designed, targeting to sustainable and inclusive development utilizing as many as possible environmental, cultural and economic resources. A prerequisite, towards such a vision, is the cooperation of the other sectors "around tourism", the relevant creation of local sustainable synergies among public, private and alternative institutions and networks as well as the optimum exploitation of the social capital and the actual participation of citizens; the relevant processes shall eventually formulate a development quadruple helix.

Towards the handling of the aforementioned concerns, the *Smart Tourism Development Model* was elaborated, based on the rationale of coordination and connection between and among the stakeholders of the existing economic structure of the region. The Smart Tourism Development Model aims to the transformation of Halkidiki towards a sustainable, smart and inclusive community, where local economic sectors are working together, as cogwheels around tourism, targeting common goals of prosperity and welfare.

The Employed Tools

As described in the first section of this chapter, the evolvement of the suggested model was based on three conceptually cooperating development tools: the Smart Specialization Strategy, the Social Entrepreneurship and the Quality concepts, which were purposefully chosen to act in line with the future vision of Halkidiki. The effort to understand better and present briefly these tools in this chapter revealed that

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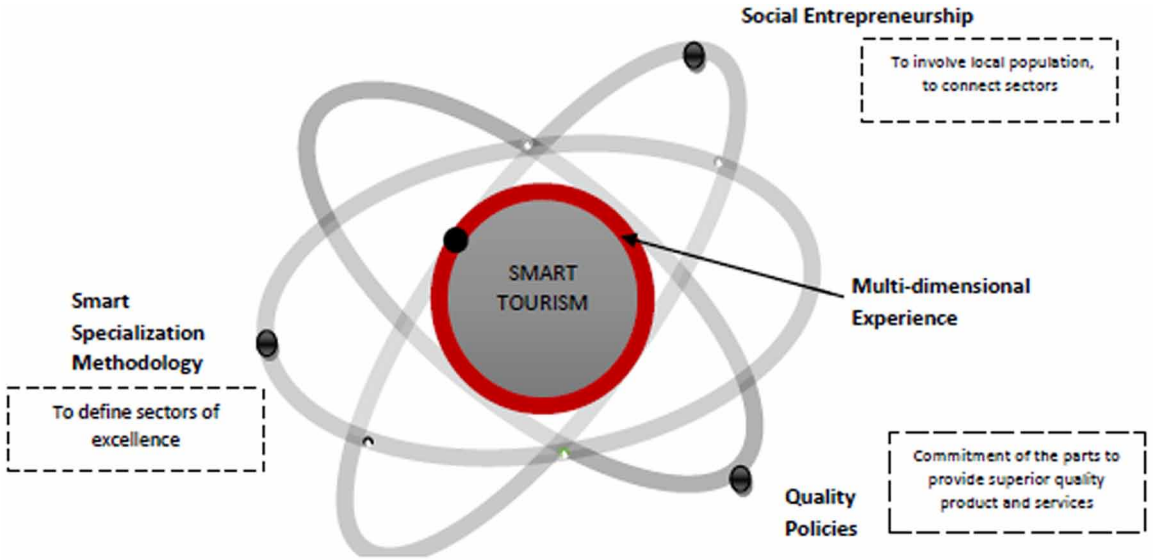
they are extensively adequate for the case of Halkidiki, as they are specially conceptualized and designed to reinforce the sustainable and inclusive development by acknowledging and facing the economic and environmental challenges of a region.

Indeed the tools were found very useful to identify the existing zones of development in the region, to spot the advantages and the excellences of certain areas when at the same time to acknowledge limits and weaknesses in structures, functions, planning and implementation of the past. The simultaneous employment of the three tools served well the bottom-up approach, which aimed towards a production process that should be able to highlight and evolve the existing advantages, heal weaknesses and overcome threats by involving as many as possible synergetic sectors in the model.

In specific, the outcomes of the employment of these three tools generated the conceptualization of the model itself, as they revealed that there is a "smart" opportunity to connect the agri-nutrition sector with the industrial processing sector in order to serve tourism with local, high quality products and services, produced and delivered by social enterprises and consumed on the spot while making a productive use (even economies of scales) of the thousands of tourist visitors in the region.

More specifically, the methodological approach of smart specialization identified the existing areas of excellence, which formulated four zones of excellence in specified sectors of competitive advantage, revealing at the same time a certain spectrum of further investment opportunities able to guarantee effectiveness and efficacy. It was clearly indicated that tourism is and will be the undeniable leading spearhead of the development effort, when there are wide untapped margins of development in the other sectors, if business effort is re-arranged around tourism. Social entrepreneurship demonstrated the synergy opportunities, the existing citizens' and/or business networks, their weaknesses and strengths. Most of all, it revealed the rising opportunities if these networks decided to collaborate all together targeting mutual and not competitive goals. The "Halkidiki Business Network" should be the central axis of the region synergies effort and the "Local Quality Agreement" could be the tool to achieve initiating collective actions increasing members' negotiation and purchasing capability.

Figure 2. Smart tourism development model



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On its turn, *Quality* identified the opportunities lying on the qualitative development of local, traditional products and services. The necessity and the crucial role of a local "Quality Agreement" was highlighted and a relevant suggestion is offered to the stakeholders of the region. The Halkidiki Quality Agreement means to encompass mainly the social entrepreneurship networks but it can also be inclusive of any type of business in the region. Actually, the extensive compliance of the local community with the Quality Agreement might immediately result in a multiple-fold positive effect on a)integrated actual, certified and symbolic quality of local products and services, b) wider absorption of local production within the local market against imported products and increase of the consumption rate on the spot of production b) inspiration and support of long-term planning procedures for the agricultural, livestock and fisheries production, c) stimulation of new entrepreneurial activities and synergies.

The Four Zones of Development

Considering the objectives of the model, Halkidiki, was divided into four distinctive *development zones* of excellency, having each one of them a foremost productive characteristic, and not merely a geographical orientation. Under this consensus, as Map 1 indicates, it is feasible for a settlement to belong - in a quite flexible manner - in more than one zone(s), giving the opportunity to the local community, to exploit the combined sum of the existing competitive advantages. The productive characteristics that have been formulated by the preceding analysis and were taken in consideration in the formulation of the zone are: tourism (intensive, mild), agriculture/livestock, fishery and industrial process. Consequently, the determined four zones are the following:

1. The zone of intensive tourist development (ZITD),
2. The zone of mild tourist development (ZMTD),
3. The zone of intensive agricultural, livestock and fishing(ZIALFD),
4. The zone of industrial processing (ZIP).

Geographically, the *Zone of Intensive tourism Development* (ZITD) includes the peninsulas of Kassandra and Sithonia, West and South West region of Hakidiki; its reference center is the settlement of Nea Moudania. The most important destinations in this zone are the villages of Nea Skioni, Polyhrono, Nea Potidaia, Siviri, Nikiti, Toroni, Sarti, and Neos Marmaras. In ZITD, the main tourist activities are related to the "sea and sun model", including seaside activities, diving centers, yachting, etc. The existing infrastructure is considered to be sufficient and satisfactory with regards to the needs of the many luxurious hotels and hotel chains located on the above mentioned settlements and the beaches across the coast.

The *Zone of Mild Tourism Development* (ZMTD) includes the area before Mount Athos region, and the area of Ancient Stagira, Aristotle's birthplace, in the East and North East region of Halkidiki. The reference center of ZMTD is the settlement of Ouranoupoli. The other most important places that can be included in this zone are the villages of Nea Roda, the island of Ammouliani, Ierissos, Pirgadikia, Olympias and Arnea. The main tourist activities are related to cultural and ancient civilization tourism, pilgrimage tourism, ecotourism, agrotourism, walking and biking and also some sea activities, such as diving, yachting etc. Within ZMTD, there are coastal and mountainous routes, connecting *the monastery of Zygos* in Ouranoupolis with *the canal of Xerxes*, in the settlement's edges of Nea Roda, and with the *Ancient Stagira*, in Olympias region. The required infrastructure regarding luxurious hotels in the area before Mount Athos is considered sufficient, while in the area of Stagira is rather degraded.

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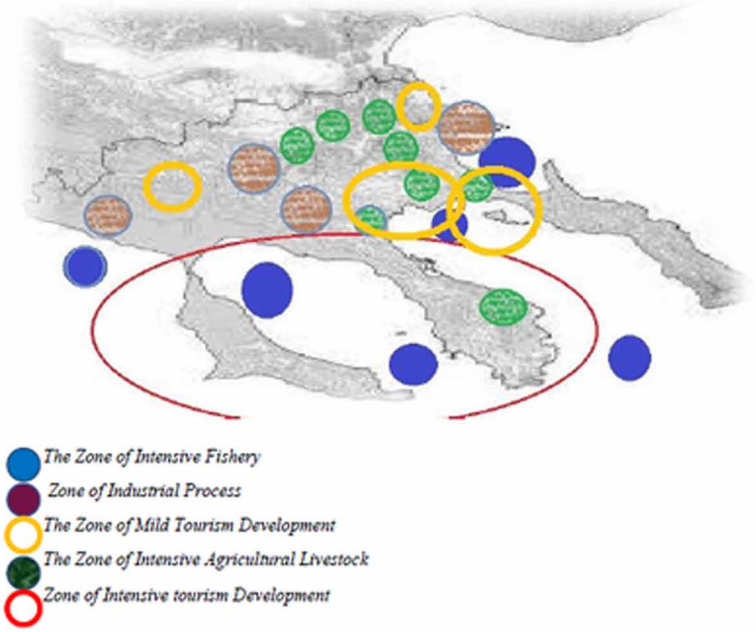
The *Zone of Intensive Agricultural Livestock and Fishery Development* (ZIALFD) could be geographically divided in three subzones. The agriculture subzone situated in the Lowlands of East and Central Halkidiki, the livestock subzone, which is located in the mountains of Kakavos (East region) and Holomontas (Central region) and the fishery subzone, located in the gulfs of Ierissos, Mount Athos, Kassandra and Moudania. The agricultural subzone center is the settlement of Ierissos, including the lowlands of Akanthos. The most important settlements are Nea Roda, Gomati, Pirgadikia, Megali Panagia, and Zervochoria. The most significant cultivations are cereals, olive trees, fruit, vine and beekeeping. The livestock's subzone center is the settlement of Polygiros, including the settlements of Arnaia, Taxiarhis, Agios Prodromos Neohorion, Palaiohora and Palaiohori, breeding goats, sheep, cows and beekeeping. As mentioned above, there is a significant cultivation of trees and timber production in this place. In the fishery subzone, the center of reference is the Nea Moudania town and an extensively wide spectrum of catch species.

The *Zone of Industrial Process* (ZIP) is mainly located in the west region of Halkidiki including food processing industries (olive and olive oil factories, beekeeping and honey firms, slaughterhouses etc.) The reference center of the zone is the settlement of Ormilia, including also the settlements of Stratoni and Stratoniki, Metagitsi, and Lakkoma. There is another, secondary, part of ZIP in East Haklidiki, where the plants of establishments of metallurgy are located in Skouries. There has been a serious issue related to this area as long protests have been many times organized by citizens of the local households against the Canadian gold-mining firm, responsible for the environmentally contentious gold mining project. The citizens' movement is sometimes directed against consecutive Greek Governments too, which allowed over time the over-exploitation of the mineral wealth of the region without taking measures to protect the natural environmental inheritance and reserve the economic interests of the country. The relevant movement has made the place famous as several march protests have been also organized all over Europe, expressing in this gesture their solidarity to the residents of Skouries.

Figure 3. The four zones



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The idea is to inspire citizens, authorities and network to advance synergies towards optimum exploitation of the excellences of each area, productive use of the agglomeration of resources at their spot, production of local, qualitative products and services to be delivered, at raised rates, within the boundaries of the region. Tourism offers the adequate market or local products to be consumed, while the local households' market should not be ignored too.

The Zone of Intensive Tourism Development can still be focused on tourism based on the "sea and sun" model, utilizing all existing infrastructure, while the Zone of Mild Tourism Development had better concentrate on alternative forms of tourism, emphasizing on culture and archaeology. Both intensive and mild zones could function like "communicating vessels", awarding tourists with unique experiences and excellent infrastructure. The Zones of Intensive Agriculture, livestock and fishery should target to support the establishment of a competitive environment towards production of supreme, local, qualitative products, while the Zone of Industrial Process may offer the means to local economy to activate and benefit from already existing infrastructure, while targeting to new investment, innovative initiatives and expansion efforts.

Aristotle's Menu

A pilot implementation of the above presented ideas is the paradigm of *Aristotle's Menu*, which has been already presented and very well accepted in the Municipality of Aristotle in the NE region of Halkidiki. The implementation of the model begun with a helping hand from the ancient Greek- Macedonian civilization. Aristotle has always been a dominant figure in Halkidiki and a significant point of interest for domestic and incoming tourist population. Driven by the need to incorporate elements of the cuisine of Ancient Greece in the contemporary local cuisine, the Chefs Club of Thessaloniki, in connection with the Hotel Association of Halkidiki, composed *Aristotle's Menu*, which is widely accepted, taking already a noticeable place in hotels, taverns and restaurant a'la cart menus. The basic ingredients of *Aristotle's Menu* are olives, olive oil, wheat, oat, honey, vinegar, mostly fish than meat, raisins, lettuce and fruits. the *Aristotle's Menu* initiative, comprehend the momentum to mature, flourish and at the same time produce critical benefits on local economy, mainly through the acceleration of income, investment and employment multipliers (Figure 4). Simultaneously a new tourism product is being formed, providing a strong experience on domestic and incoming tourist population.

All of the Aristotle's menu products are currently produced and processed in Halkidiki. However, the expanded demand of the specific products, could trigger irregularities, regarding the regular supply of the market and the whole sale and retail prices. The occurred abnormalities could be answered through synergies between associations, cooperatives and the local business network, within the framework of adherence of the Local Quality Agreement, according to which, stakeholders could strategically plan cultivation and production, setting under control production, prices and supply.

CONCLUSION

In contemporary turbulent times, where regional and national economies are facing recession, European Union, provides all necessary mechanisms to reform structures and stimulate regional competitiveness. In line with this, the Smart Tourism model incorporates EU stemming mechanisms contributing to the

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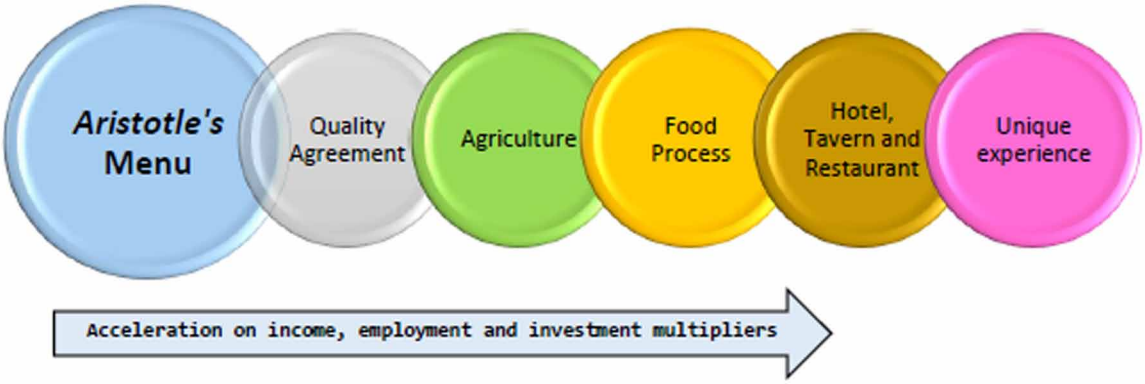
Figure 4. The idea of "Aristotle's Menu"



achievement of the overall targets of Europe 2020 policies while it is expected to significantly increase levels of income redistribution, employment and investment multipliers.

More specifically, the implementation of Smart Specialization strategy -that will allow policy makers to acknowledge, define and appropriately exploit sectors of excellence and built upon them a significant and long lasting competitive advantage- along with the definition of spatial zones of development and the commitment to common Quality Agreements, safeguards synergetic attitudes, focused, standardized and competitive tourism policy, towards innovation and rejuvenation.

Moreover, social economy and social entrepreneurship, which are key factors of Smart Tourism model holding an imperative role, should expand limits of production and simultaneously lower (production) costs. In overall view, the implementation of the model contributes to the provision of notably important benefits to all parts of the local economy, while the expansion of synergies should additionally support competitiveness improvement. Considering the purchasing power of tourists that remained barely exploited so far, the implementation of the model is expected to increase the "per tourist" expenses, adding value to other local economy sectors, such as retail and wholesale market, logistics and transportation. However, Smart Tourism model could be influenced by some minor limitations, referring to the fact that the study was largely based on secondary research, which are not always sufficient and updated. Furthermore, Smart Tourism has not (yet) been implemented in other destinations as a model, hence any actual implementation has not been a subject of scientific research and evaluation.

Managerial Implications

The implementation of Smart Tourism development could create a number of managerial opportunities and implications, to all sectors that are directly or partially connected to tourism activities, setting opportunities for domestic and international capital investments.

Starting from the primary sector, Smart Tourism stimulates the need to re-organize production, within spatial zones of development, and set up networks to facilitate knowledge exchange flow, setting at the same time the framework of scale economy in production. However, a very important part of the model stands to the capacity of process units to efficiently manage the provided agriculture production, generating the need to establish high performance process units equipped with "state of the art" machinery, operated by qualified personnel within a thoroughly designed production management plan. Towards

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cost and price restraint, production plans should be carefully designed, using methods to enhance quality and reach scale economy production, at the same time. The point of balance between both factors could be determined through Quality Agreements and production management methods, such as Lean Management.

In the case of Halkidiki, the early implementation of Smart Tourism model initiated positive effects on the local economy. The prompt urge from hotel establishments, restaurants and taverns to include Aristotle's menu, seems to positively influence local production and process capabilities, reinforcing at the same time destination's marketing strategies and promotion of the tourist experience in the region.

FUTURE RESEARCH SUGGESTIONS

Last but not least, acknowledging the difficulties and limits generated by the economic crisis and the aggravation of the refugee issue and besides the national, European and global conflicts and deadlocks, it is argued that the ideal expected benefit of the model is to contribute to the development of a sustainable, worth living, community, which tourists will be attracted to visit and citizens will be willing to live and work, presently and perpetually.

The actual implementation of the model would require further research efforts to understand better the perceptions and attitudes of shareholders, either citizens or business, followed by strategic plans, and consequently detailed action plans and techno-economic studies. An adequate set of such studies would be able to guarantee the re-arrangement, organization and systemization of production, delivery and merchandising of qualitative products and services, specially designed to fulfill advanced needs and wants of both the local population and the thousands of visitors in the region.

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KEY TERMS AND DEFINITIONS

Aristotle's Menu: A menu based on dietary habits of Hellenistic Period.

Halkidiki: District in Central Macedonia region.

Smart Specialization: A strategic approach to economic development through targeted support to Research and Innovation (R&I). It is the basis for Structural Fund investments in R&I as part of the future Cohesion Policy's contribution to the Europe 2020 jobs and growth agenda.

Smart Tourism Development Model: Tourism Development model based on the Regional Strategy of Smart Specialization, Quality and Social Entrepreneurship.

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Chapter 66
Social Media Use by Chambers of Commerce and Industry (TCCI) in Turkey

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ABSTRACT

This chapter empirically investigates the Turkish chambers of commerce and industry's social media usage. Specifically, the research explores the prevalence, types, frequency, reasons, and the most importantly effectiveness of social media usage among the Turkish Chambers of Commerce and Industry (TCCI). A web based survey conducted to gather data from the TCCI. The chapter consists of five main parts: Introduction, social media as a modern business imperative, survey about social media usage in Turkish chambers of commerce and industry, and conclusion.

INTRODUCTION

Information and communication technologies have become an important part of our life. Especially the Internet and the Web together have deeply affected our lives from education to communication, from business to entertainment for the past decades. But that was not the case at the beginning of the Internet. In the early years of the Internet, web sites were static, according to Tim Berners-Lee "read-only" websites (Shivalingaiah & Naik, 2008), did not have interactive content and allowed its users to have unilateral communication (Acılar, 2015; Acılar & Mersin, 2015). This first phase of the World Wide Web (WWW) is called as "Web 1.0". The earliest Web sites provided little opportunity for two-way communication, presumably at best providing contact information such as mailing address, e-mail, or phone number (Andzulis, Panagopoulos, & Rapp, 2012).

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Since it was invented in 1989, the WWW has evolved greatly through the years and it continues to grow and evolve. Today, in addition to static content, Web sites enable people to collaborate, share information, and create new services and content online (Laudon & Laudon, 2012: 272). This stage of WWW is called as "Web 2.0". Web 2.0, also known as read-write web, is defined by O'Reilly (2007) as **"**the network as platform, spanning all connected devices; Web 2.0 applications are those that make the most of the intrinsic advantages of that platform: delivering software as a continually-updated service that gets better the more people use it, consuming and remixing data from multiple sources, including individual users, while providing their own data and services in a form that allows remixing by others, creating network effects through an "architecture of participation," and going beyond the page metaphor of Web 1.0 to deliver rich user experiences." Unlike Web 1.0, Web 2.0 allows more interaction with less control (Aghaei, Nematbakhsh & Farsani, 2012). Web 2.0 can be defined as a collection of second generation online technologies and services that enable users to communicate create content and share it with each other via communities, social networks and virtual worlds more easily than before (Jussila, Kärkkäinen & Aramo-Immonen, 2014). The concept of "Web 2.0" was born with a conference brainstorming session between O'Reilly and MediaLive International (O'Reilly, 2005) according to a common acceptance in the literature. Web 2.0 has four characteristic features: interactivity, real-time user control, social participation, and user-generated content (Laudon and Laudon, 2012, p. 272). Web 2.0 includes technologies and services such as blogs, really simple syndication (RSS), wikis, mashups, tags, folksonomy, and tag clouds (Aghaei, Nematbakhsh & Farsani, 2012).

Social Media

According to Kaplan and Haenlein (2010) Web 2.0 can be considered as the platform for the evolution of social media. Social media can be defined as "a group of Internet-based applications that build on the ideological and technological foundations of Web 2.0, and that allow the creation and exchange of User Generated Content" (Kaplan & Haenlein, 2010). Social media consists of a wide range of a new generation of Internet applications and encompasses tools that allow individual and collective publishing; sharing of multimedia such as images, audio and video; and the creation and maintenance of online social networks (Constantinides & Stagno, 2011; Bennett et al., 2012). Social media describes online platforms that allow for user-generated content, interaction and collaboration. It is a relatively new phenomenon, linked to the emergence of 'web 2.0' and the move from a static to an interactive internet (Dormey, 2016). The broad term, social media, have been used to apply to a variety of technologies, such as wikis, blogs, microblogs, social networking sites, virtual worlds, and video-sharing sites (Kane, Alavi, Labianca, & Borgatti, 2014). In other words, social media are a group of Internet-based applications which allow the creation and exchange of user generated content through online social networks (Kaplan & Haenlein, 2010; Constantinides & Stagno, 2011; Bennett et al., 2012). Social media help to convert monologue into dialogue, gives free access to almost all types of available information, to transform Internet users from mere readers to creators of online content and to interact in the online world so as to form new personal or business relationships (Holotescu and Grosseck, 2013).

Rapid developments on mobile devices such as smart phones, tablets and notebooks have also opened new avenues for social media. Today's mobile devices and the use of social media presented new opportunities for interaction, provided opportunities for collaboration, allowed users to engage in content creation and communication using social media and Web 2.0 tools with the assistance of constant connectivity (Gikas & Grant, 2013). Today, social media applications in the Internet have been integrated

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into the daily practices of many users worldwide, supported by different websites, tools, and networks (Oberer & Erkollar, 2012). As the penetration of smart mobile devices and Internet increase, so does the use of social media application in these devices. Smart mobile devices provide the opportunity for people to post and share anywhere and anytime.

Accordingly, today "social networking" has become very popular and occupied an important role in most people's lives (Zaidieh, 2012). "Social Network" can be defined as "a network of relationships between different information processing entities such as people, groups, and organizations" (Hosny & Fatima, 2012). According to Boyd and Ellison (2008) social network sites are "web-based services that allow individuals to (1) construct a public or semi-public profile within a bounded system, (2) articulate a list of other users with whom they share a connection, and (3) view and traverse their list of connections and those made by others within the system." With providing tools on the Internet for posting messages, sharing photos, creating personal pages and groups, social networking sites, such as Facebook, Twitter, Instagram, LinkedIn, etc., bring people together and allow them to communicate by making new friends, exchanging ideas and engaging in similar interests (Hosny & Fatima, 2012).

The emergence of social media has brought numerous opportunities for interpersonal and organizational communication (Lovejoy & Saxton, 2012). The rapid diffusion of social media all around the world is creating new era of possibilities for organizations to communicate with their stakeholders such as stockholders, employees, customers, suppliers and the general public (Lovejoy & Saxton, 2012). Since most of the internet users have at least one social media account and social media use is widespread worldwide, it is natural for the companies to use it as a marketing channel too (Kovacs & Wensley, 2015). However, it is often a painful process for organizations to adopt and use of new technologies, social media also create some obstacles for organizations (Kuikka, M. & Äkkinen, M. 2011).

Technological developments such as social media are gaining popularity and are increasingly used for personal and business purposes. However, the study of social media use in organizations is in its infancy. (Treem & Leonardi, 2012).

SOCIAL MEDIA AS A MODERN BUSINESS IMPERATIVE

In today's rapidly changing business environment social media are indispensable. In other words, social media are modern business imperative for many organizations, including start-ups, small, medium-sized, and large private organizations as well as public and nongovernmental organizations. In this part, social media usage of organizations is discussed thoroughly. Namely "social media usage in organizations", "factors affecting acceptance and adoption of social media", "social media plans / policies", "social media professionals, training and development of social media users", "potential benefits of social media usage for organizations", "risks of social media usage for organizations", "barriers of social media usage", "performance evaluation of social media usage", and finally "recommendation for effective social media usage."

Social Media Usage in Organizations

Social media are suitable for all kinds of companies from public to private sectors, from service to manufacturing industries, and all can gain something from their use. However, they are probably more useful for SMEs, since these companies have greater difficulties in reaching the market. 61% of the SMEs are

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making formal use of social media. In terms of SMEs' social media usage, the leading countries are United Kingdom (90%), Netherlands (79%) and Latvia (75%). (Batikas & Bavel, 2013).

The use of social media has grown exponentially in the last decade. Currently around one employer in two makes use of a social media tool. Use of social media is largely focused externally on marketing and engaging with customers. Fewer employers – only around one in six – use an enterprise social network internally to engage with employees and promote employee voice. Larger organizations and certain sectors such as information and communication are more likely to use social media in this way. Whereas three in four employees use social media in their personal life, just one in three do so as part of their work. Nevertheless, the high levels of personal usage might be driving the organizational take-up of social media in the form of enterprise social networks (Dormey, 2016).

There has been an explosion in the popularity of social media sites such as Facebook, MySpace, Twitter, and LinkedIn in recent years. Their popularity has transcended languages, borders and cultures, and it is probably no exaggeration to say that we are witnessing a social media revolution. Facebook alone currently has over 500 million users, equating to roughly 1 in every 13 people on this planet. It is estimated that over 50 per cent of these users log on to Facebook every day. By anyone's standards, these are staggering figures and yet they relate only to one social media site. It is therefore no surprise that social media are beginning to permeate almost every aspect of our lives, whether it be on a personal, social or professional level. Many businesses have been adept at harnessing the power of social media to their advantage. Others have been less so, but they are catching on (Abate et al., 2011).

Perhaps the defining characteristic of social media is the speed at which they develop. It is therefore difficult to predict the future of any given tool – in five years' time, the sites which are currently household names may have been supplanted by media that have yet to be invented. One thing that seems likely, however, is that an increasing amount of social media traffic will go through mobile devices such as smartphones and tablets. Overall, it is clear that the use of social media for recruitment purposes is increasing, as companies experiment with new tools like LinkedIn, Facebook, Twitter and the rest (Broughton et al., 2013).

Nowadays, consumers prefer to use companies' Facebook and Twitter accounts instead of official websites. Social media platforms are especially creating good sales opportunities for companies in fast consumptions products and services sectors (Ying, 2012).

Several studies investigated social media use in Turkish organizations. Yılmazel (2011) conducted a research with 233 charitable foundations in Turkey to analyze how these foundations use Web and Web 2.0 technologies in terms of public relations realm. Research has focused on 124 charitable foundations that have Web pages. Web pages and social media (Facebook and Twitter) web pages of these foundations were examined by the help of content analysis technique. Research findings showed that Turkish charitable foundations do not use Web pages effectively enough. Furthermore, only a bunch of foundations use Web 2.0 technologies. Only a few foundations have Facebook and Twitter accounts. Specifically, 11 foundations have Facebook account; 4 foundations have Twitter account and 2 foundations have blogs. Only 26% of these foundations communicate with their members through Facebook and only 9% of these foundations communicate with their members through Twitter. Besides most of the charitable foundations have not yet completed their Web pages integration with Web 2.0 technologies such as RSS, blog, Facebook and Twitter.

Aslan (2014) conducted a research with 12 labor unions and three labor union confederations (TÜRK-İŞ, DİSK, and HAK-İŞ) in Turkey. Aslan has classified these labor unions into three different groups according to their attitudes and behaviors towards social media usage: Avid, reluctant, and forced. First

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group consists of big and well organized labor unions. Management teams of these labor unions are very eager to use modern technologies. These labor unions are using social media very effectively to communicate with their members and other stakeholders as well. Second group of labor unions who are reluctant about using social media do not believe the benefits of social media. Furthermore, they do not have necessary technological infrastructure and human talents to use social media. The most importantly this group of the labor unions have old fashion management styles; bureaucratic, centralized and less democratic. Therefore management teams of these labor unions are not eager to use social media and do not encourage others for using social media. This group has some reservation about the drawback of social media such as cyber-attacks. The last group of labor unions which is called "forced to use social media" has some management and organization problems. Therefore they feel that they have to use modern technologies like social media to overcome those problems. They believe that they can attract more members and supporters by the help of social media. In addition, they favor social media to lessen budget problems. This group do not hire specialist for social media operations. Instead they use current personnel for these purposes too. Overall, most of the labor unions have problems developing quality content for social media platforms.

Onan (2010) analyzed 5 well known environmentalist nongovernmental organizations' social media practices in Turkey. Those organizations are TEMA (The Turkish Foundations for Combating Soil Erosion for Reforestation and the Protection of Natural Habitats), WWF - Türkiye (World Wildlife Fund), Greenpeace Akdeniz, Doğa Derneği (Doğa is the partner of BirdLife International), ÇEKÜL (The Foundation for the Protection and Promotion of the Environment and Cultural Heritage). According to the research findings, these organizations have got most of the benefits of social media usage such as creating awareness about nature, gaining recognition from society, increasing communication channels and quality of communication between the organizations and their stakeholders, increasing the amount of donations from public etc.

Uzunoğlu and Kip (2014) analyzed the Turkish environmental non-profit organizations' Websites to determine dialogic potential, including social media adoption. However, 23 of 50 websites examined failed to meet half the criteria for building relationships. Of 19 sites with connections to social media, 16 used new media potentialities, however only four met all social media adoption criteria. In other words, environmentalist NPO websites in Turkey fail to fully meet the dialogic communication features, particularly with regard to providing direct social media links.

Factors Affecting the Acceptance and Adoption of Social Media

Organizations' technology competence, pressure from clients, and characteristics of the mobile environment significantly affect the acceptance of social media usage (Schaupp and Belanger, 2014). Organizations with defined public relations departments are more likely to adopt social media technologies and use them to achieve their organizational goals. In addition, public relations practitioners are more likely to use social media tools if they find them credible. Social media techniques will become more abundant as public relations practitioners become mindful of their effectiveness in regards to reaching target audiences, promoting a specific cause, and further developing communication strategies (Curtis, at all, 2010).

Social media applications, however, are slowly diffusing across all levels of government. The organizational dynamics underlying adoption and use decisions follow a process similar to that for previous waves of new information and communication technologies. First, agencies experiment informally with social media outside of accepted technology use policies. Next, order evolves from the first chaotic stage

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as organizations recognize the need to draft norms and regulations. Finally, organizational institutions evolve that clearly outline appropriate behavior, types of interactions, and new modes of communication that subsequently are formalized in social media strategies and policies (Mergel and Bretschneider, 2013).

Support from employers and top level managers are also important factors for usage of social media in organizations. Survey evidence illustrates that use of social networking sites by employees has grown significantly in recent years. However, some small-scale survey evidence shows that among higher skilled workers, only slightly fewer than 15 per cent have access to social networking sites at work. This may indicate that employers are prohibiting use of such internet sites to avoid having to manage any negative consequences. Especially younger generations who are more conversant with social networking sites are more prone to use them less careful. Inattentive employees may easly post something inappropriate on a social networking site and it can create serious problems (Broughton et al., 2009).

Business organizations can only leave and prosper by the help of their customers, employees, shareholders etc. Likewise nonprofit organizations survive through grants and donations. As society progresses into the technology age, it is important for nonprofit organizations to follow suit and become more technologically adept. The days in which donations were obtained through direct mailings, phone calls, and emails are fading. In order to stay current with the most donors, nonprofit organizations need to have a presence on social media websites, and should explore the use of social media and text-to-give campaigns for the solicitation of donations. Therefore, reaching supporters, volunteers and members and persuade them to contribute to the organization is very important reason for the adoption of social media. According to Schwedel (2013) research all organizations that participated in his research have a significant presence on social media websites and most of them have experience with receiving donations through mobile applications (Schwedel, 2013).

Social media are also used for recruitment. There is a wide variety of practice in the use of social media tools for recruitment. Use depends on factors such as company size and sector as well as the type of employee whom the employer is trying to reach. Many organizations are experimenting with these tools, which, being relatively new, are moving forward on a trial and error basis. Triggers for using social media for recruitment include: operating within an environment in which competitors are using these tools (e.g. retail); wanting to target particular groups of people, particularly in the case of senior jobs; and linking the use of social media to brand and awareness-building. Social media tools are usually used in combination with more traditional recruitment strategies rather than substituting for these (Broughton et al., 2013)

According to Zincir (2014) socialization, information gathering and dissemination, personal brand creation, business network development and collaboration are five common purposes for Turkish managers' social media usage.

Social Media Plans / Policies

There is an increased use of social media and social networking sites by organizations. Organizations social media usage approaches can be classified as passive or active, proactive or reactive, and tactical or strategic uses (Sinclaire and Vogus, 2011).

Strategic approach to the social media usage brings fruitful results for organizations. In a survey conducted by Batikas and Bravel (2013) 61% of the users claimed to have a planned strategy for their social media use. A greater percentage of those who had a formal strategy considered that their financial situation has improved, compared to those who did not have a formal strategy. However, none of the

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participants interviewed used metrics or incorporated externally collected data to their strategy. The main reasons given were lack of time and lack of human or financial resources (Batikas & Bavel, 2013).

In addition to the strategic approach to social media use, having a social media policy is also very important. However many organizations are missing critical social media use policies and implementation strategies. At best, they are not leveraging the potential power of social media, at worst, they are exposed to social media related risks and inappropriate use by their members (Barkan, 2011). Despite strong interest in social media, the lack of strategy, policies, guidelines for employees, training, monitoring, and evaluation in relation to social media are decreasing the effectiveness of these tools (Macnamara & Zerfass, 2012).

A good and clear policy on what constitutes an unacceptable use of social media will help both the employer and the employee to understand where the boundaries between acceptable and non-acceptable use lie. It is advisable to carry out some type of research beforehand, involve all stakeholders. This will make the policy much stronger and more widely accepted. The joint development of a policy may also enable the parties to strike a balance between individual freedom of speech and actions that could have a negative effect on the employer (Broughton et al., 2009).

Well prepared social media usage policy will guide all the related parties. Especially younger generations who are more conversant with social networking sites are more prone to use them less careful. Inattentive employees may easily post something inappropriate on a social networking site and it can create serious problems. Education and reminders to staff on these types of issues should therefore be a key part of any policy on the use of social media. Social networking sites tend to blur the boundaries between public and private life. Therefore employers should make clear to all the employees what is acceptable and what is unacceptable on social networking sites. Employees should be informed about posting sensitive information on social networking sites such as personal and financial information etc. (Broughton et al., 2009).

Social media plans, policies and strategies should also be regularly reviewed and developed. Because the world of social networking and online media are moving at a fast pace (Broughton et al., 2009). Ethical and legal sides of social media usage should be updated properly.

Social Media Professionals, Training, and Development of Social Media Users

Social media usage requires expertise about information and communication technologies, social media platforms, ethical and legal issues related to the social media usage etc. Therefore organization should hire social media professionals and / or train and develop current personnel responsible from organization's social media operations.

Usage of social media effectively requires more skills and resources. Especially managing the organization's presence in different channels effectively necessitates abilities of coordination and control (Batikas & Bavel, 2013). Training and education of PR and corporate communication practitioners in social media practices, not simply the technologies, is an important step towards achieving that balance in organizational social media engagement (Macnamara and Zerfass, 2012).

In the vast majority of organizations, no one person is being made responsible for social media which creates lack of accountability. Social media is being assigned to staff without removing any existing responsibilities because of personnel shortages. In 90% of the organizations surveyed the social media effort has no dedicated budget or staff resources. ROI and objectives are either not defined, or are not

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being measured which results from lack of a coherent strategy. Nevertheless organizations are struggling to both measure and to grow engagement in their social media communities (Barkan, 2011).

Many employers have been quick to use social media to recruit staff. Others have been adept at allowing employees to use social media in the workplace to develop business and commercial relationships. Some employers have simply been keen to use social media as a better way of engaging with its staff and fostering a more collegiate environment. However this casual approach to social media is not ideal one. Therefore many organizations will be familiar with the news stories of employees misusing social media at or outside of work to the disadvantage of their employer (Abate et al., 2011).

Potential Benefits of Social Media Usage for Organizations

Social media are business imperative for modern organizations. Organizations in private, public and nongovernmental sectors use social media for marketing, advertising, employee recruitment, and overall communications with their employees, clients, and partners. Organizations utilize social media to create brand image, recruit new employees, and obtain information about people, products and services in the marketplace (Schultz et al., 2015). Social media are seen as a cost effective tool to enhance understanding about markets, customers, and competitors (DiStaso et al., 2011). Social media are not only a communication platform; it is a huge marketplace too. Plenty of organizations use social media to market organizational activities, remain relevant to key constituencies, and enhance community awareness (Campbell, et al., 2014).

The most important perceived benefit of social media for SMEs is their effectiveness for marketing. SMEs who have a planned strategy appreciate the benefits of social media more than those who do not have a planned strategy (Batikas & Bavel, 2013).

Social media have the potential to change a wide variety of management practices in nonprofit and public organizations too. Technological developments such as mobile devices and social media are causing an ongoing transformation in the nonprofit sector as well as in private sector. Aforementioned developments change the nonprofit organizations from the way supporters engage with their favorite nonprofits to the way organizations fundraise, market, and manage information. Tremendous opportunities exist for nonprofit organizations using the technology to deliver their messages and accomplish their goals and objectives effectively. Social networks such as Facebook, LinkedIn, and Twitter provide access to networks of potential donors, volunteers, members, alumni, patrons, and supporters (Westmoreland, 2014). In other words, social media become important channels to communicate between non-profit organizations and community (Attouni and Mustaffa, 2014).

The social media explosion has significantly impacted how organizations communicate with their various publics through sites such as Facebook and Twitter. However, research has found that most nonprofits are not taking full advantage of social media. Moreover, the organizations that did use social media typically employed one-way communication strategies primarily on information dissemination (Sisco and McCorkindale, 2013). According to Waters et al., (2009) although nonprofits are open and transparent with their Facebook profiles, they are not using the sites to their full potential to inform others and get them involved with organizational activities. Nonprofit organizations overwhelmingly prefer to use their website to cultivate relationships with their stakeholders. The results of Waters and Feneley's study (2013) demonstrated that the organizations' websites were used significantly more often than their organizations' official Facebook pages for these efforts. After analyzing 4655 tweets, Lovejoy et al., (2012) found that the United States' largest nonprofits are not using Twitter to maximize

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stakeholder involvement. Instead, they continue to use social media as a one-way communication channel. Findings indicate that the use of social media is scarce, particularly pertaining to content related to fostering stakeholder involvement. Moreover, the factors "network activity", "internationalization" and "experience in social media" are significant predictors of the use of this tool as a channel for communication and dialogue (Galvez-Radriguez et al., 2014). Campbell et al., (2014) examined social media use among nonprofit organizations and country departments involved in the delivery of human services in a six-county area in South-central New York State. The study found that a modest number of non-profit organizations were using Facebook, and few were using other forms of social media.

Although YouTube is just one of many social media tools a nonprofit can use to expand its audience, it is an important one for any organizations to consider given its popularity and its ability to strengthen an organization's identity and brand. According to the research of Waters, and Jones (2011) nonprofit organizations primarily use their YouTube videos to inform and educate viewers about their missions, programs, and services. While the videos also occasionally discuss the organizations' advocacy, volunteering, and fundraising efforts, nonprofit organizations were not living up to their potential in terms of engagement through direct appeals for involvement.

Social media and social networking sites can have specific benefits in the employment relations context. For example, by allowing employees to blog organizations can have a chance to present the human face of a company, allowing employees the freedom to use social networking sites can therefore be a positive step towards goo employer-employee relationships (Broughton et al., 2009). In other words, social media may help to create more human business environment and help to create close touch with employees and customers. Social media can enhance trust among employees too. In return trust may enhance knowledge exchange in the workplace. Specifically, according to Cao et al., (2012) social media enhance knowledge transfer by fostering trust among employees, thus leading to better work performance. According to Barkan's study (2011) people from all age groups are using social media to a high degree to meet a portion of their professional networking, information sharing and professional development needs today (Barkan, 2011).

There are a range of benefits available to employers using social media for recruitment purposes, centering on cost and time savings. Organizations that use tools such as LinkedIn for recruiting to senior and strategic positions instead of using agencies or head-hunters are finding that this results in significant cost savings. Furthermore, social media can help organizations to target their recruitment more accurately, present a realistic picture of their workplace, and reach a wider range of potential candidates. This combination of reach that is at the same time wider and more targeted is very interesting for recruiting organizations. Social media can also help companies to increase brand-awareness and two-way communication with potential candidates, fostering realistic expectations on the part of potential candidates. It can also mean that some individuals can be deterred from applying at an earlier stage, as they are able to gain a realistic impression of an organization before starting the application process. This saves time and money for both the individual and the company (Broughton et al., 2013). Social media are widely used for job searching in Turkey. %64 of people who search job use social media. LinkedIn is the most used (%53) social media for job searching (Adecco Group, 2014).

Organizations can enrich their communication channels and instruments with social media platforms. Social media are an important element of an overall communications mix. However they are not yet in a position to replace traditional communications channels. Email remains a prime communication tool and should be used in tandem with your social media campaigns. Search Engine Optimization (SEO) is another critical element that should be reflected in organizations' overall communications planning and

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activities (Barkan, 2011). Treem and Leonardi (2012) uncovered four relatively consistent affordances enabled by social media for organizations: visibility, persistence, editability, and association.

Some employers are making use of social media to promote and access employee voice. Use of social media is largely focused externally on marketing and engaging with customers. Fewer employers – only around one in six – use an enterprise social network internally to engage with employees and promote employee voice. Larger organizations and certain sectors such as information and communication are more likely to use social media to promote employee voice. Enterprise social networks are potentially a very powerful tool for employee voice. There is certainly evidence that more needs to be done to promote voice, with just one UK employee in three saying their managers are good at allowing them to influence decision-making. Some types of enterprise social networks can potentially help to promote a richer employee voice, allowing organizations to go beyond monologue and one-way communication to two-way and indeed multi-directional communication. Using such networks for employee voice provides the opportunity for organizations to drive insight and innovation. It also has immense potential to support collaboration, allowing employers to access 'the wisdom of crowds' – where, rather than an individual, groups of people work together to reach a solution or an outcome (Dormey, 2016).

Risks and Barriers of Social Media Usage for Organizations

Using social media may create some rewards as well as risks. Therefore organizations should develop policies and strategies to minimize risks related to social media usage in the workplace. Given the growing use of social media in the workplace and the associated risks, organizations should consider a proactive approach to ensure that social media use does not damage the organizations. To accomplish this, employers should stay informed and current about evolving laws and rules affecting social media use in the workplace. Clear social media policies and procedures are required to effectively manage the issues emerging from social media usage (Schultz et al., 2015).

Using social media professionally requires some amount of costs. There is the actual cost of dedicating resources to social media sites, as traffic can be significant and unpredictable. There are also issues surrounding the accuracy of the information gained by the use of social media tools – there is no guarantee that the information that individuals, or others, post on their SNSs is accurate. There are also issues around the depth of the applicant pool that social media tools can access, giving rise to potential problems around diversity and discrimination, particularly in terms of reaching older candidates and those who are not as comfortable with using computers. This means that there are a number of legal aspects that employers should consider when thinking about using social media tools for recruitment. These include difficulties arising from HR decisions based on inaccurate information, issues related to employee privacy, equality and diversity and the use of standardized information about candidates. Furthermore, given the diversity of information about individuals available on social networking sites, it is difficult to see how this can be fairly compared (Broughton et al., 2013).

Misusing social media by employees is another risk for organizations. It is now clear that employers and employees both need to consider how social media sites may affect employment. Many organizations will soon be all too familiar with the news stories of employees misusing social media at or outside of work to the disadvantage of their employer. Some stories have featured employees who have been dismissed after posting inappropriate comments about colleagues or their employer. Quite often, the legal issues that lie beneath these stories are overlooked. For example, is it lawful to vet job applicants using social media sites? What legal risks arise when permitting employees to use social media at work? How

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can an employer manage the risks that arise. Although the risks that arise from the use of social media sometimes vary, the solutions that have been recommended to manage these risks are more or less the same (Abate et al., 2011). Having a social media usage policy, monitoring the usage of social media regularly and giving training and education to all related parties are the common solutions.

Potential risks and barriers block to collect all the benefits from social media in organizations. In other words, employers are far from exploiting the full potential of enterprise social networks and social media. Some of these barriers are as follow: Many employers and employees do not yet see the relevance of enterprise social networks in the workplace. In addition to this, many managers are concerned that using these networks at work could lead to time-wasting and impact on productivity negatively. There are big concerns around the potential misuse of social media at work. The perception of a fear of loss of control seems to be a concern to employers, as enterprise social networks allow for interaction between staff and fewer opportunities to control the conversation. Some employers are also skeptical about the demand for enterprise social networks within organizations and the extent to which it would be used (Dormey, 2016).

Contrary to the general expectation, the lack of financial resources is not a barrier to adopting social media. Users who are in a better financial situation do not think that lack of financial resources, lack of control and risk of inappropriate posting by employees are barriers (Batikas & Bavel, 2013).

Performance Evaluation of Social Media

Organizations from government departments and corporations to small businesses are increasingly adopting social media for strategic corporate and organizational communication and public relations. This is seen by many as a positive development because the openness of the Web 2.0 environment potentially democratizes voice and affords participation, dialogue, and community-building. However, optimistic views of the benefits of organizational social media communication fail to adequately take account of potential conflict between the philosophy of openness that characterizes Web 2.0 and organizational strategy and management processes. However, organizational social media communication is most often undertaken without clear objectives and it is not integrated with other organizational communication, and not evaluated against objectives and Key Performance Indicators. This is most likely a result of the relative newness of social media (Macnamara and Zerfass, 2012).

Companies should take certain steps to harvest the fruits of social media. Authentic and trustworthy leaders should help those people develop social media skills. Leaders should support to build social media communities that emphasize authenticity, pride, attachment and fun. In other words, leaders should build emotional capital. Without developing emotional capital in organization, it is not realistic to expect instrumental benefits such as improved information exchange, motivation, morale, reduced turnover etc. The role of social media in building emotional capital became apparent. Executives whose social media initiatives had increased emotional capital for their company reported that social media made it easier to communicate both across hierarchical levels (vertical communication) and functional units (horizontal communication). However, companies where social media had not increased emotional capital found that social media had little impact on the ease of communication in the company and in some cases even aggravated existing problems (Huy and Shipilov, 2012).

The use of social media enhances business capabilities and business performance. The impact is not due to one social media tools only, but due to successfully combining the several social media tools into one effective social media ecosystem that enables coordination between internal and external business

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processes. A combination of inter-linked social media forms a social media ecosystem that enhances business capabilities. In other words, Empirical evidence supports that the use of social media enhances business capabilities and enhanced business capabilities lead to improved business process performance (Smits and Mogos, 2013).

Recommendation for Effective Social Media Usage

Harvesting the benefits and limiting the relevant risks of social media require certain precautions to be taken. Following are worth to be mentioned:

Organizations should have an internet / social media use policy that sets out clearly and explicitly the organization's expectations of and definitions of acceptable and unacceptable behavior. Policies should advise employees to assume that everything they say on the internet could at some point be made public and to think about whether, for example, the comment they are about to post on a social networking site is something that they would want a colleague, their boss or a senior manager to read. The policy on internet/social media use should be drawn up in consultation with staff, either through their representatives, if present, or directly, if no representatives are present. A prior survey of employee awareness of issues can help to achieve buy-in to future policy. Consultation with staff on the actual policy will help to ensure that it is fair. This participative process will help to build employee commitment to the policy and raise awareness of the fact that a policy is being formulated, which may be important for dissemination. A policy on internet use needs to be communicated. Managers need to ensure that individuals understand the policy and may need to think carefully about how they explain and justify it, which may need to vary between staff groups (Broughton et al., 2009).

Organizations should explain acceptable and unacceptable behavior, as well as the consequences of violation. (Broughton et al., 2009) Social media policy should underline disciplinary actions (Abate et al., 2011). This means being open to a loss of some control, trusting staff and resisting the temptation to restrict the conversation. Senior leaders play an essential role in helping to create the culture of employee voice, by promoting the tools, encouraging employees to use them, and by using them themselves. Having champions across the organization that encourage others to use the technology can also be effective. Using an enterprise social network is most effective when its goals are explicit and it is clearly seen as a tool for work related discussions. For this to happen it needs to be designed to improve organizational performance and working life. However, permitting some non-work usage can be helpful in encouraging use and building a sense of community (Dormey, 2016).

Organizations should make sure that there are adequate mechanisms for employees to raise formal and informal grievances (Broughton et al., 2009).

Employees and customers should be encouraged to involve social media interactions. Employees may write blogs etc. (Broughton et al., 2009). Employees should be encouraged to speak up and their views should be listened to and, where possible, acted on (Dormey, 2016).

Employers should keep up to date in developments in employment law relating to social media such as privacy. It is advisable to consider potential legal issues, particularly those surrounding data protection and privacy, even if these have not as yet been an issue to contend with (Broughton et al., 2009). it is recommended that social media policies be put in place, appropriate training be provided to employees and appropriate confidentiality clauses and post-termination restrictive covenants be incorporated into contracts of employment (Abate et al., 2011). Cyber-bullying is something that is linked to the rise of social networking tools, although the evidence in terms of workplace cyber-bullying is scant. Neverthe-

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less, employers should work on developing strong anti-bullying policies that are updated in the light of new kinds of technology, and need to bear in mind the fact that that cyber-bullying can occur outside the workplace to a much greater extent than conventional bullying, making it harder for employers to deal with easily. It will probably be the case that cyber-bullying will largely be covered by existing policies on bullying, and so policies or guidance on the use of social networking sites just need to refer employees back to the organization's bullying policy. (Broughton et al., 2009).

Employers need to consider reviewing policies on internet use/social media on a regular basis. Regular policy reviews involving all key stakeholders will ensure that policies address the organization's main concerns. (Broughton et al., 2009)

If you are using social media for recruitment practices, it is necessary to verify information on applicants' SNSs through other means. It should be borne in mind that the information there may not be accurate – at the least, it may be a site created by the applicant for job application purposes etc. (Broughton et al., 2013).

Do not over-invest in social media tools It is wise to adopt a fairly cautious approach in terms of investment in social media tools, as it is difficult to predict which tools will become popular and which will become obsolete. Close monitoring of trends is advisable. Social networking tools cannot entirely replace face-to-face contact. (Broughton et al., 2013).

Always search cost effective approaches to social media usage. Social media creates financial and personnel costs etc. (Broughton et al., 2013).

Provide training and information for those involved in using social media applications and technologies. (Broughton et al., 2013).

Do not lose control of the security of SNSs It is easy for organizations to lose control of media such as Twitter – it is possible for individual employees to hold access codes that no other company representative has. It is therefore advisable to put into place protocols relating to passwords and accounts so that individual employees are not the sole guardians of security information. Organizations should remember that social media are an informal medium and its use is relatively relaxed. In this context, innovation and an open mind are crucial –organizations wishing to use social media should not be afraid to engage (Broughton et al., 2013).

In order for enterprise social networks to be effective, there needs to be an organizational culture that supports employee voice. An enterprise social network will not change the culture of an organization on its own, but it does need a supportive environment to work effectively. Organizations should go with the grain of the technology (Dormey, 2016).

Organizations should have a robust social media policy – developed with staff involvement – which sets expectations for use. This should be based on common sense, clearly communicating to staff that the same rules apply online as offline. Such policies can help prevent misuse and protect employers in rare cases where this does happen. An enterprise social network should be integrated with other voice platforms rather than being used to replace them. Having a variety of voice channels will suit different circumstances and different personal preferences. Enterprise social networks are very promising tools which offer huge potential for employee voice. They could help transform how organizations communicate with staff and access their voice, how they involve them, how they collaborate and innovate. But this potential seems to be largely under-used. Few employers are using social media internally – in the form of an enterprise social network -for voice, and where they are, success has been limited. There are strong signs that where employers are using enterprise social networks, they are doing so in a way which doesn't go with the grain of the technology. They are using a modern tool, designed for networking and

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open-communication, bottom-up, user-generated content, in a more traditional way, which is top-down and controlled. If employers wish to get the best out of social media and unleash its potential, they should use it in a way that matches the technology's capabilities, and ensure it is part of a wider approach to supporting voice at work. (Dormey, 2016).

In the coming part, social media usage practices and habits of Turkish Chambers of Commerce and Industry will be discussed. Turkish Chambers of Commerce and Industry is a semi-public institution. There is no empirical study about the social media usage of Turkish Chambers of Commerce and Industry in the literature. Therefore this research is first in this area.

METHODOLOGY

An online survey was conducted with members of the Union of Chambers and Commodity Exchanges of Turkey using the Bilecik Seyh Edebali University's online survey system. The Union of Chambers and Commodity Exchanges of Turkey (In Turkish is TOBB) is the highest legal entity in Turkey representing the private sector and today, it has 365 members in the form of local chambers of commerce, industry, commerce and industry, maritime commerce and commodity exchanges, operating in 81 provinces and 160 districts in Turkey (TOBB, 2016). There are 181 chambers of commerce and industry, 57 chambers of commerce, 12 chambers of industry, 2 chambers of maritime commerce and 113 commodity exchanges connected to TOBB in Turkey. This study includes only 252 chambers, excluding commodity exchanges.

An online survey was conducted between March 31, 2016 and May 31, 2016. An email with the link to the online survey was sent to total of 238 chambers. Since we could not find e-mail address of 14 chambers, they are excluded from the study. During this period, a reminder e-mail was sent three times to participants who had not responded to the initial request. We received 61 completed and 72 uncompleted survey questionnaires.

Questionnaire items related to perception of benefits and barriers are adopted from Batikas & Bavel (2013) and items related to reasons for not using social media are adopted from Rhoads (2012).

DATA ANALYSIS

Respondent Characteristics

The distribution of respondents by gender and education reported in Table 1 reveals that 19.7% of the respondents were female and 80.3% male. As for the education level, majority of the respondents (83.6%) has a university degree (associate or bachelor degree), 8.2% of the respondents have a secondary education (high school) and 6.6% of the respondents stated having a postgraduate degree.

Characteristics of Participant Chambers

Characteristics of participant Chambers are provided in Table 2. Most of the participant chambers (55.7%) established after the year of 1950. Participant Chambers are distributed according to the num-

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Table 1. Respondent characteristics

	n	%
Gender		
Female	12	19.7
Male	49	80.3
Education		
High school	5	8.2
University	51	83.6
Postgraduate degree	4	6.6
Missing value	1	1.6

ber of their members as follow: 14.8 percent of the participant Chambers have less than 500 members, 27.9 percent has between 501 and 1000, 21.3 percent has between 1001 and 1500, and remaining has more than 1500 members. Turkish Chambers Accreditation System was introduced by TOBB in 2001. Majority of the participant Chambers are accredited. There are only eight Chambers reported that they are not accredited by TOBB. 24.6 percent of the participant Chambers accredited as "A" class, 32.8 percent accredited as "B" and 29.5 percent accredited as "C" class. Number of personnel employed in Chambers varies. Majority of the participant Chambers (72.1%) employ between 1 and 10 personnel, 16.4 percent employ between 11 and 20 personnel, 4.9 percent employ between 21 and 30 personnel and only 6.6 percent employ more than 30 personnel.

Website and Social Media Use by Chambers

Vast majority of the participant Chambers own a website (98.4%) and use social media officially (95.1%). There is only one Chamber reported to not have a website and three Chambers reported that they were not represented in social media officially (Table 3).

The Reasons for Not Using Social Media Officially

In the questionnaire, we asked the reasons for not using social media officially to not users. Two answered this question as "Fear of liability or malpractice concerns" and one answered as "Too much work" (Table 4).

Social Media Platforms Used by Participant Chambers and Frequency

Facebook and Twitter are the most popular platforms. All the Chambers using social media use Facebook (58 Chambers), 42 Chambers use Twitter and 13 Chambers use YouTube. Two Chambers reported that they use six social media platforms listed in Table 5, one Chamber reported one, two Chambers reported two social media platforms and 15 Chambers reported that they use only one social media platform which is Facebook listed in Table 5.

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Table 2. Characteristics of participant chambers

Establishment Year of Participant Chambers	**n**	%
< 1900	7	11.5
1901-1925	13	21.3
1926-1950	7	11.5
1951-1975	18	29.5
1976- 2000	16	26.2
>2000	0	0.0
Number of Members	**n**	%
< 500	9	14.8
501-1000	17	27.9
1001-1500	13	21.3
1501-2000	4	6.6
2001-2500	3	4.9
2501-3000	3	4.9
3001-3500	4	6.6
>3500	8	13.1
TOBB Accreditation Level	**n**	%
No accredited	8	13.1
A	15	24.6
B	20	32.8
C	18	29.5
Have a Public Relations Department	**n**	%
Yes	27	44.3
No	34	55.7
Number of Personnel	**n**	%
1-10	44	72.1
11-20	10	16.4
21-30	3	4.9
>30	4	6.6
Total	**61**	**100.0**

Table 3. Website and social media use by chambers

Own a Website	**n**	%
Yes	60	98.4
No	1	1.6
Represented in Social Media Officially	**n**	%
Yes	58	95.1
No	3	4.9

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*Table 4. The Reasons for not using social media officially**

Reasons	n
Social media is just a fad; it's not worth bothering with	0
Fear of liability or malpractice concerns	2
Concern that users will post negative comments about your organization	0
Too much work	1
Lack social media expertise	0

*Respondents were allowed to choose more than one option.

*Table 5. Social media platforms used by participant chambers**

Social Media Platforms	n	%
Facebook	58	100
Twitter	42	72.4
YouTube	13	22.4
LinkedIn	5	8.6
Blogs	0	0.0
Pinterest	2	3.4
Instagram	7	12.4
Other	3	5.2

* Respondents were allowed to choose more than one option.

Table 6. Which of the following social media platforms does your chamber use the most?

	n	%
Facebook	52	89.7
Twitter	5	8.6
YouTube	0	0
LinkedIn	0	0
Blogs	0	0
Pinterest	0	0
Instagram	0	0
Other	1	1.7
Total	58	100.0

Duration of Social Media Usage

Vast majority of the participant Chambers (94.9%) reported that they have been using social media officially for more than one year. Only three Chambers reported that they have been using social media officially for one year or less (Table 7)

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Table 7. How long have your Chamber been using social media officially?

	n	%
Less than 4 months	1	1.7
Between 4-8 months	0	0.0
Between 8-12 months	2	3.4
Between 1-2 years	13	22.4
Between 2-3 years	10	17.2
Between 3-4 years	14	24.1
Between 4-5 years	6	10.3
More than 5 years	12	20.7
Total	**58**	**100.0**

Availability of Social Media Usage Plan and Responsible Department

32 participant Chambers (55.2%) reported that they have a clear official social media use policy/plan (Table 8) and 38 participant Chambers (65.5%) reported that they have a department responsible for social media (Table 9).

Availability of Social Media Experts / Specialists

36 participant Chambers (62.1%) reported that there is only one personnel responsible for social media in the Chamber, 13 Chambers (22.4%) reported two personnel and 5 Chambers (8.6%) reported more than two personnel responsible for social media in the Chamber. 4 Chambers reported that there is no personnel responsible for social media.

Table 8. Does your Chamber have a clear official social media use policy/plan?

	n	%
Yes	32	55.2
No	26	44.8
Total	**58**	**100.0**

Table 9. Does your chamber have a department responsible for social media?

	n	%
Yes	38	65.5
No	20	34.5
Total	**58**	**100.0**

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Table 10. How many personnel have responsible for social media in the Chamber?

	n	%
0	4	6.9
1	36	62.1
2	13	22.4
>2	5	8.6
Total	**58**	**100.0**

Possible Outcomes of Social Media Experiences

We asked to participants that overall, how you would rate your Chamber's experience with social media. The Chambers we surveyed generally rated positive. 36 Chambers (62.1%) rated as positive, 20 Chambers (34.5%) rated as average and only one rated as negative.

Overall Usefulness of Social Media Usage

We asked to participant that how you rate how useful social media for the Chamber. Most of the participants agree that social media is useful for the Chamber. 30 Chambers (51.7%) rated as "Very useful", 16 Chambers (27.6%) rated as "Very much useful". Only one rated as "Not at all useful".

Necessity of a Training Program for Social Media Usage

36 participants (62.1%) think that the Chamber does not need training for social media (Table 13). It seems that most of the participants underestimate social media and they do not believe that social media usage requires special training.

Recommendation of Social Media Usage to Other Chambers

All of the social media user Chambers recommend the use of social media to the other Chambers and institutions (Table 14).

Table 11. Overall, how would you rate your Chamber's experience with social media?

	n	%
Too early to evaluate	1	1.7
Negative	1	1.7
Average	20	34.5
Positive	36	62.1
Total	**58**	**100.0**

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Table 12. How useful is social media for the Chamber

	n	%
Not at all useful	1	1.7
Very little useful	2	3.4
Slightly useful	9	15.5
Very useful	30	51.7
Very much useful	16	27.6
Total	**58**	**100.0**

Table 13. Do you think that your Chamber needs training for social media?

	n	%
Yes	22	37.9
No	36	62.1
Total	**58**	**100.0**

Table 14. Would you recommend the use of social media to the other Chambers and institutions?

	n	%
Yes	58	100.0
No	0	0.0
Total	**58**	**100.0**

Evaluation and Control of Social Media Usage

We asked whether you assess the official use of social media for the Chamber. Most of the participants (65.5%) answered as "Yes".

Problems Faced by Chambers in the Use of Social Media

We asked a non-compulsory open-ended question "What are the problems your Chamber face in the use of social media?". 12 responses are received for this question. Responses to this question by the partici-

Table 15. Do you assess the official use of social media for the Chamber?

	n	%
Yes	38	65.5
No	20	34.5
Total	**58**	**100.0**

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pants are listed in Table 16. Main problems faced by Chamber in the use of social media are as follows; negative comments or inappropriate posts, the use of social media among members and lack of personnel.

Perception About the Benefits of Social Media Usage

Both social media users and non-users participants were asked about the perception of benefits of the use of social media. The question was asked as follows: "To what extent do you agree with each of the following statements about the benefits of using Social Media for business purposes". The questions and the distribution of responses to them are presented in Table 17.

Vast majority of the participants agree (agree and strongly agree) with "Social media increases effectiveness of communication and public relations of the Chamber." (100.0%), "Social media increases the speed of accessing knowledge, (It increases speed to access knowledge)" (95.1%), "Social media reduces communication costs." (90.2%) and "Social media reduces communication and public relations costs of the Chamber." (90.2%) as the benefits of using social media. These participants disagree (disagree and strongly disagree) on "Social media is better than any other type of media for the purposes of the Chamber." (19.7%) and "Social media reduces communication costs." (9.8%) as the benefits of using social media.

Barriers of the Social Media Usage

Both social media users and non-users participants were asked about the barriers of the use of social media. The question was asked as follows: "To what extent do you agree with each of the following statements as being a barrier (or risk) for the use of social media for business purposes". The questions and the distribution of responses to them are presented in Table 18.

Approximately half of the respondents agree (agree and strongly agree) with "Legal issues that may arise related to social media." (50.8%); "Concerns about employees gets distracted by social media." (45.9%); "Lack of strategy for the use of social media." (45.9%) and "Lack of demand and willingness

Table 16. What are the problems your Chamber face in the use of social media?

Not well-intentioned comments to posts.
Since we are a trade body, we have to be careful in communication. Therefore, it can be difficult to prepare content
Political or offensive negative personal comments leading to argument and spam users comments
Invitation from fake accounts and inappropriate comments.
Members cannot be accessed enough because some members do not use social media.
In my opinion, social media is not very useful and it may be used for out of institutional objectives.
Lack of attention for the posts from audience.
Members sometimes show no interest towards posts. Their performance in the using social media is poor.
Lack of social media usage habits among members except Facebook. In particular, the use of Twitter in our city is very rare.
There are some members who do not have social media habits.
Reaching smaller number of audience.
Because of personnel shortages, we cannot assign personnel solely for social media.

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Table 17. Perception of benefits of the use of social media

		Strongly Disagree		Disagree		Neither Agree Nor Disagree		Agree		Strongly Agree	
		n	%	n	%	n	%	n	%	n	%
1	Social media increases the speed of accessing information.	0	0.0	2	3.3	1	1.6	25	41.0	33	54.1
2	Social media reduces communication costs.	1	1.6	5	8.2	0	0.0	20	32.8	35	57.4
3	Social media increases effectiveness of communication and public relations of the Chamber.	0	0.0	0	0.0	0	0.0	24	39.3	37	60.7
4	Social media increases the Chamber's member satisfaction.	0	0.0	3	4.9	5	8.2	28	45.9	25	41.0
5	Social media reduces communication and public relations costs of the Chamber.	0	0.0	5	8.2	1	1.6	28	45.9	27	44.3
6	Social media increases speed to access external experts when needed by the Chamber.	0	0.0	4	6.6	7	11.5	29	47.5	21	34.4
7	Social media is great for engaging with members of the Chamber.	0	0.0	3	4.9	8	13.1	29	47.5	21	34.4
8	Social media is better than any other type of media for the purposes of the Chamber.	2	3.3	10	16.4	10	16.4	28	45.9	11	18.0

Table 18. Barriers of the use of social media

		Strongly Disagree		Disagree		Neither Agree Nor Disagree		Agree		Strongly Agree	
		n	%	n	%	n	%	n	%	n	%
1	Lack of financial resources for social media	12	19.7	24	39.3	8	13.1	13	21.3	4	6.6
2	Lack of control of social media / risk of inappropriate posting by employees.	4	6.6	21	34.4	13	21.3	20	32.8	3	4.9
3	Concerns about employees get distracted by social media.	3	4.9	18	29.5	12	19.7	23	37.7	5	8.2
4	No strong business case to use social media because of the nature of our business.	9	14.8	28	45.9	11	18.0	10	16.4	3	4.9
5	Lack of incentives to use social media for employees.	5	8.2	33	54.1	14	23.0	9	14.8	0	0.0
6	Concerns on loss of data, privacy in social media	3	4.9	17	27.9	17	27.9	19	31.1	5	8.2
7	Costs of human resources implementing/using social media.	7	11.5	21	34.4	14	23.0	16	26.2	3	4.9
8	Costs of the software applications in using social media.	7	11.5	28	45.9	13	21.3	11	18.0	2	3.3
9	Lack of skills for the use of social media.	5	8.2	24	39.3	14	23.0	16	26.2	2	3.3
10	Lack of strategy for the use of social media.	5	8.2	18	29.5	10	16.4	25	41.0	3	4.9
11	Lack of demand and willingness to use social media in the Chamber by members of the Chamber.	6	9.8	20	32.8	9	14.8	18	29.5	8	13.1
12	Legal issues that may arise related to social media.	4	6.6	13	21.3	13	21.3	23	37.7	8	13.1

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to use social media in the Chamber by members of the Chamber." (42.6%) as being barriers of the use of social media. On the contrary, these participants disagree (disagree and strongly disagree) on "Lack of incentives to use social media for employees." (62.3%), "No strong business case to use social media because of the nature of our business." (60.7%), "Lack of financial resources for social media" (59%) and "Costs of the software applications in using social media." (57.4%) as being barriers of the use of social media.

CONCLUSION AND DISCUSSION

An online survey was conducted with 238 members of The Union of Chambers and Commodity Exchanges of Turkey. Only 133 members answered the questionnaire. Following findings are noteworthy to be underlined:

- Most of the participant chambers (55.7%) established after the year of 1950. Majority of the participant chambers are accredited. Majority of those (72.1%) employ between 1 and 10 personnel.
- Vast majority of the participant chambers own a website (98.4%) and use social media officially (95.1%).
- Facebook and Twitter are the most popular platforms. 58 chambers use Facebook; 42 chambers use Twitter and 13 Chambers use YouTube.
- Vast majority of the participant chambers (94.9%) reported that they have been using social media officially for more than one year.
- 32 chambers (55.2%) reported that they have a clear official social media use policy / plan and 38 chambers (65.5%) reported that they have a department responsible for social media.
- 36 chambers (62.1%) reported that there is only one personnel responsible for social media in the chamber.
- The chambers surveyed generally (%62.1) rated positive their social media usage experience. 34.5% of chambers rated as average and only one rated as negative.
- Most of the participants (79.3%) agree that social media is useful for the chamber.
- 36 Participant chambers (62.1%) think that the chamber does not need a training program for social media usage.
- All of the chambers which use social media recommend to the other chambers and institutions to use social media.
- Most of the participants (65.5%) evaluate and control the social media usage / performance.
- Most of the problems related to the social media usage seem to be reparable in nature with proper training programs.
- Vast majority of the participants believe that 1) Social media increases effectiveness of communication and public relations of the chamber. 2) Social media helps to increase the speed of accessing necessary information. 3) Social media reduces communication and public relations costs of the chamber. 4) Social media increases the chamber's member satisfaction. 5) Social media helps to increase the speed to access external experts when needed by the chamber. 6) Social media is great for engaging with members of the chamber.

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- Major barriers that block the usage of social media for business purposes are as follow: 1) Legal issues that may arise related to social media. 2) Lack of strategy for the use of social media. 3) Concerns about employees may get distracted by social media. 4) Lack of demand and willingness to use social media in the chamber by members of the chamber. 5) Concerns on loss of data, privacy in social media. 6) Lack of control of social media / risk of inappropriate posting by employees.

In conclusion, as semi-public professional organizations the Turkish Chambers of Commerce and Industry has a good performance about social media usage. Almost all the participant chambers use one or several social media platforms. However, there are some skeptics about the necessity and the usefulness of social media. The Turkish Chambers of Commerce and Industry should hire professional social media experts and keep them up to date with appropriate training programs.

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Chapter 67
How Social Commerce Emerged: The Role of Social Word of Mouth – Social Commerce

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ABSTRACT

Individuals perform social interaction with others through online communities, which support their decision behaviour on the Internet. These abilities are mostly due to the rise of social networking sites through the recent development in Web 2.0 technologies such as social media. The increasing popularity of social media and social networking sites has developed e-commerce to social commerce. Social commerce is a new stream in e-commerce, in which consumers use social media in their purchasing journey. In this social climate, the social commerce era, consumers provide social support for the network by not only persuading consumers to have more interconnectivity with their peers, but also by giving a number of unique opportunities to firms. In this chapter, the author discusses the way social commerce has been emerged. As social word of mouth is one of the key constructs of social commerce, social word of mouth as well as the applications of social commerce and social support theory in business context have been explained in detail in chapter.

INTRODUCTION

The increasing popularity of social media has been attracting many individuals to join social networking sites (SNSs) to have social interaction with peers (Liang, Ho, Li, & Turban, 2011). These interconnectivities have different values for firms seeking to improve their performance in the market. Social media, as a new media in contrast to paid media such as TV advertising, is accessible for free to the business sector (Onishi & Manchanda, 2012), thus increasing their popularity. SNSs are facilitating social interaction of users, while providing an important and valuable tool for firms (Hartmann et al., 2008). For instance, businesses may use it for new product development (Pitta & Fowler, 2005).

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Users of social media, such as members of online communities, are not only communicators who interact with peers, but also they are marketing agents by their development of Word of Mouth (WOM) (Kozinets, de Valck, Wojnicki, & Wilner, 2010). They are supporting businesses through co-creation of value (Zwass, 2010) for a new product development, for instance. Social media empowers consumers to generate content and share their knowledge and experiences with peers through social interactions within a network. Consumers with more need for social interaction have more engagement in Electronic Word of Mouth (eWOM) (Wolny & Mueller, 2013). Engagement of consumers and ideas generated through online communities persuade organizations to adopt this support for open innovation (Paul M. Di Gangi & Molly Wasko, 2009), for example. Therefore, social media is playing an important role in developing eWOM. The value of social media in this context is that it facilitates social interaction of consumers; this information generated online influences the decision of users (Wu & Gaytán, 2012). These users may not have experience of a new product and will seek a buyers' view of a product. Some users participate in idea generation for business such as experts who participate in the open innovation community of Microsoft (Kaiser & Müller-Seitz, 2008) or Dell's community of innovators (Paul M Di Gangi & Molly Wasko, 2009) or maybe in an open innovation community of a software company (Dahlander, Frederiksen, & Rullani, 2008). As such, social media enables social interaction of consumers in online platforms and offers different marketing values for firms (Rapp, Beitelspacher, Grewal, & Hughes, 2013). Businesses can develop social media strategies to establish trust, deliver their information to consumers or provide enjoyment to consumers through their participation in online communities. With the advancement of Web 2.0 technologies, individuals now use social media such as SNSs to connect to each other. To join SNSs, they need to develop a profile indicating their identity and circumstances; this brings credibility to the information they provide. As identity is a key issue in online WOM that influences the credibility of eWOM (Dellarocas, 2003; Forman, Ghose, & Wiesenfeld, 2008), online communication of consumers through social media can impact on the reduction of uncertainty and enhance credibility in the network (M. Adjei, S. Noble, & C. Noble, 2010). Therefore, firms perform WOM marketing through online communities and blogs to increase the credibility of customer to customer WOM (Kozinets et al., 2010). In addition, consumers use social media by participating in reviewing or recommending a product to other users; these activities further increase the usefulness of a platform (Kumar & Benbasat, 2006). These opportunities attract individuals to online communities and it facilitates their involvement with peers in online travel communities. In addition, social involvement is one of the motives that drive individuals to adopt the information produced through online word of mouth (Khammash & Griffiths, 2011). Social interaction of consumers using social media produces social support (Obst & Stafurik, 2010) as they share their knowledge, experiences and information with peers. As the voice of consumers is strong on the internet (Kaplan & Haenlein, 2010), this voice has supportive value in the form of informational and emotional support.

Social Media and Word of Mouth

Consumers in an online context have different restrictions such as touching or smelling a product, which is available in traditional or offline shopping. Therefore, e-vendors develop their online platforms by providing some opportunities to consumers to share their evaluations about a product (M. Huang, Cai, Alex, & Zhou, 2011). The content provided in these platforms is important for customers as it provides indirect experiences of a product (Do-Hyung, Jumin, & Ingoo, 2007), indicating the value of eWOM for online marketers. Online word of mouth has been developed by the emergence of Web 2.0 technologies

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and the rise of social media. Enabled by social media, consumers can exchange messages through online communities (Zhang & Watts, 2008), producing valuable information as a result. Information produced by individuals through social media, such as online consumer reviews, is quality information presented by customers who have experienced the product; it includes their evaluations and experiences, introducing a new form of eWOM communication (Do-Hyung et al., 2007), social word of mouth (sWOM). Social word of mouth is the evaluation of consumers about a product using social media.

Consumers in online communities process available information produced in the networks in a contextual manner; this can be useful for the functionality of the tools in the community (Zhang & Watts, 2008). This information is more influential than market generated information, forming word of mouth (Bickart & Schindler, 2001) as product know-how is facilitated (Johann, Bartl, Ernst, & Hans, 2006). This can develop into an efficient new product development strategy (Füller & Matzler, 2007), particularly, when online WOM has high quality and relevance; it can have more influence on acceptance through WOM information (M. Huang, Cai, Alex, et al., 2011), which it can form through Social WOM (sWOM). In addition, it can be used to increase credibility of information produced in these communities as an important factor in WOM adoption by individuals. Information produced through the social interaction of individuals facilitated by social media establishes trust for customers; the influence of this information is greater than that offered by a company.

Although the available literature in eWOM discusses the impact of this marketing tool to enhance the performance of a firm, there has been little research carried out to discuss the values that social media can provide through online social support and to enhance credibility and usefulness of information produced in online travel communities; this helps travellers to adopt word of mouth in an online context given the proliferation of social media. With recent technological innovations, the tourism industry has seen great changes in the online communication channels between travellers and service providers (Matzler, Grabner-Kräuter, & Bidmon, 2008). This industry is seen as an information-rich sector and potential travellers rely heavily on this source of travel information for their trips (Fodness & Murray, 1998).

Electronic Word of Mouth

The literature on consumer behaviour has been researched extensively, covering the power of interpersonal relationships through WOM contacts and online communication (Herr, Kardes, & Kim, 1991). The findings in this area indicate that consumers perceive WOM as a factor influencing their trustworthiness more than other traditional channels such as TV or print ads. This influence has been facilitated with the worldwide availability of the internet, with the theoretical background of WOM now developed to electronic WOM (eWOM). However, the emergence of Web 2.0 technologies has provided an extensive area in the interconnectivity of users through social media (C. M. K. Cheung & Lee, 2012); this now needs theoretical development to examine the influence of social media on eWOM.

The concept of traditional WOM is broadly the same as eWOM but there are some differences between them, although both of produce useful information for individuals. Traditional WOM and its influence is limited to a local network of people (Li & Hitt, 2008), while the information produced through online platforms has no geographical restrictions and can be accessible worldwide (Do-Hyung et al., 2007). In eWOM there is no need to exchange information at the time when correspondents are present (Karakaya & Barnes, 2010). It can be available online for any convenient time that consumers may need it. A good example of this is Amazon.com. Consumers can search for eWOM produced by other customers at previous times and use it at a time when they decide to buy a product. In addition, textual information

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provided through eWOM communication is accessible for an open-ended period of time; this capability is not available in traditional form (Park & Lee, 2009). Consumers can also search for different pieces of information produced by different consumers at different times, further increasing the usefulness of eWOM. Therefore, the improvement in communicator identification can also provide credibility to the information provided through eWOM.

From Electronic Word of Mouth to Social Word of Mouth by Social Media

Electronic word of mouth is a virtual communication between consumers in an online context (Gruen, Osmonbekov, & Czaplewski, 2006; Park & Lee, 2009). These communications are strategic and cost effective marketing tools for business. However, the recent advancements on the internet and emergence of Web 2.0 have expanded this marketing strategy. In this era, customers have been empowered to generate word of mouth in online communities to assist firms in new product development (Fuchs & Schreier, 2011). While WOM was always an import element in marketing, as shown in many pieces of research, the scope of this marketing tool is limited to a network where individuals know each other and have social interaction based on previous contacts. The emergence of Web 2.0 technologies and the growth of social media have erased this limitation. As a result, sWOM has emerged with broad accessibility and the capability to be evaluated and measured by other consumers. For instance, consumers have the facility to rate and review products or read comments on the experiences of other customers who have evaluated a product. When a customer experiences a new product, such as the new IPad, and shares this experience with other users, other peers can comment on this post. Hence, this evaluation not only gives more choices and information to the network of customers but also gives an opportunity to firms to use these social interactions to improve a new product. In addition, this gives the opportunity to the firm to develop open innovation; other researchers describe this as democratizing the innovation (Von Hippel, 2005).

Social word of mouth has a unique advantage of referability, where support can be available from all around the world by a large number of individuals for an unlimited period of time. The information produced through social platforms by customers will remain online till other customers need and refer to it. The development is not limited to these users alone, but credibility of the source of WOM can also be improved by others through sWOM. Individuals use social media and online communities such as Facebook or Twitter to connect to these networks, providing contributor profile to the network; this gives more source credibility to the evaluation and participation of individuals. These advancements bring a new paradigm change to eWOM and introduce sWOM, which this research empirically examines.

Social Word of Mouth and Online Social Support

The time when there was a link between the lack of interpersonal relationship and the longer time an individual spent on the internet has been overcome by the emergence of Web 2.0 technologies. The attraction of social media and intercreativity of users in SNSs have introduced a new communication tool to individuals to have social interaction worldwide with no cost involved. There is extensive literature discussing the value of online communication of individuals in online communities (Rhoades & Eisenberger, 2002; Rosenfeld, Richman, & Hardy, 1989; Wangberg et al., 2008). The other contributions in this

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area highlight the social value of the social interaction of users in online communities and the production of social support within these networks (Hwang et al., 2010; Kraut et al., 2002; Obst & Stafurik, 2010).

Online social support as a new theoretical lens in the study of eWOM can be theorized based on the advancements on the internet as follows. With the availability of online social support in online communities such as TripAdvisor as an example of a travel forum, Microsoft or Dell open innovation communities or any other online communities, consumers engage in social interaction to support each other; it has become beneficial and natural for members to share their information, experiences, knowledge or provide feedback. This supportive climate can be applied to new product development or become part of a customer's decision making journey to buy a product. Enabled by social media, individuals share their information; this then shapes social word of mouth in the form of informational or emotional support for the online communities. Users' perceived usefulness in terms of caring and offering support through useful information, make it essential for others to seek and share commercial information within the online communities (Crocker & Canevello, 2008). Hence, sharing commercial information and empathizing with the issues of other members of the community is likely to produce credibility and trust in the network and the adoption of social word of mouth; this may lead to the purchase intention. This supportive atmosphere may also be used for open innovation and new product development (NPD). Therefore, the author can make a path between social support and information usefulness to eWOM credibility.

Social Word of Mouth Adoption

Information adoption can be defined as the process of engaging purposefully in consuming information (C. M. K. Cheung & Thadani, 2012). Information support provided through social interaction of individuals in online communities can be in the form of ratings, reviews, recommendations or referrals. This information may be useful for potential consumers who have not experienced a product and need independent information provided by other customers. Therefore, when consumers search for information provided by other users on online communities to make a better decision for their purchasing (Pitta & Fowler, 2005), they are adopting information. This part of literature argues that social media provides more opportunities to the individual to adopt WOM as more useful and more credible. Therefore, informational usefulness and credibility of information are two important factors in this section.

Informational Usefulness

Community content, a natural product of interconnectivity of users, is an important and useful means of attracting members to share information in online communities (Zhang & Watts, 2008). This also provides benefits to the members for their participation. Perceived usefulness of information provided in online forums and communities will increase information adoption (Liu & Zhang, 2010; Sussman & Siegal, 2003). Research shows that information usefulness has a strong impact on the decision of users to adopt WOM provided in the online communities (C. M. Cheung, Lee, & Rabjohn, 2008). However, the quality of information is one of the most important factors influencing online WOM adoption (M. Huang, Cai, Alex, et al., 2011). Once individuals perceive more value, they are more likely to become involved in online WOM (de Matos, Rossi, & Vargas, 2008). Perceived usefulness has become increasingly important with the growth in the number of SNSs and the opportunities that social media provides.

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Social Word of Mouth Credibility

Lack of credibility in information provided to customers results in negative beliefs about firms amongst their customers (Umit Kucuk & Krishnamurthy, 2007). Therefore, credibility of the information and trust in the online communities has a significant value for the success of an online community. Recent studies in this area argue that trust within the network has significant influence on online WOM activities (de Matos et al., 2008). Trust also influences the adoption of information produced by different individuals, particularly in globally dispersed teams such as social networks of users for NPD (Muethel, Siebdrat, & Hoegl, 2012). Trust is a challenging factor in an online context (Gefen, Karahanna, & Straub, 2003) as customers cannot always experience a product or service online (Lee & Lee, 2009) and they need to explore online WOM. In particular, the information produced through social media, which shapes eWOM, is reflecting a mechanism to reduce uncertainty (Park & Lee, 2009) and provide credibility of the information. Additionally, the higher source credibility of messages perceived in online communities provides a higher level of information adoption (Zhang & Watts, 2008). Credibility of content provided through social interaction of individuals in online forums and communities makes it more influential (Bickart & Schindler, 2001). In fact, distrust towards information produced in online forums and communities influence consumers to avoid using such information (Liu & Zhang, 2010). Research shows that source of information credibility in an online community influences perceived usefulness of users (C. M. Cheung et al., 2008) and that higher credibility sources of information provide information usefulness (Ko, Kirsch, & King, 2005).

Impact of Electronic Word of Mouth on Social Commerce Era

The increasing popularity of social media provides new opportunities for business to develop their marketing strategies based on social media developments. The literature of WOM has developed the motivation to perform eWOM and the factors involved drive customers to use it. However, the present literature examined how social media developed eWOM to social WOM and how consumers are motivated to spread its use and derive benefit from it. This will help firms to use social media to attract more customers and facilitate their social interactions to produce social word of mouth for their products. They may develop their marketing strategies based on a social media perspective to distribute their information along a different route to their customers. This information has more influence than other sources such as a website or eWOM since before using social media; customers need to establish a credible profile. This identity, a critical point of eWOM, can be achieved by social media. This gives a new marketing strategy using social media to develop sWOM to increase the credibility of information produced through online communication. Credibility is an important factor as customers can not experience the products and services in an online context. Therefore, sWOM can produce credible information for the network. E-vendors can develop online communities to attract individuals to come online and perform social interaction with their peers. In the case of new product development, businesses can use social media to facilitate social interaction of consumers, especially those who have experienced a new product. These customers may detail their experiences, information and knowledge about a new product, a valuable source of information for non-experienced customers. This supportive environment provides informational support and emotional support, establishing information credibility and usefulness leading to sWOM adoption. Finally, this study identifies a deeper understanding of online travel communities, as travellers now seek improved and better quality services. Social media provides them with the tools to do this.

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THE APPLICATIONS OF SOCIAL COMMERCE IN BUSINESS CONTEXT: THE ROLE OF SOCIAL SUPPORT ON SOCIAL COMMERCE DEVELOPMENT

In this section, the research discusses the applications a key construct that form social commerce. As social support is one of the key constructs of social commerce and this construct is new in business studies, the applications of social support theory in business context has been explained in detail in the following section.

Context

The proliferation of the internet has given the opportunity to consumers to use social media, from email to Twitter and Facebook, to have social interactions with other users without meeting them (Gruzd, Wellman, & Takhteyev, 2011). Consumers are now content generators on the internet by using new technologies (Phillips, 2011), which offer new opportunities for both businesses and consumers. The use of Facebook, Twitter and LinkedIn as leading social networking sites (SNSs) has increased, with their popularity creating new routes for e-vendors, called social commerce (Liang & Turban, 2011). YouTube and Facebook are among the most popular SNSs (Corrocher, 2011), which increasingly attract individuals to SNSs, mostly because of individuals perceived usefulness (Lin & Lu, 2011). In recent years, SNSs and online communities have been growing quickly (Cachia, Compañó, & Da Costa, 2007; Lu & Hsiao, 2010). SNSs have different values, such as relationship marketing and relationship quality (Jung, Ineson, & Green, 2012) and these social networks offer a suitable environment in identifying emerging social behavioural changes (Cachia et al., 2007). Identifying emerging social behavioural changes is important due to the fact that development of e-commerce to social commerce is a behaviour change (Liang et al., 2011). The concept behind social commerce is that social media benefits commercial transactions of vendors by developing closer relationships with customers, enriching the quality of the relationship, increasing sales and encouraging loyalty to the business. To reach these aims, a business may use a social media tool such as Facebook or Twitter to gain access to social platforms. Because social media now influence marketing activities (Kim & Ko, 2012), consumers who use social media communicate with brands (Cova & White, 2010; Hollenbeck & Kaikati, 2012; Zaglia) and generate a positive effect on brand evaluation (Naylor, Lamberton, & West, 2012). Companies can now apply social media strategies to influence (M. T. Adjei, S. M. Noble, & C. H. Noble, 2010) and increase their sales (Agnihotri, Kothandaraman, Kashyap, & Singh, 2012; Lu & Hsiao, 2010). Therefore, it is useful to understand how people use social media for communication to form new forms of social interaction (Gruzd et al., 2011; J. Huang, Baptista, & Galliers, 2013) and find out about consumer behaviour in an online context. In addition investigating social commerce intentions and drivers for social commerce may make the market familiar with the influence of technological advancements, particularly Web 2.0 and its effects on consumer's behaviour in the social commerce era. Social commerce is facilitated by technologies such as social media for consumers to have interactions and to gather contributions by individuals to gain information about buying a product or service (Liang & Turban, 2011). Social commerce, social media and Web 2.0 technologies demand new issues and the development of new theories in this area and may be one of the most challenging areas of information systems (IS) and marketing research in the coming decade (Liang & Turban, 2011).

Research shows that customers like to share their shopping experiences with other friends (Liang et al., 2011). These experiences are important for consumers, especially when they receive information

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from friends and this influences their shopping behaviour (Trusov, Bucklin, & Pauwels, 2009). It is argued that consumers in an online context are most influenced by word of mouth (WOM), which is the high-flying feature on the internet (Trusov et al., 2009) and has ripple effect (M. Huang, Cai, Tsang, & Zhou, 2011). WOM occurs when consumers share their experiences about a product or leave their views with other consumers (Romaniuk, 2012).

Social interaction and relationship of individuals in the online context is mostly based on shared interests (Wellman et al., 1996) and produces information richness in the transaction environment (Yadav & Varadarajan, 2005) leading to better customer understanding. Being in a group and having social interaction with other members is a human need; this is now facilitated by Web 2.0 applications such as social media. Online communities such as SNSs are new web services to provide both personal experiences and information sharing in a business context (Lu & Hsiao, 2010).

In this part of the literature, the author refers to his recent publication to investigate the social interaction of cosumers on the internet in social commerce era. In particular, this will investigate social support to explain the effects of social factors on relationship quality and social commerce intention. This research will extend theory to online social support based on the relationship of individuals on the internet. Therefore social support in terms of relationship quality can result in better understanding of both customer loyalty and adoption.

Theoretical Background of this Track

Customers are partners and part of a value creation chain in a business (Hennig-Thurau, 2000; Pongsakornrungsilp & Schroeder, 2011). Therefore, businesses need to understand their customers (Rauyruen & Miller, 2007) and building marketing relationships with them is necessary. Relationship quality as an important factor in relationship marketing literature is related to different factors; this can influence loyalty toward a business (Curty & Zhang, 2011; Rauyruen & Miller, 2007). Relationship quality can be defined in various categories. However, it is mostly focused on trust, commitment and relationship satisfaction (Rafiq, Fulford, & Lu, 2012; Rauyruen & Miller, 2007). Relationship quality in an online context can be categorized to characteristics and behaviour of the vendor (Rafiq et al., 2012). In the online context, an e-vendor promotes relationship quality in different ways including investment in the relationship with customers, customer relationship management, social support, etc.

Relationship Quality

Relationship quality refers to relationship closeness or strength and it is one of the key determinants of customer loyalty (Hennig-Thurau, 2000). Relationship quality is a key concept in relationship marketing. Research shows that relationship quality has mainly three facets; trust, relationship satisfaction and relationship commitment (De Wulf, Odekerken-Schroder, & Lacobucci, 2001). Therefore, in this research the author assumes that better relationship quality is accompanied by these indicators.

Trust is a central issue in most economic and social transactions, especially in an online context where there may be lots of uncertainty (Pavlou, 2003). Trust also is a central issue in social commerce. Trust in a business shows that an e-vendor is honest and benevolent (Gefen et al., 2003). Benevolence and credibility are seen as two distinct types of trust (Ba & Pavlou, 2002). Credibility based trust, which usually is impersonal and relies on reputation information, refers to the belief that the other party in a transaction is reliable and honest; benevolence, however, refers to repeated seller-buyer relationships (Ba

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& Pavlou, 2002). Relationship commitment refers to an individual's desire to continue a relationship with a retailer (De Wulf et al., 2001). Commitment is a main factor for a long term relationship (Garbarino & Johnson, 1999). This indicator of relationship quality shows the importance of the relationship with service provider that maximise the efforts to guarantee the relationship (Gustafsson, Johnson, & Roos, 2005). Relationship satisfaction, the other indicator of relationship quality, refers to the affective state of people from their complete evaluation of the relationship they have with other people (De Wulf et al., 2001). Investment in a relationship with consumers has a direct and great impact on intention to buy in consumers and also in customer retention (Palmatier, Dant, Grewal, & Evans, 2006). The strength of this relationship or relationship quality is a key concept in relationship marketing (Rauyruen & Miller, 2007). This relationship is dependent on the vendor service quality and how it builds the connection with consumers.

CONCLUSION

Social relationships of consumers on the internet, through the popularity of social media, have seen the emergence of a new concept entitled social commerce. Drawing on social support theory from social psychology discipline, relationship quality form marketing track, and social media perspective from information systems, a research has been developed to investigate consumer behaviour in this era of social commerce. The goal is to find the commercial values offered by Web 2.0 technologies for both businesses and consumers. The proposed model reports on social constructs and the ability to increase relationship quality in business, leading to an impact on an individual`s social commerce intention.

Consumers use social media to share their knowledge, information and experiences with other peers in their groups and communities. These advancements make consumers part of a value creation process for business through the social support they provide on the internet. The research reveals that their social support contains informational and emotional support. It has been empirically tested and results show that social support has a positive effect on relationship quality. These supports also significantly affect relationship quality.

This investigation indicates that the social interactions of consumers have different advantages for business. Consumers join online communities or use social media and generate textual information about a product or service. This information can increase relation quality in a business, leading to increased loyalty. Therefore, the valuable information created on the internet has many advantages, relationship quality being one of them. The co-creation environment engages consumers in a value creation process for a business.

Another valuable result of the above mentioned research concerns the positive effect of relationship quality on social commerce intention. Relationship quality, measured by commitment, trust and satisfaction, has the potential to enhance social commerce intention. Relationship quality is seen as a foundation in marketing literature and is important for shaping customer loyalty; this is influenced by social support. In fact, social support can increase commitment, trust and satisfaction, leading to improved customer loyalty. This is a key finding for businesses to adopt social media strategies to establish an environment for their consumers to develop social support, which in turn can enhance customer loyalty through relationship quality. Firms in social commerce era are facing huge challenges by technological advancements on the market. Researching and investigating these kinds of issues may shift these challenges to opportunities for firms to adjust their business strategies. The results of this study highlight

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the importance of online communities and social networking sites, which offer a supportive climate for consumers. This supportive environment has different values, of which this research investigates the relationship quality. Improving relationship quality through trust, commitment, and satisfaction influence social commerce intention and make social networking sites a valuable place for businesses. Forecasting consumer's behaviour in social commerce era, therefore, is a contribution for this research.

The contribution of the research is to apply social support theory and integrate it with relationship quality from marketing discipline to gain a better understanding of what drives social commerce and what are the commercial values of social media for business marketing strategies. This has been shown in the model through social support and relationship marketing. Proposing social support in the online environment in the model and examining its influence on relationship quality shows that theories from both information systems and marketing need to be investigated with a view to application in social media.

In conclusion, adding this application of social support to the literature review chapter of this thesis intent to show the significant role of social interaction of consumers in social platforms provided by Web 2.0 in social commerce era and applications of social support theory. These social interactions produce different values for business, which in turn encourages companies to apply social media strategies, for instance, to adjust their business plans to meet the present social environment. It also highlights the role of active consumers and how they can help business to have a better understanding of customers' needs. Finally, this study looks at future of e-commerce and predicts consumer's behaviour in social commerce era. Forecasting consumer's behaviour in social commerce may provide a foundation for firms to develop their social media strategies and adopt new technological advancements.

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KEY TERMS AND DEFINITIONS

Credibility: Credibility is an important factor as customers cannot experience the products and services in an online context.

Electronic Word of Mouth: It is a virtual communication between consumers in an online context.

Online Social Support: Online social support as a new theoretical lens in the study of eWOM can be theorized based on the advancements on the internet.

Online Word of Mouth: Online word of mouth has been developed by the emergence of Web 2.0 technologies and the rise of social media.

Social Commerce: Social commerce is a new stream in e-commerce enabling consumers to use social media in e-commerce platform.

Social Word of Mouth: Social word of mouth is the evaluation of consumers about a product using social media.

Traditional WOM: The concept of traditional WOM is broadly the same as eWOM but there are some differences between them, although both of produce useful information for individuals.

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Section 6
Managerial Impact

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Chapter 68
Defining the Role of Social Media as a Contemporary Local Area Marketing Technique in Franchising

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ABSTRACT

Literature on Local Area Marketing (LAM) and social media engagement techniques for franchise businesses is scant, with Direct and Online Marketing the primary focus. It is important for franchise businesses to have a qualified understanding of social media to integrate its use as a LAM technique in their business. Problems facing franchise businesses include confusion over how social media functions within local area marketing strategy, a unified perception over how social media can be used to develop their business, and the lack of a basic theoretical model for social media engagement and LAM guidelines. This chapter examines the role of social media in LAM. It explores the franchise business attitude on new technology adoption including the use of social media. It presents a coordinated framework for the application of social media to increase awareness and enhance franchise business success, providing an important contribution to the franchise industry sector.

RESEARCH RATIONALE

This research is significant in that it is exploring not only the engagement of social media as a LAM technique but also the extent to which social media as a technology tool has been used to market franchise businesses. This chapter will highlight the current and past perceptions of social media as a marketing strategy. There has been quite a lot written about the perceived benefits of social media and LAM tech-

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niques but mainly by consultants and marketers who have a vested interest in the franchise industry. The researchers have identified problems that they seek to research with the book chapter. These problems are as follows:

Problem One

Lack of objective investigation into how franchises view social media as a marketing strategy: Often franchisees are given poor quality training into marketing their local area. Investigations only really begin when sales budgets fail to be consistently reached.

Problem Two

Lack of objective reporting into franchises using social media to develop their business: Individuals tend to be reported as a 'mouthpiece' for the franchisor. The evidence or substance as to the extent that social media has developed their business is not usually reported.

Problem Three

Lack of theoretical framework or model for the engagement of social media as a LAM technique: The approach from marketers to franchises about using social media as a LAM technique appears to be haphazard resulting typically in a customised LAM strategy.

RESEARCH METHOD

A qualitative approach was considered appropriate as this line of research would help to define the problems the researchers are seeking to investigate (Boyce, 2002). The research objective involved conducting exploratory research to determine if it was worthwhile to undertake a more thorough investigation and to increase the researcher's familiarity in the problems highlighted earlier. (Kumar, 1996). To collect data on the topic, *"Social Media in Franchising"*, two techniques were utilised, a literature review and a structured observation. Kumar also outlined that a literature review provides clarity and focus to the research problem as well as broaden the researchers' knowledge base in the research area. With the literature review, two sources of information were used: academic business journal databases and the internet.

The researchers searched academic journal databases using key word terms including, *social media*, *social crm* and *social networks*. The researchers also used the search engine 'Google' to locate additional information including news as well as magazine articles, advocacy group websites and industry survey reports using key word terms, *social media in franchising*. A structured observation was undertaken in the form of a website review. The structured observation technique was adopted as a strategy because it reduces the potential for observer bias as well as increases the reliability of the data (Kinnear & Taylor, 1988). To identify which franchise business websites to review, a convenience sampling approach was adopted for the study. Convenience or 'accidental sampling' is best used in exploratory research circumstances as it is quick and easy to administer, given the timeframe required (Zikmund, Ward, Lowe

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& Winzar, 2007). The data analysis conducted related to a 'descriptive analysis' as defined by Kinnear & Taylor, which was suitable given the research objective involved portraying the online social media characteristics and determining the frequency of their occurrence.

INTRODUCTION

In 2005, franchise business revenue in Australia was $96 billion, approximately 14% of Australia's GDP (Wilkie, 2014). By 2011, this had grown to just under $129 billion, around 9.2% of Australia's GDP (ABS, 2012). Given that Australia was experiencing a mining boom up to 2011, the revenue growth is significant. In Australia, franchising is also a growth industry, however with franchising, the onus is on individual franchisees to manage their own LAM. Franchise agreements often have clauses stating that a certain proportion of the franchisees turnover contributes specifically to LAM.

The concern is that many franchisors do not adequately provide their franchisees with the skills and tools required to become effective local area marketers (Ciniglio, 2014). With LAM for a franchise, their biggest asset is their reputation. The time, effort and perseverance to build a franchise brand could be destroyed quickly with the internet and social media if it is not managed properly by the franchise. Every day, search engines looking for fresh material publish smears, lies, distortions and rumours to fill blogs, websites and forums with these postings being usually at the top of their results list. Once it's posted, it's just about impossible to remove. Even trying to refute these allegations could enflame the situation even more for a franchise. (Socialmediafranchising.com, 2009)

Australian public relations specialist Rebecca Stalker (2010) describes social media as a type of media that centres on proper conversations and how people interact online. She states that social media has become for a significant proportion of the Australian population, their online lives. Stalker also suggests that there are a relatively small number of franchise businesses using social media, with most of those being in the retail food business sector, but a relatively few effectively using it. In contradiction to this assertion by Stalker, Frazer, Weaven & Bodey, (2012, p.74) in their Franchising Australia 2012 report, state that 94% of franchise businesses they surveyed used some form of social media as opposed to 10% of small businesses and 18% of medium businesses using social media. The defining question is, how well is it being used by franchise businesses? Research by the US iFranchise group noted that for most franchise businesses using social media had hardly any measurable increases in their revenue sales. Only a small percentage seemed to have achieved positive results. (Franchisewire.com, 2011). According to Cooper Smith from Business Insider (2014), only 23% of marketers in a recent survey stated that their promotional social media efforts were effective. Negative results such as adverse social media comments could be catastrophic for a franchise business. Franchise businesses need to be weary as negative social media comments stimulate further discussion on social networks, (Corstjens & Umblijs, 2012, p.441).

This chapter will highlight the current perceptions of social media as a marketing strategy and the reasons and causes for franchise business successes using social media. A better understanding of how franchisees view social media will provide valuable insight into how franchise businesses brands can better use social media as a contemporary LAM technique in their business.

The objective is to define the role of social media as a contemporary LAM/community based technique through the use of technology with the emphasis on an integrated approach to the franchise business attitude of adopting new technologies.

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The intended contribution to the franchise industry is to provide a coordinated framework for the application of social media as a LAM and community based marketing technique to increase awareness and ultimately enhance franchise brand social media presence success. The three key measures of social media presence success that matter according to Business Review Weekly (BRW) include: increased sales, better brand recognition and being perceived as an employer of choice. (Dent, 2012)

BACKGROUND

In Franchising, there is the perception that the role of social media is not well defined, especially as a contemporary LAM technique. Local Area Marketing as a phrase literally means 'marketing within a specific location or region'. Lidia D'Opera, Marketing Manager for the Snap Printing franchise group defines LAM as a tailored promotional program adapted to suit local community conditions. The essential element of LAM for franchisees is using their local knowledge to communicate with their customers on a personal basis in order to build trust and locally relevant community credibility (Topfranchise.com.au, 2012). Conversely, franchise consultants claim that the franchise industry data suggests social media is only useful in enhancing traditional media techniques rather trying to replace them. They view social media as an integral part of the arsenal of media options available but not critical (Franchisewire.com, 2011). Paul Segreto (2010), an American franchise consultant even had this to say about it, "social media is most effective when it is a fully integrated part of a comprehensive multi-media strategy".

The reported franchise social media success stories don't consistently reinforce this viewpoint. When comparing media reported franchise business social media success stories, few highlight an integrated multi-media strategy. For example, there is the success story about a LED lighting supplier who conducts a contest through Facebook and has followers judge the contestants (Libava, 2013). Other social media success stories relate to the enhancement of only one social media tool, Facebook connecting to business webpages for the purpose of trying to increase revenue (Markitsharebuilders.com, 2013). Further social media example success stories, highlight one, maybe two social media tools being enhanced (Mershon, 2012). This is little evidence for an integrated approach.

Social Media is still very much a new phenomenon beginning around 2006/07. Social media is a form of online media that elicits conversations and allows participant interactivity (listening/viewing/reading) in content creation, development and sharing (Ward, 2014). Jones (2009) defined social media more simply as "a category of online media where people are talking, participating, sharing, networking, and bookmarking online. Most social media services encourage discussion, feedback, voting, comments, and sharing of information from all interested parties." He suggests that the nature of social media is about two-way conversations using various conduits such as 'social news' where people read and vote on news topics and articles, 'social sharing' where people can create, upload and content such as videos and photos, 'social networks' where people can connect and remain in contact with friends, family and associates and social bookmarking' where people can flag content and information of interest and share this with others.

Social media's appeal is it's real dynamism. It's alive and exciting and is always changing and organic as it continues to evolve through new platforms and tools. As an example, it is also being used in ways few people could have imagined just a few short years ago (Libava, 2013). Teixeira (2011) an American franchise consultant believes that with the increased use of social media, there will be the development of more applications and more creative as well as innovative marketing programs for franchise businesses.

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Libava (2009), likens social media to an express train about to leave the train station and has been encouraging franchise businesses to embrace this trend to be more transparent. One of these ways includes incorporating social media as a LAM technique in franchising. According to Stalker (2010), for franchise businesses, a social media presence can increase and enhance brand awareness as well as provide strong word-of-mouth recommendations. According to BRW this is one of the three key social media presence success measures (Dent, 2012). The other two success measures include increased sales revenues and returns on marketing investments. For those franchise businesses that have adopted social media they are asking questions such as:

- How do we measure our conversions?
- How do we calculate our social media return on investment (ROI)?
- How do we increase our social media coverage? (Libava, 2013)

Calculating social media ROI for franchise businesses is similar to attempting to quantify human conversations and interactions that are inherently qualitative by nature. It is suggested measurement of ROI is less important that the act of disseminating the message (Libava, 2009). Franchises are not adopting social media fearing the loss of brand reputation and brand recognition through negative comments and cite this as a strong reason for avoiding adoption. Others suggest the perceived time and costs involved for initial set-up and ongoing maintenance as the deterrent (Segreto, 2010). The Chamber of Commerce and Industry Queensland (CCIQ) (2012) as part of their annual Queensland Digital Readiness Study investigated, 'Reasons for Not Using Social Media' and these findings are discussed further later in this chapter.

It can be suggested that the role of social media in promoting franchise business awareness as a marketing promotion technique is quite evident through the volume of online articles available; however its application appears to be inconsistent when it comes to an integrated multi-media strategy. There appears to be no model or framework to use as a basic guideline, only the specialist advice of digital marketing and public relations specialists. The focus of the remainder of this chapter is to define the role of social media as a contemporary local area marketing technique in the context of Franchising.

LAM TECHNIQUES

So what are LAM techniques and how do franchises differentiate between traditional and contemporary methods? Firstly, these techniques relate to marketing within a specific geographic location but the keyword phrase does vary between countries. In Australia, the predominant keyword phrase is 'local area marketing' (LAM) and it is the identification as well as implementation of local community marketing opportunities through the collaboration and engagement of local media, businesses, organisations, groups and individuals. (Kelly, 2013) The common keyword phrase describing this type of 'grass roots' approach to marketing is 'local marketing' in the United States of America. It is interesting to note in the U.S.A., one out of every twelve businesses is a franchise with many operating in highly segmented competitive local geographic markets. (Polite, 2011) Similarly, in the United Kingdom, the typical keyword phrase is 'local marketing' as well. (Franchiseperformance.net, 2013) This chapter is considering the keyword phrase in the Australian context.

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Before the distinction between traditional and contemporary LAM can be made, it is important to know what activities make up a typical modern LAM program. For a franchise, this often includes a direct mail campaign (database development), customer loyalty program (email marketing program), community sponsorship program (consumer promotions) and franchisee outlet website (local advertising campaigns). (Tickyes.com, 2012) According to Matthew Bywater (2012), an Australian franchise consultant, other LAM program activities can include as well, local media campaigns (public presence), customer awareness (in-store promotions), customer acquisition (networking events), and customer awareness/acquisition (mobile marketing). This indicates a mix of traditional and contemporary LAM techniques. Lidia D'Opera from the Snap Printing group describes the traditional LAM techniques as being typically direct mail campaigns and unaddressed mail (brand awareness and lead generation). (Topfranchise.com.au, 2012)

In the past, traditional LAM techniques were viewed as being the primary domain of the franchise industry. As a marketing strategy, it received very little notice from mainstream marketers. (Tickyes.com, 2012) Recent times however have seen the rise of contemporary LAM techniques due to continued growth and popularity of the franchise industry as well as marketing/cost efficiency benefits mainly through technological advances. This has enabled franchise businesses to form more profitable relationships with their customers. These technological advances have also allowed for more personal consumer engagement especially via the internet (email, mobile phones, wireless, CRM software, and social media) and digital printing. (Bywater, 2012)

Based on these technological advances, Table 1 compares both traditional and contemporary LAM techniques and has been compiled as a heuristic guide (Aboutsensis.com.au, 2014).

Table 1 depicts the various promotional marketing techniques used to target prospective customers or retain current customers. Many of the traditional techniques listed are considered Direct Marketing techniques as well because they can be directed toward individual customers. Similarly, a number of the contemporary techniques can also be directed toward individual customers. Mainstream marketers didn't take traditional LAM too seriously because many of the techniques typically were viewed as "Direct Marketing". Direct Marketing is defined as "organisations communicating directly with target customers to generate a response or transaction." Organisations like Amway, Nutrimetics, and Tupperware solely distribute using independent contractors to sell their products straight to customers (Belch, Belch, Kerr & Powell, 2009, p.47). This is also how franchise businesses operate. The Franchise Council of Australia describes franchising as a business relationship between the franchisor (the business owner who provides the product or service) and independent people (the franchisees) whereby they are given the authority

Table 1. LAM techniques comparison

Traditional	Contemporary
Direct Mail	Email marketing
Loyalty (cards/VIP clubs, etc)	Mobile – marketing/advertising/reviews/websites
Sponsorship	Online ads
In-store (events/samples, etc)	Online forums
Business website (static)	Search engine marketing (Google/Yahoo, etc)
Yellow Pages	Online directories
Media releases	Blogs

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to promote and distribute the franchisor's products or services as well as use their business brand name for a set time period. (Franchising.org.au, 2014)

Direct marketing has four characteristics that set it apart from other marketing techniques. Direct marketing is 1. Non-public (personal), 2. Immediate, 3. Customised (specific) and 4. Interactive (two-way dialogue) (Kotler, Brown, Adam, Burton & Armstrong, 2007, p.633). The essential function of a direct marking program is to generate a measurable response that will result in an immediate or final profit. (Stone & Jacobs, 2001, p.7) Stone and Jacobs (2001, p.5) define Direct Marketing as "the interactive use of advertising media, to stimulate an (immediate) behaviour modification in such a way that this behaviour can be tracked, recorded, analysed and stored on a database for future retrieval and use." Considering these descriptions, there appears to be two core elements, a) interactive communication and b) database information. Stone and Jacobs (2001, p.5), believe that two-way interaction as an essential ingredient of direct marketing. According to Belch et al (2009, p.175), databases have allowed organisations to keep in touch with their customers and form relationships with them. This has evolved into customer relationship management (CRM) and with that the continued growth of direct marketing.

Factors influencing direct marketing attractiveness include availability of consumer credit cards making purchases more easy, advent of specialist direct marketing information service specialists, changing societal structure such as dual incomes and more mobile families, technological advances especially in computers and electronic communication as well as more organisational transparency and accountability (Belch et al, 2009, pp.465-6). These technological advances often referred to as the 'digital revolution' had a major influence on Australian society to the point that having personal access to the internet providing choice with increased competition. Hence the terms 'online' or 'interactive' marketing to describe this evolution (Belch et al, 2009, pp.478-9). Digital Marketing is about using various digital media, such as email, mobile phones and social networks for promotional purposes (Inwise.com, 2011). As a form of Direct Marketing these modes would be deemed 'contemporary' in nature.

Before identifying what contemporary LAM techniques constitute 'Social Media', it is important to clarify the nature of social media. Social media is a form of two-way social communication. Social media can include such categories as 'social news', where people read and vote on news topics and articles, 'social sharing' where people create, upload and then share their creations such as videos, photos, podcasts, for example, 'social networks' where people connect and stay in touch with friends, relatives and colleagues, and 'social bookmarks' where people find, flag and share online information and 'wikis' where people add or edit articles. (Nations, 2014) How these categories relate to customer loyalty strategies is outlined in Table 2. Social media adoption guidelines need to have a customer-centric emphasis.

Table 2. Social media customer loyalty strategies

Social Media Category	Customer Awareness	Customer Acquisition	Customer Retention/ Service	Customer Loyalty
Social Media	√	√	√	√
Social News		√	√	√
Social Sharing				√
Social Networks	√	√	√	√
Social Bookmarks			√	√
Wiki's				√

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Table 2 depicts the application of social media categories to the relationship marketing process. According to Kotler et al (2007, p.11) the relationship marketing process is about creating, maintaining and enhancing customer relationships. Sometimes described as "customer-focused marketing", the key elements to this process is understanding customer retention economics as well as developing and building customer loyalty (McColl-Kennedy & Keil, 2000, p.685). By focussing on customer outcomes through achieving customer satisfaction and loyalty is a customer-centric approach (Kotler et al, 2007, p.43).

Using Social Media is a personal and interactive experience. Similarly, Direct Marketing is "customer-centric" and being driven by technology allows businesses the freedom to identify, differentiate and engage with their customers and develop personalised communication for them. (Stone and Jacobs, 2001, p.49) Contemporary LAM techniques are part of this process. There are still unanswered questions such as: How much should franchise businesses spend on LAM and social media? Is there a magic figure?

Spending on LAM

Successful franchise businesses are active and proactive with their LAM programs. It is what drives their businesses. The key is in knowing how much to spend on LAM. Kelly (2013), an Australian journalist and PR specialist with more than 20 years' experience in franchising corporate communications summed it up this way: "The rule of thumb in franchising is that franchisees are expected to pay anywhere between 1.5 – 3 per cent on local area marketing, over and above their national marketing contribution, which can sit anywhere between five and 10 per cent, depending on the franchise." This effectively means a total advertising budget spend of between 6.5 – 13 percent. Included in that figure would be the expected spend on social media.

So how much should a franchise businesses spend on Social Media? According to ZenithOptimedia, in 2012 internet advertising surpassed that of newspaper advertising expenditure in the USA. Internet advertising equated to 19 percent of total advertising expenditure. It is predicted that by 2014, internet advertising would nearly be a fourth of all US advertising spending. (adage.com, 2013, p.9) Also in the USA, in 2013, digital media usage surpassed time spent watching television. In terms of internet usage (including social media), this was about 13.9% (adage.com, 2013, p.11). On the basis of usage and related expenditure, overall this would calculate to 2.64% approximately for internet advertising expenditure it could be assumed. But is this an accurate approach?

It may be useful, but there are a number of other factors to consider when calculating social media costs. Depending on the social media to be used, there are costs for such things as design, set-up, creation, content, management, monitoring, reporting, training and consulting. (Collier, 2012) According to Australian Mark Garner, principal of 'Make Them Click' it is over $200,000 a year which for many businesses in Australia is not practicable. Though setting up and using social media may be inexpensive, it's the promotion, monitoring and reporting costs that are considerable, anywhere from hundreds to thousands of dollars per month. This can be a significant cost even for even a medium sized business. The issue then is about justification as an expense and the production a measurable result, i.e. some quantifiable return on investment. (Garner M., 2013) This also might help explain why a moderate proportion of Australian businesses including small to medium size franchise businesses do not have a social media presence. The likely reasons are that they don't have the resources or the profitability to maintain a sustainable social media presence.

In a separate study conducted by the Australian Interactive Media Industry Association (AIMIA) in conjunction with Yellow Pages, it was found that in 2013, 39% of small businesses, 18% of medium

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businesses and 20% of large businesses did not spend any money on social media engagement within their organisations. Given how engaged Australian's are with the internet, the researchers considered this a significant lost opportunity for all of those businesses. (emarketer.com, 2013)

SOCIAL MEDIA ENGAGEMENT

Australia remains one of the most internet connected countries on the planet with a staggering internet penetration rate of 88.8%, or nearly 9 in every 10 people as compared to the USA where there is only a 78.1% rate. (Internationaldigitalhub.com, 2013) Sixty-eight percent of these internet users will access social media websites at least once a month in 2014 it is estimated. The percentage of internet users that accessed social media websites increased from 30% in 2011 to 45% in 2013. The increase in Australians using mobile devices to access social media websites in the last two years has been exceptional. Social media access using smartphones increased from 34% in 2011 to 67% in 2013 and with tablet devices social media access climbed from 4% in 2011 to 35% in 2013. In relation to accessing social network websites in 2013, Australians spent 18 minutes per visit on Facebook, 10 minutes on LinkedIn and 9 minutes on Twitter on average. The incentive is there for Australian businesses to get more active and use social media. (emarketer.com, 2013) The question for marketers is, on what basis?

In a US survey conducted by eMarketers (Garner, 2013), marketing executives were asked to rate what they considered were the main benefits of organisations using Social Media. The table below summarises their findings and groups them by perceived level of importance. The purpose is to identify if there are any correlations between business and user perceptions. Noteworthy is the fact that the top four perceived benefits related to customer engagement and communication. Only just over 50% thought that 'Low Cost' was a benefit.

The most notable social media benefit as perceived by organisations as shown in Table 3 is 'Customer Engagement'. This will be discussed in more detail further in the chapter.

FRANCHISE TYPES

Franchising covers a broad range of businesses so it is necessary to clarify the various types of franchises. Several franchise consultants and specialists have endeavoured to do this (Perrigot, Kacker, Basset & Cliquet, 2012). In the annual Franchise Australia survey conducted by Griffith University Asia-Pacific

Table 3. Main benefits of social media

Benefit Perception Tier	Social Media Benefits
1	Customer Engagement (85.4%)
2	Direct Customer Communications (65%), Speed of Feedback (59.9%), Learning Customer Preferences (59.1%)
3	Low Cost (51.1%), Brand Building (48.2%)
4	Market Research (42.3%), Credibility of the "crowd" (40.1%), Reach (37.2%)
5	Great Lead Generation (21.2%), Customer Service (17.5%)

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Centre for Franchising Excellence, franchise businesses were categorized by the product or service industry they mainly operate in. These industries were aligned along the Australian and New Zealand Standard Industrial Classification (ANZSIC) coding guidelines. Sixteen industries were identified in the survey. (Frazer, Weaven & Bodey, 2012, p.22). This is different to the business categories discussed in the website review. According to the Franchise Council of Australia, "In Australia today there is a franchise operating in almost every type of business category, with varying levels of complexity and cost." (Franchise.org.au, 2014)

The Franchise Council of Australia business directory website under the 'Franchise By Type' heading, offers 28 different franchise business categories listed (Franchisebusiness.com.au, 2013)

To add to the complexity of categorizing franchise types, in a French study of social media usage the franchise businesses were divided by either retail or service industry category types (Perrigot, Kacker, Basset & Cliquet, 2012 p.548). A simpler approach to identify the different types of franchises is to consider the type of work being undertaken in operating the franchise business. This method can be easily classified into five different categories, management, retail, single operator (manual), single operator (executive) and investment.

A management type franchise essentially is involved with business-to-business activities, i.e. mainly dealing with businesses selling a product or service with a heavy emphasis on personal selling.

On the other hand, a retail type franchise is typically selling a product or service to the end user, dealing with the general public, primarily 'walk-in customers. A single operator (manual) type franchise, sometimes referred to as a 'job' franchise usually takes the form of a trade supply, selling and delivery business of products and services. In the majority of cases, they are mobile (i.e. van based) and deal with both the general public and businesses. They need to market locally in order to generate business. Similar to the single operator (manual) type franchise is the single operator (executive) type franchise, sometimes referred to as a 'service' franchise type because it essentially supplies a service. It can either be mobile, home-based or operate out of a small office but is typically 'executive' by nature. This type of franchise mainly deals with businesses and sometimes the general public. Like its manual counterpart, it also has to market itself locally to generate business. Lastly, there is the investment type franchise where a financial capitalist would invest into a franchise such as hotel and engage a separate management team to operate the business. (Whichfranchise.net.au, 2013)

Franchise Businesses Website Review

In this section, data is presented about Australian Franchise businesses and their webpage social media content. The variables used in this study are described in Table 3. These variables are similar to the ones used by Perrigot et al, (2012, p.554) in their online review of franchise businesses facebook pages. In describing the method for data collection, the source for obtaining a list of franchise businesses was the 'Franchise Business' directory (Franchisebusiness.com.au, 2013) which is the official directory of the Franchise Council of Australia, Australia's peak body representing franchises. They advise that there are more than 1200 franchise opportunities in Australia. Under the 'Franchise Systems' heading, there are 28 categories of franchise businesses and a total number of 3334 franchise business listings. Some franchise businesses are listed in more than one category. It was decided to consider franchise businesses by how they were operated for sample selection purposes (Whichfranchise.net.au, 2013).

One of the key issues is that only a small number of franchises are using social media. This is mainly in the retail food business sector. To confirm this hypothesis, a preliminary qualitative research inves-

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tigation covering a cross-section of 38 franchise businesses across four of the five franchise types was undertaken. The franchise types categories included retail, management, job (single operator – manual) and service (single operator – executive). The protocols used to differentiate between the four franchise business categories were; a) for the management franchise business category, customer emphasis: business-2-business (personal selling); b) retail franchise business category, customer emphasis: consumer (walk-in); c) job franchise business category, customer emphasis: trade supply (mobile/van based); and d) service franchise business category, customer emphasis: executive/managers (mobile).

Within each of these categories, a cross section of franchise businesses was selected as a sample. The sample selected not only represented a diverse range of business operations within a category but also a mix of lessor known as well as familiar franchise brands. From this research, a sample of the 38 franchise businesses was obtained. Table 4 describes the variables that relate to the franchise business as well as social media content on the websites. These variables can be broken down into four separate categories, industry type, internet, involvement and encouragement. The variables descriptions are similar to the ones used by Perrigot et al (2012, p.554) in an online study of Facebook content.

The variables descriptions formed the basis for the website review questions. One of the chapter authors Geoff Webster, undertook the website review over a five day period after conducting an online search for individual associated franchise business website addresses. Table 5 depicts the tabulation of these website review findings as a summary count.

Table 4. Description of variables

Category of Variables	Variables	Description of Variables
Industry Type	Industry Sector	A description of business industry is present on website (count)
Internet	Online Presence	A dedicated organisational website is present on the internet (yes/no)
Involvement	Social Media Presence	Social media icons are present on website (yes/no)
	Social Media Platforms	Number of social media icons present on website (count)
	Social Media Platform Preferences	Description of social media platforms present on website (list)
Encouragement	Social Media Engagement	Specific tags to encourage social media engagement are present on website (yes/no)
	Social Media Comments	A list showing the number of social media comment postings is present on website (count)

Table 5. Website review findings

Description	Management	Retail	Job	Service	Total
Industry Sector	10	10	8	10	38
Online Presence	9	10	6	8	33
SM Presence	7	8	5	5	25
SM Platforms	7, 3, 6, 1, 2, 5, 4 (28)	8, 5, 6, 2, 6, 2, 2, 3 (34)	4, 2, 4, 1, 2 (13)	1, 4, 2, 8, 1 (16)	91
SM Engagement Tags	2	2	1	2	7
SM Comments List	2	-	-	-	2

Frequencies are reported in the form of Yes/Number Count

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Table 5 shows the website review of the 38 franchise businesses sampled, indicated that 25 of them, or approximately 66% (two-thirds) had a social media presence though in varying degrees. This correlates quite closely with a 2012 Chamber of Commerce and Industry Queensland (CCIQ) digital readiness business survey that indicated 61.4% of the businesses they surveyed had adopted social media in their business. (CCIQ, 2012, p.19) The CCIQ survey, surveyed over 700 Queensland businesses. From the website review, the retail sector had the highest level of social media presence with 80% with the average number of platforms being above 4 (4.25). For the management sector, it was 4 (4.0), service sector just over 3 (3.2) and the job sector under 3 (2.6) social media platforms.

From the website review, there is a distinct delineation when looking at the frequency of the number of social media platforms identified in every franchise type category. For example in the retail franchise type category, 50% had 4 or more social media platforms with the remaining 50% having 3 or less. This appears to be the case across all four of the franchise type categories. This appears to be also reflected in the 2012 CCIQ Digital Readiness survey (p.19) with over 50% of the businesses they surveyed had at least 3 social media platforms.

In a detailed examination of the website review into how many of these franchises actually encourage social media engagement, in the retail franchise type category, only 25% of those with an online presence did. The management franchise type category was only marginally better at 28.6% for those surveyed encouraging social media engagement. The service franchise type category was on a par with retail at 25% with the job franchise type category the lowest at 16.7%. This would appear to support Rebecca Stalkers comments in 2010 that only a small number of franchise businesses effectively use social media. To clarify, "encourage social media engagement", in this context, it's considering things like, including the number of comments, followers or subscribers as well as whether people were directed to: 'subscribe to my newsletter, follow me on twitter, fan me on facebook, watch me on YouTube, join my google circle, get my rss or connect with me on Linked In', for example.

The website review also examined those franchises using social media for their specific preferences and variations across the franchise type categories. In reviewing the social media platforms used by the Australian franchises, certain franchise types appear more likely to use a variety of social media platforms. In Table 6 it can be seen that the retail franchise type category has the highest percentage of social media platform preferences, followed by management, job and the service franchise category type with the smallest percentage.

Table 6 reveals preference percentages, the standout social media platform is 'Facebook'. According to the 2012 CCIQ survey (p.19), the key platform to dominate was also Facebook with an 89.1% score. A French study into the early adoption and use of social media networks by franchisors in France also concluded that Facebook had the greatest social media presence amongst franchise businesses in the retail industry (Perrigot, Kacker, Basset & Cliquet, 2012, p.552).

From the website review, 'Twitter', 'YouTube' and 'Newsletter (Email)' social media platforms appear to have similar preferences ranging between 48-56%. The same can be said for 'Linked In', 'Google +' and 'Website Blog' social media platforms ranging between 32-40%. Completing the preference lists are 'RSS Feed' and 'Pinterest' on the same percentage (8%). Both 'Share +' and 'Refer-a-friend' also had the same percentage (4%) to round off the review.

A similar pattern emerged from the 2012 CCIQ survey (p.19), with 'Twitter' and 'Linked In' being in the 50-60% preference range, 'Google +' and 'Blogs' in the 15-25% preference range. Under the 10% preference range included the social media platforms such as 'Flickr', 'Tumblr', 'Pinterest', 'Salesforce Chatter' and 'Yammer'.

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Table 6. Social media preference levels

Social Media Preferences	Franchise Type Category				Percentage
Social Media Platform	**Management**	**Retail**	**Job**	**Service**	**Total**
Facebook	16%	32%	16%	12%	76%
Newsletter (Email)	20%	24%	8%	4%	56%
Twitter	16%	24%	8%	4%	52%
You Tube	20%	16%	4%	8%	48%
Linked In	16%	12%	12%	-	40%
Google +	12%	16%	4%	4%	36%
Website Blog	8%	8%	8%	8%	32%
RSS feed	-	4%	-	4%	8%
Pinterest	-	8%	-	-	8%
Share +	4%	-	-	-	4%
Refer-a-friend	-	-	-	4%	4%

Alice Le Huray (2013) from Frank Media reported that for all Australian businesses they surveyed, 'Facebook' was the stand out social media network website at around 87%. Next was 'Twitter' with just under 42%, 'LinkedIn' at just over 27%, 'YouTube' slightly just above 13%, 'Google+' around 12% with 'Blogs' at just over 7%. Sensis in their 2013 business survey (2013, p.43) reported similar findings for 'Facebook' with 93% of businesses, however percentages for the other popular social media networks were lower, i.e. 'Twitter' 28%, 'LinkedIn' 17%, 'YouTube' 7%, 'Blogs' 4%, 'Google+' 2% and 'Pinterest' 1%. Others making up the remaining 9%.

These findings suggest a hierarchy of social media platforms, not too dissimilar to the findings of both the website review and the 2012 CCIQ Digital Readiness Study as well. 'Facebook' is also the dominant platform, across all three different sizes of business, with 'Twitter' next then 'Linked In'.

A possible hierarchy for franchise businesses could be something like the one proposed in Table 7.

Additional information including how social media is used and the reasons why franchises are reluctant to use social media will refine this hierarchy. This would form the basis for ongoing research.

The perception about the role of social media requires greater consideration. Understanding how social media is used could provide some vital clues. Stalker (2010) reports that the current focus and use for franchise businesses is about increasing and enhancing brand awareness and providing strong word-

Table 7. Social media platform hierarchy: Australian franchise businesses

Hierarchy Platform Tier	Social Media Platform
1	Facebook
2	Newsletter, Twitter, YouTube
3	Linked In, Google +, Website Blog
4	RSS, Pinterest
5	Share +, refer-a-friend

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of-mouth recommendations. Understanding how social media is used and should be used by business is important. This question was only asked in the CCIQ survey (CCIQ 2012, p.20). The question options in the CCIQ survey for the question, 'How Social Media Is Used', included:

- Communication with clients
- Communication with suppliers
- Research/Information gathering
- Marketing
- PR
- Communicate internally.

Over 70% of respondents to this CCIQ survey question chose 'Communication with clients' and 'Marketing' with 'Public Relations' 55%, 'Research/Information gathering' at 40%. 'Communicating with suppliers' and 'Communicate internally' each rated around 20%. In this CCIQ survey question there was no option provided about social media making a measurable increase in revenue sales. The assumption drawn from this omission was that CCIQ didn't think that social media was effective in this regard. In the 2013 CCIQ Digital Readiness survey now being conducted, it includes a question asking businesses to rate their views on whether 'social media has made a real difference to my businesses revenue' (Cciq.com.au, 2013). The responses to this question should be of significant interest in relation to the iFranchise group comments reported at the beginning of this chapter.

Understanding the reasons why franchise businesses are not using social media is another area to be explored. Segrato (2010) an American franchise consultant proposed that the main reasons given by franchise businesses in the United States related to costs in setting up and maintaining their social media presence as well as the lack of perceived revenue benefit. Libava (2013) another American franchise consultant echoed similar comments especially about the perceived lack of revenue returns from investments in social media. Another reason suggested by Segrato (2010) was the fear of receiving online negative feedback that in turn could tarnish brand reputation. Libava (2009) too raised this point.

The results from the 2012 CCIQ Digital Readiness study question (p.20), asking businesses who don't use social media about their 'Reasons For Not Using Social Media', just under 45% of respondents thought it was 'Not relevant to my customers'. Just over 35% of respondents indicated 'Time and resources' whilst just under 25% indicated they 'See little value' in using social media. Just over 15% highlighted their reason as 'Don't understand social media' and only 10% responded to 'Fear of negative exposure and feedback'. These results appear to agree with these consultants' comments about the perceived worth of a social media presence and its lack of revenue benefit. This further supports the understanding those businesses that do have a social media presence of them using it for primarily communication and marketing purposes.

It should remembered that 38.6% of the businesses in the 2012 CCIQ Digital Readiness study did not have a social media presence, which equates to 1 in every 2.6 businesses. That is a quite significant statistics warranting future investigation.

The variance in percentage findings for social media presence that has been observed across the website review, 2012 CCIQ Digital Readiness Study, Sensis 2013 e-Business Report and the Franchising Australia 2012 Report could be attributed to the different size of businesses.

According to Alice Le Huray (2013), in Australia during the three years 2011-2013, medium size businesses have been showing continued growth in the adoption of a social media presence. Table 8

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Table 8. Social media presence: Adoption growth by Australian businesses

Percentage Increase	Small Businesses	Medium Businesses	Large Businesses
2011-12	13%	9%	29%
2012-13	3%	13%	0%

shows the comparison in social media presence for small, medium and large size Australian businesses. In relation to actual social media presence, in 2013 79% of large business had a social media presence whereas only 47% of medium businesses had an online presence and a mere 30% of small businesses had an online presence (Le Huray, 2013). Given the difference in social media usage between the different size businesses being quite apparent, is this a reflection on their customer focus and engagement? For franchise businesses, how can this be translated to customer and online engagement?

CUSTOMER AND ONLINE ENGAGEMENT

Customer engagement more recently refers to the engagement of customers with each other, businesses or products. It can also refer to the steps people take as they interact with a specific product. This can be initiated by either a person or a business. (Spiritus.temporis.com, 2004)

So how does this relate to online customer engagement? According to Porter, Donthu, MacElroy and Wydra, (2011, p.85) to nurture and maintain customer engagement online involves a three step process, that being; 1) identifying customer needs and motivations; 2) promoting participation; and 3) motivating cooperation. They identify these customer needs and motivations as relating to either undertaking a search for information, seeking to build a relationship, achieving self-identity/self-awareness, volunteering to help others, receiving a sense of enjoyment, achieving a sense of attachment and developing a sense of pride and influence.

Identifying Customer Needs and Motivations

Customer-centric organisations place a high emphasis on identifying and meeting customer needs. (Cole, 2005, p.483) To understand the reasons for online engagement, it's crucial to understand the motives for it. Motives are factors that drive people to take particular actions. (Belch, et al, 2009, p.130) These online engagement motives appear to align closely with David McClelland's 'Three Needs Theory' as well as McGuire's 'Psychological Motives', in particular external, social motives (Neal, Quester, Hawkins, 2002, pp.238-9). His theory proposed that there are three major motives that drive people, the need for 1) achievement, 2) power and 3) affiliation (Robbins, Bergman, Stagg & Coulter, 2003, p.450). Porter et al (2011, p.82) believe those businesses that make it easy for customers to fulfil their online engagement needs are also more likely to experience increased motivational support from customers.

Table 9 provides a list of identified needs that users need to fulfil in a virtual community, as well as examples of how the needs are likely to be achieved through online engagement and possible motives behind the achievement of these needs. Considering the needs as identified above by Porter et al, (2011, p.81), these also suggest some type of hierarchy of needs beginning with the most basic need, i.e. a search for information and ending with a status/influence need typical of a self-esteem need. The interactive

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Table 9. Online engagement needs

Identified Need	Online Engagement	Motive
Information	Search for specific information	Knowledge
Relationships	Seeking personal interactions	Collaboration
Self-identity	Individual self-expression	Entity
Helpfulness	Volunteering to help others	Achievement
Enjoyment	Rewarding experiences	Satisfaction
Belonging	Contributions respected	Affiliation
Status/influence	Informal local authority	Power
Source: Porter et al, (2011, p.81),	Source: Porter et al, (2011, p.81),	Theorists: Maslow, McClelland, McGuire

communication culture provides members with a sense of belonging, status and influence. Abraham Maslow with his Hierarchy of Needs theory proposed that human needs be arranged in a hierarchy from most concerning to least concerning. (Kotler et al, 2007, p.244)

Promoting Participation

The question that needs to be asked here is, "what makes customers continue to be engaged online"?

It's when they have enjoyable online experiences. They are having fun, being totally absorbed, feeling satisfied and are in control of their experience. The outcome has been positive one and the attitude is a favourable one. For franchise businesses and indeed any business, the key is to create enjoyable experiences with social media that users find extremely relevant to satisfying their needs. Part of this satisfaction is that they have also learned something they didn't know before. Social media techniques that can be adopted for promoting online participation can include encouraging content creation, cultivating new connections and creating 'fun' experiences. Through innovative participation ideas, users will instinctively customise their experiences by it being personal. (Porter, et al, 2011, p.91) An example of sharing a personal experience could be a user recording a video on how they used the business's product.

Motivating Cooperation

So what makes people want to tell other people, including potential customers about getting engaged online? This is about using social media to embed experiences online. The idea is it allows people to be empowered to invite people they know and trust to share in their experiences. From a business perspective, people will only want to do this if they feel a high sense of attachment and fit with the business, for example having a positive attitude about the business.

For a franchise business, such examples would be; a) as a 'v.i.p. member', having exclusive access to certain information and privileges that non-members wouldn't get; b) rewarding a customer for their enthusiasm and willingness through them exhibiting proactive behaviour, by asking them to cooperate in new product development (designing a new range of pizzas); c) being an advocate for the business by communicating the values and culture of the business to 'newbies' through forums and postings. With

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them being an 'advocate' they would be additionally rewarded by the business. This technique is used to get people to stay loyal to a business. (Porter, et al, 2011, p.93)

Harridge-March and Quinton (2009, p.176) describe such level of engagement with social media as a ladder. Those consumers who wanted to observe the culture of a social network prior to engaging were described as 'lurkers'. Slightly higher up the ladder, those people who had just began posting their thoughts and comments were referred to as 'newbies' or 'tourists'. On the next rung are 'minglers', those people who irregularly and infrequently post. The top rung consists of a number of different groups. These include 'devotees', enthusiastic community members who regularly contribute who are also creating deeper social ties within the network. There are also the 'insiders', who other community members view as topic experts. They like to initiate online discussions and already have established their social community network connections. This group has also been described as 'celebrities'. Within this group is a sub-group of elite or 'lead members' otherwise described as 'evangelists' who have considerable influence and are highly activity with the social community.

Charlene Li of Forrester Research (forrester.typepad.com, 2007) when explaining their 'Social Technographics' report describes six levels of online social involvement. 'Social Technographics' refers to the analysis of people's social computing behaviour according to their levels of social engagement. At the bottom are the 'inactives', people who are not or presently not active using social media. A rung up is the 'spectators' or those people who read, watch and/or listen to other people's content, conversations or comments. On the third rung are the 'joiners', those people who actively use social networking websites. 'Collectors' are on the fourth level and these are people who are to use and absorb other peoples input. One rung up on the fifth level is the 'critics' who comment, rate and review. At the top of the ladder are the 'creators', those people who create and publish original content and materially input into social networking.

A simpler form of the social engagement ladder is the one proposed by Dr. Bryan Vartabedian. (33charts.com, 2012) His ladder consists of just four rungs. The bottom rung he describes as the 'observation' level where people watch other people's online conversations or content comments before getting involved themselves. The next rung up he refers to as the 'conversation level' where people have the ability to comment on or respond to other peoples input. As for his second highest rung, Dr. Vartabedian describes it as the 'curation' level where people collect and selectively share other peoples content input. The highest rung he explains is the 'creation' level where people develop, create and publish their own content for conversation or comment.

Lawrence Ang (2011) when discussing the concept of Community Relationship Management to reflect what people did in online communities, proposed a 4C's Model to describe four pillars of 'Social Media', these being 'Connectivity', 'Conversation', 'Content Creation' and 'Collaboration'.

'Community Relationship Management' (CoRM) is based on the premise that social media users are groups of people who share some common interest and are not specific business customers.

The first pillar, 'Connectivity', Ang (2011, p.34) believes is the key to social networking growth and sustainability. Essentially, 'Connectivity' encompasses the social media platforms that people use to 'connect' with each other online. Smart 'technologies', now allow people to further build on their social networks.

Online 'Conversation' is the second pillar and occurs through connectivity. Topics of conversation in an online community context typically relate to changes in peoples personal lives. In other words, for communication, it's about the change in exchange of information.

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There are people who like to be seen and heard online. This form of motivation fuels content creation in these people, generating what is described as user generated content. This is the third pillar, 'Content Creation'. Unique or quality content can often attract significant 'buzz'. Only between 5 – 10 percent though of people who use social media actually contribute content. 'Collaboration' is the fourth pillar and refers to multiple users contributing online to a project or cause. The four pillars described by Ang indicate different levels of social media usage which also suggests a ladder concept.

In 1999 Peck, Payne, Christopher and Clark outlined a customer relationship model in the form of a customer loyalty ladder. There are similarities between these levels of progression and the ones proposed for social media engagement. In describing each of the levels, a 'partner' is someone who has a well established relationship with a business. An 'advocate' is someone who actively recommends and markets the business to prospective customers. A 'client' is someone who likes the business and is happy to passively support the business. This level is sometimes referred to as a business 'supporter'. The next level is the 'repeat customer' which is someone who does business with an organisation on a regular basis whose attitude is primarily neutral towards the business. Below this level is the 'first-time customer' who is a once off purchaser. On the next level is the 'prospect' who is someone a business believes could be persuaded to purchase from the business. At the bottom of the ladder is the 'suspect' which is someone who is aware of the business but not necessarily about its products and services.

For business, modern marketing centres around how they can retain their most profitable customers. The loyalty ladder categorises customers by the relationship (or not) they have with a business. The aim for any business is to try and retain customers. This is achieved through Customer Relationship Management (CRM) and covers all aspects of the process from acquisition, through retention and expansion. (Kotler et al, 2007, p.49) Given the nature of social media and social networking in particular, it is important to see if any parallels exist between the levels of customer loyalty and how people engage online in a social networking context.

Table 10 is a comparison of the four social networking engagement ladders and how they might compare with the customer loyalty ladder strategy.

Table 10. Loyalty ladder comparison

Customer Loyalty	Social Network Contribution	Social Technographics	Social Engagement	4C's Model of CoRM
Partner	Evangelist, Celebrity/ Insider, Devotee			Collaborator
Advocate	Evangelist, Celebrity/ Insider, Devotee	Creator	Creator	Creator
Client	Mingler	Critic		
Repeat Customer	Mingler	Collector	Curator	
First-time Customer	Newby/Tourist	Joiner	Converser	Converser
Prospect	Lurker	Spectator	Observer	Connector
Suspect	Lurker	Inactive?		
Source: Peck, Payne, Christopher and Clark (1999)	Source: Harridge-March and Quiton (2009)	Source: Forrester Research (2007)	Source: Bryan Vartabedian (2012)	Source: Lawrence Ang (2011)

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Hawkins and Vel (2013) highlight five key reviewing customer loyalty and social media drivers to customer loyalty, these being value (trust), satisfaction, high switching costs, delighting customers (emotional bonding), and large investment costs (Hawkins ibid, p.128) As social media is a 2 way communication tool, they believe for building relationships, it's use is technically feasible. Hawkins and Vel proposed that if social media contributed to just three of these key drivers (trust, satisfaction and emotional bonding), then there was the potential for building customer loyalty.

Trust involves showing equitability and fairness by delivering on promises that can be relied upon. This means using social media to create beneficial and consistent two-way exchanges over time. A business can achieve this through understanding personal preferences and ensuring a high level of personalisation to interactions and exchanges. (Hawkins ibid, p.137) As well, social media would need to have the ability in responding by addressing any negative comments (public relations issues) as well as address specific one-to-one communication issues.

To create satisfaction using social media, means delivering a series of satisfying encounters with consistency and reliability. (Hawkins ibid, p.136) Emotional bonding can be created through two-way exchanges over time with social media. The one-to-one personalised interactive communication needs to be based on behavioural details as well as preference information collected by the business. The tangible benefits as a result of being engaged with the business enhance such emotional bonding (Hawkins ibid, p.138). So how can communication satisfaction be embedded in the selling and sales process?

Social Media in the Sales Process

Businesses need to be aware how social media is evolving. Websites have changed to now learn about their customers and purchase behaviours, to then offer "value added recommendations. For example, when a person books an airline flight online, within minutes of receiving confirmation they will receive information about available accommodation at their intended destination. Websites such as Amazon have been providing this type of information for years. Social media is developing the same way. It will have the ability to affect all areas of a business's selling and sales management processes. Andjulis, Panagopolous, and Rapp (2012 p.307) believe that as businesses and customers transition to the latest technologies, their relationship demands escalate. With this escalation, businesses will need to adopt social media at every aspect of their sales process. Andjulis Panagopolous and Rapp (2012, p.307) outline what they believe will be the process evolution of social media within the sales process. It consists of set of phases as indicated in Table 11.

Table 11. Social media in sales process evolution

Phase	Social Media Engagement Level	Information Flow	Social Media Contribution	Sales Strategy Integration
1	SM presence established	Business-Customer	Nil	No ties to sales strategy
2	Active encouragement of customers and prospects to SM pages	Two-way	Nil	No ties to sales strategy
3	Considered an added or primary sales channel	Customer generated, two-way	Customer interaction	Transformation of sales strategy
4	Primary and secondary sales channel	Customer enacted and generated, two-way	Value co-creation Real-time pricing and service	SM engaged to facilitate organisational learning

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Table 11 lists these four phases and how they relate social media engagement, information flow, social media contribution and sales strategy integration. Each phase has an increase in the level of customer engagement. This will require success measures. Obviously success factors will differ from business to business, however it's critical important to understand the customer and what they value (i.e. ongoing brand equity, trust and goodwill).

According to Andjulis, Panagopolous, and Rapp (2012 p.310) some of the critical questions that need to be asked should include:

- *What does the customer get from the equation?*
- *Will the customer's favourable opinion of the firm business increase or decrease from the social media presence?*
- *Does the customer advocate the brand?*
- *Does the prospect get the information and positive reinforcement they need to make a decision about building a relationship with this business?*

Measuring the social media impact will require a rethink of metrics if actionable data is to be obtained for social media effort improvements. Interestingly the concept of social customer relationship management (SCRM) has been introduced in the literature and considers the process of integrating social media and traditional customer relationship management (CRM). This integration between social media and CRM allows for the use of customer-centric technologies to more easily monitor and track conversations because of the online environment. With these online tracking methods, businesses can identify key influencers with the virtual community. Once these people have been identified, they can be nurtured using their CRM's and customer-centric technologies to keep them engaged. (Ang, 2011 p.35)

Customer-Centric Technologies

The role of online users has evolved to include information sharing and creation. Users have been empowered to actively participate in content co-creation. Universal adoption of social media technologies has led to businesses cross-referencing this social data with their customer databases leading to the term "Social CRM". (Trainor 2012, p.317) Social CRM is defined as "the integration of traditional customer-facing activities including processes, systems, and technologies with emergent social media applications to engage customers in collaborative conversations and enhance customer relationships." (Trainor 2012, p.319) Trainor sums up social media technologies as being customer-centric (2012, p.321). Social CRM technologies are those processes, capabilities and social applications that provide the conduit for interaction between customers and their contacts. Improvements in these technologies have led to higher community connectivity expectations including with business contacts. (Trainor 2012, p.319) To understand the relationship between these social CRM technologies, their specific differences, and how they might evolve in the future, it's vital to be aware of their emphasis context.

Table 12 adapts the various social CRM technologies identified by Trainor (2012, p.320) with their relative emphasis. It depicts the area of emphasis for building loyalty and what technologies serve that purpose. Understanding the emphasis is vital for developing loyalty strategies in an online environment. Social CRM technologies provide the linkages to develop these strong relationships. These relationships are formed by those people who contribute online, i.e. through forums. It is this shared communication that underpins relationship marketing (Harridge-March et al, 2009 p. 175).

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Table 12. Social CRM technology emphasis

Social CRM Technologies	Emphasis
Social networks	Customer Relationship
Interactive dialogue	Customer Communication
Customer oriented connecting business processes with external communities	Technology Use
Knowledge co-created through interaction between customer and business	Organisational Learning
Dual co-creation of customer experiences and innovation, collaborative support and service	Value Creation
Information created through customer interaction	Data Sources
Customer information integrated with customer-centric social applications	Information Processes

So where is this leading to with defining the role of social media as a contemporary local area marketing technique in Franchising? The next section of the chapter will propose a social engagement model that incorporates the identified concepts of LAM techniques, social media preferences and engagement levels, loyalty ladder, SCRM and customer-centric technologies.

PROPOSED SOCIAL MEDIA ENGAGEMENT MODEL

Each of the concepts discussed earlier in this chapter help provide a guideline for franchise businesses to consider when selecting and implementing their contemporary LAM techniques. As social media is essentially online interactive communication, for this approach to be meaningful, their LAM technique choices have to be customer-centric.

The proposed social media engagement model (Figure 1) is an adaptation and modification of previously discussed social media framework models Forrester Research (2007), Harridge-March and Quiton (2009), Lawrence Ang (2011) and Bryan Vartabedian (2012). The newness of this model is in its applicability to the franchise sector. As a guideline, the model provides a franchise business (or for that matter any business) an outline to their social media development. For first part of the model, the 'Social Networking Staircase' merges the research works of Forrester Research (2007), Harridge-March and Quiton (2009), Lawrence Ang (2011) and Bryan Vartabedian (2012) to standardise on a generic set of social networker categories, these being 'Lurker', 'Connector', 'Converser', 'Collector', 'Critic', 'Creator' and 'Collaborator'. These categories also compare similarly to those categories identified in the customer loyalty ladder developed by Peck, Payne, Christopher and Clark (1999) in terms of level of engagement. The second part of the model, the 'Sales Process Phases' integrates the concept of social media evolution as proposed by Andjulis, Panagopolous, and Rapp (2012). It portrays the phases businesses go through for their social media levels of engagement development.

Trainor (2012) informs the third component of the model, the 'SCRM Technology Emphasis' incorporating the work of where social media technologies can be used to improve business performance. Finally, the 'Customer Strategy Stages' brings context to the model through the alignment of the various customer strategy stages with the social media levels of engagement.

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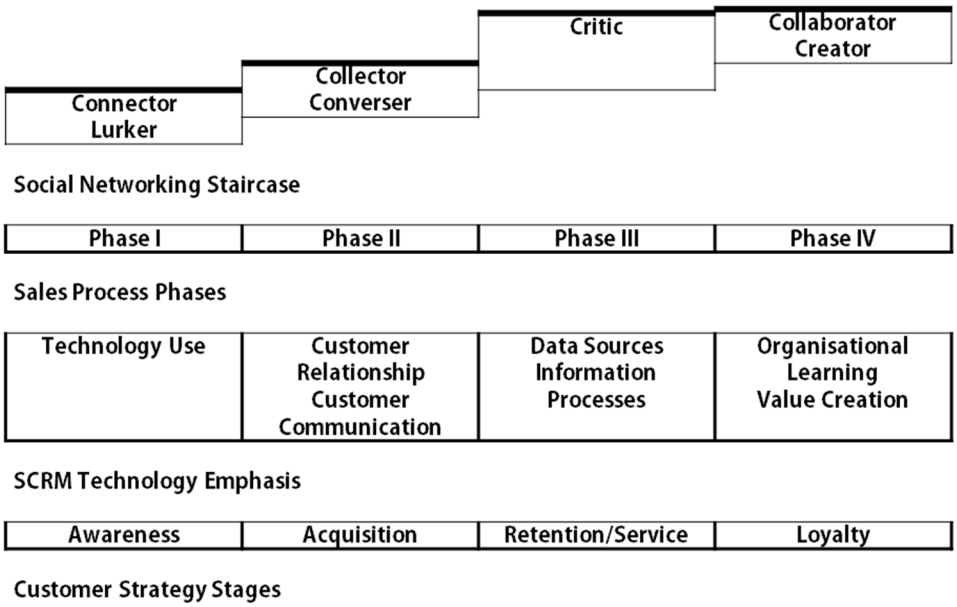
Figure 1. Proposed social media engagement model
Source: Webster and Hume, 2014



The model will provide the basis to identifying suitable contemporary LAM techniques for franchise businesses depending where they are in their adoption of social media as a sales and business process.

This model is a conceptualisation of the factors required to support the franchise sector. This conceptual model is to be subject of future research.

Contributions of This Model

As there is limited academic material on LAM and social media engagement techniques for franchise businesses, this study has been broad in its scope. It considered such aspects as the classification of franchises and how they could be categorised, LAM techniques and the distinction between traditional versus contemporary, the various aspects of social media including the areas of usage, engagement, benefits, sales process fit and connectivity with relationship management systems. A social media engagement model has been proposed that integrates levels of engagement, sales process phases, relationship management emphasis and customer strategy stages into a simple set of guidelines that a businesses can follow. A comparison between traditional and contemporary LAM techniques undertaken identified that traditional techniques related to use of traditional forms of media coming under the “

‘direct marketing banner’ whilst contemporary techniques related to ‘online’ direct marketing strategies. Even direct marketing has a strong emphasis on measurable outcomes, the research into social media as a contemporary LAM technique suggested confusion over how it could be measured. Expert opinion appeared to be divided over the matter. Contradictions were noted over the level of social media engagement amongst businesses and franchise businesses even though no specific reasons were identified. Research indicated that social media engagement techniques enhanced traditional methods, but the evidence on it’s successes in the business environment was spasmodic.

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Undertaking this study has contributed to broadly defining the role of Social Media as a contemporary Local Area Marketing (LAM) technique. It also found knowledge gaps in the understanding of social media usage especially for small to medium size businesses. The Social Media Engagement Model (Webster and Hume, 2014) highlights the destined convergence of Social Media with Customer Loyalty through the integration of four separate concepts. It also reinforced the concept of reciprocity, in that the model provides direction on not only how business can connect with the online community but also equally how the online community can connect with business through interactive communication.

Limitations and Future Research Directions

There were several limitations that should be considered in reading this chapter. First, qualitative research was restricted to online website reviews of randomly selected franchise businesses as well as publicly available material including franchise industry, business industry survey reports and academic journals/ conference papers. Second, interviews with franchise owners and manager not conceivably possible due to end of year shutdowns for the holiday festive period.

Apart from these limitations, the model is in the conceptual model and will require validation in future research, in particular in contextual application in several franchise types. Investigation into the mapping contemporary LAM techniques to the proposed social media engagement model, exploring the link between size of business and level of social media engagement and undertaking an international study on social media platform preferences will all assist in validating the research and conceptualisation. International comparative studies and examination of franchise behaviour between countries and cultures will also be of value. . Considering emerging customer-centric oriented relationship management systems such as SCRM and CoRM and their emphasis on social media engagement will elaborate the understanding in this field. Finally, studying the newly developed Franchise Social Index (FSI) by Vende Social that bases how well franchise industry brands are performing on the social media sites Facebook and Twitter.

A website review was undertaken to determine online presence and level of social media engagement amongst thirty-eight randomly selected across four franchise business category types, management, retail, job and service with these results being compared against a franchise business study and a general business study. Two-thirds of franchise businesses reviewed with an online presence had vehicles for social media engagement. At least half of these social media engaged franchise businesses used at least three platforms. Only 25% of them however were actively encouraging social media engagement. These studies suggested that a hierarchy of social media platforms existed with Facebook being the most popular. The make-up of the rest of the hierarchy varied according to the different report findings. Research identified that the three most common purposes for social media engagement by business was; to communicate with clients, marketing and public relations. The two most common reasons given by businesses surveyed for not using social media were, that they considered it not to be relevant to their business, and because a lack of resources.

Research indicated that spending on LAM was around 1.5 – 3% on average. Online advertising spending research led to questions being raised over the cost justifications for contemporary LAM as well as the use of social media. The main issue was over engagement results being unable to be linked back to ROI. A social media engagement comparison was undertaken to derive a social engagement hierarchy. This mirrored the traditional customer loyalty ladder. As people transition to the latest technologies, so their online relationship demands increase. Businesses will have to integrate social media strategies into

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their sales process in a more controlled way using step-by-step phases. Customer-centric technologies are being used to interface user generated social media data with relationship management systems.

Further research will need to be done to discuss the ongoing evolution of this area and the implications for business. A social media engagement model has been proposed that integrates four specific areas; 1) levels of social media engagement; 2) sales process phases; 3) relationship management technologies; and 4) customer strategy stages into a simple set of guidelines that can be adopted by businesses and franchise businesses alike.

This research has contributed to the discourse on the role of local area marketing techniques, social media and small business with an emphasis focus on franchise businesses in particular.

CONCLUSION

The following conclusions can be made from this study. There is no uniform approach in identifying franchise types. One study used the ANZSIC classification system whereas an international study categorised franchise businesses simply as 'retail' or 'service'. This study classified franchise types by the type of work being undertaken to operate the business as this was considered to be a more appropriate and relevant approach. However, there was no differentiation made between small, medium and large franchise business. Even though there is evidence of widespread population acceptance of social media, businesses appear to lack the competence and understanding to engage with communities that include potential and target customers with social media. The chapter identified that research into online presence expenditures including social media advertising for businesses suggest an upward cost trend and many small business raise the question about affordability for small and medium size businesses. This chapter shares research-in-progress in a field that warrants attention. The way social media is currently used is evolving and how communities engage through social media is also changing. Any future research into social media engagement should also consider such issues as business size, ROI contexts, mobile device patronage, and user motive preferences.

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KEY TERMS AND DEFINITIONS

Community Relationship Management: Managing what people do in an online community, e.g. connect, converse, create and collaborate (4 C's).

Local Area Marketing: Marketing in a specific geographic regional location.

Local Marketing: A comprehensive plan to drive potential customers to bricks and mortar businesses.

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Social CRM: The use of social media services, techniques and technologies by organisations to engage with their customers.

Social Media: The interaction between people where they create, share, discuss, modify and exchange user-generated content in virtual communities and networks.

Social Media Marketing: A form of internet marketing that uses social media networks and applications to spread brand awareness or promote particular products.

Social Media Monitoring: Where organisations watch social media networks for relevant mentions about their products, services or branding and respond accordingly.

Social Network: A collection of contacts, social interactions and personal relationships from connections with individuals.

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Chapter 69
Social Media for Business Model Improvement

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ABSTRACT

This chapter reviews some of the major business applications of social media and discusses how social media applications are used to support business model improvement. Social media offers business organizations an array of innovative ways to interact with their employees, customers, partners, and other stakeholders. Consumers have easy ways of interacting with companies and their employees in real time with various social media embedded devices. Managers are realizing that social media affects a wide spectrum of business activities from building product or brand awareness to after-sales services. Therefore, it is crucial for companies to analyze their social media applications, develop a plan to continually monitor their advancements, and quickly respond to the social media needs of customers. For practitioners, this chapter provides managerial guidelines for social media applications for business model improvement.

1. INTRODUCTION

Recently, the Web paradigm shifted from a business-centered focus to user-centered one. This paradigm shift has become known as "Web 2.0", coined by Tim O'Reilly in 2004 (O'Reilly, 2007). Web 2.0 refers to a website that has evolved beyond Web 1.0 and features user-created-content and online communities that allow website visitors to interact dynamically with the site. While technological distinctions between Web1.0 and Web 2.0 are often not clear in some areas, the social and technological environment for positive user participation and interactivity epitomizes Web 2.0.

Social media embodies the principles of Web 2.0 and is continuously evolving and offers business model improvement tools and support business processes, knowledge management, customer relationship management, and partner relationship management. Despite the lack of a comprehensive framework for the use of social media applications for business improvement, businesses are eager to use them. Managers are already active users of the various social media technologies such as social networks and blogs.

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Managers are realizing that social media affects a wide spectrum of business activities from building product or brand awareness to after-sales services. For example, investing in social media applications will enhance relationships with customers and provide the opportunity to better understand the customer needs. Therefore, it is crucial for companies to analyze their social media applications, develop a plan to continually monitor their advancements, and quickly respond to the social media needs of customers.

The main purposes of this chapter are to explore emerging social media applications and to discuss social media applications for business model improvement. This study proceeds as follows: Section 2 presents a literature review on social media and business models. Section 3 explores social media applications for business model improvement. Section 4 discusses managerial guidelines for social media applications for business model improvement.

2. LITERATURE REVIEW

2.1 Types of Social Media Tools

Companies are beginning to capitalize on social media tools in a variety of ways. Many businesses integrate a variety of social media tools into their core business processes to achieve competitive advantage. Users contribute to the development of content through writing comments and recommendations on Google, Yahoo, and Facebook, submitting videos on YouTube, co-designing games like The Sims, creating avatars in virtual environments like Second Life, or developing open source codes for Linux. High-profile companies, from P&G to GM to IBM to Cisco, have all adopted social media tools, and exert to derive strong competitive advantages from it.

Many companies are expanding social media efforts to capture customer data and leverage it to generate instantaneous, custom-tailored customer experiences (Bughin et al., 2008). For example, Amazon uses data generated from site visitors in order to provide targeted product suggestions to other site visitors. For a potential purchaser who is interested in a certain product, Amazon lists products that other purchasers of the same product also looked at or may be interested in. Netflix aggregates and analyzes subscriber movie preferences in order to provide accurate online movie recommendations. Businesses can leverage social media technologies in order to dynamically collaborate with customers and partners in efforts to generate new design innovations (Brown, 2008). This section introduces five types of social media tools for businesses.

2.1.1 Social Networking Services

Many companies leverage social networking services (SNS) such as Facebook and Google+ to increase productivity in the workplace. SNS are web-based services that allow individuals to (1) construct a public or semi-public profile within a bounded system, (2) articulate a list of other users with whom they share a connection, and (3) view and traverse their list of connections and those made by others within the system (Boyd & Ellison, 2007). SNS facilitate recruiting and connecting potential contributors for distributed innovation processes. As recruiting tools, SNS enable recruiters to view the manner in which candidates behave in an online setting and the type of people they socialize with. Job seekers use SNS such as LinkedIn to network with professionals for internship and job opportunities. Companies can also use SNS to engage in direct market research and maintain a positive relationship with customers.

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LinkedIn's new service, Company Groups, allows a company's employees to participate in a single internal web forum where they can talk to one another, share ideas, and ask company-related questions.

2.1.2 Collaborative Platform

Collaborative platforms allow users to post, delete, or update contents via a web browser. Internal corporate wikis can be used as a collaborative platform tool to tap the expertise of a large group. For businesses, wikis serve as an excellent collaborative platform for collective intelligence and can facilitate innovations (Tapscott & Williams, 2007). For example, Nokia has been using internal wikis for engineers to solve product-design problems. Internal wikis are increasingly used by companies such as Adobe Systems, Amazon.com, Disney, Intel, Pixar, and Microsoft. External corporate wikis enable companies to have the opportunity to derive collaboration from the public that participates in wiki-based projects. By allowing consumers to contribute ideas revolving around the company's products, the company can not only develop a core consumer base, but can also create values for any consumer that can benefit from the collaborative works. Sun Microsystems' Sun Wikis is a directory of wiki spaces where contributors inside and outside of Sun Microsystems can share information with each other and contribute ideas to the wikis.

Social media has also led to collective intelligence. For example, prediction markets tools can help aggregate a vast amount of information from employees within organizations to better guide company actions. An example of this is the sales forecast at HP through prediction markets (Chen & Plott, 2002). HP pioneered prediction markets in sales forecasting and expanded it to several business units. HP is working towards a commercial launch of the implementation of it as a product. Procter & Gamble, through its 'Connect and Develop' platform opened to inputs from company alumni, current employees, and even customers, has successfully secured a large stream of new product innovations (Huston & Sakkab, 2006). While Procter & Gamble's best innovations had come from connecting ideas among employees, after analyzing the performance of a small number of products they had acquired from external sources, they realized that external connections could produce highly profitable innovations as well. Its 'Connect and Develop' platform taps into the creative ideas of innovators and others from the outside would.

2.1.3 Blogs

Blogs (short for weblogs) are online journals that are characterized by short entries and regular updates. Blogs are inherently flexible and can be used for a variety of purposes, ranging from posting personal opinions to corporate knowledge management initiatives and customer relationship management. Personal or public blog sites are used to host blogs and the posted messages can be distributed to other sites or readers via RSS (Really Simple Syndication). WordPress is a popular blog hosting site available to individuals and companies.

One of the most useful features of blogs is the functionality that allows readers to comment on each post often called an open thread. This feature enables readers to engage in an open dialogue for every post. The collective comments and links on blogs form a clustered network termed the blogosphere. A variety of public blogging services are available to individuals and companies. For example, Twitter is the most popular social networking and microblogging service firm. Members of Twitter post text-based messages of up to 140 characters displayed on the author's profile page and delivered to the author's subscribers who are known as followers.

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The publication of a blog enables the company to interact directly with consumers. Leading companies like Intel, IBM, P&G, Ford, and Cisco are all early adopters of corporate blogs. While the blog can be used for public relations, it can also be used to promote new products and receive consumer feedback to products and services. Senior management can also utilize internal and external blogs to make announcements and seek inputs from various stakeholders. Internal corporate blogs offer a communication channel for individual employees to express themselves, ask advices from colleagues, and discuss ideas with each other. Internal blog sites can be used as a knowledge repository to store key information, expert knowledge and experience, and as a connection point among employees.

2.1.4 Social Bookmarking

Social bookmarking is the process of adding, annotating, editing, and sharing bookmarks with others via social bookmarking websites. An empirical analysis of the complex dynamics of social bookmarking has shown that a consensus around stable distributions and shared vocabularies emerge, even in the absence of a centrally controlled vocabulary (Halpin et al., 2007). Companies are increasingly using bookmarking sites like Delicious, Reddit, Digg, and StumbleUpon to promote new products and services and also to save, organize, and remember the web pages users find interesting on the web. Social bookmarking utilizes tagging to collectively classify and find web pages. For example, at Digg, users can "tag" web pages, labeling their name, which in turn allows the company to catalog shared tags of users.

2.1.5 Media Sharing

Media sharing is a social media application that enables users to create, store, and share their multimedia files (photos, videos, sounds) with others. Media sharing websites allow users to upload their photos, videos, and sounds to the sites that can be accessed from anywhere via web browsers. There are the main two forms of media sharing sites: videos and photos. Instagram, Pinterest, and Flickr are popular photo-sharing sites. YouTube is a powerful video sharing site that companies can utilize to create their own video publication channel. YouTube also offers free analytics that can provide information on users' viewing habits and their demographics. YouTube has become the second largest search engine only next to Google since 2013.

2.2 Business Models

Mayo and Brown (1999) argue that a company should design key interdependent systems that create and sustain a competitive business. Many successful ventures have been created based on innovative business models that provide unique values to customers. A business model should be reasonably simple, logical, measurable, comprehensive, and operationally meaningful (Morris et al., 2005). In the literature, a business model is defined as a statement (Stewart & Zhao, 2000), a system of interdependent activities (Zott & Amit, 2010) an articulation (Teece, 2010), the organization (Timmers, 1999), a representation of management thinking and practice (Chararbaghi et al., 2003), and a method (Afuah & Tucci, 2003; Rappa, 2004).

A number of studies have presented the logically interrelated components of a business model. For example, Morris et al. (2005) suggest six fundamental components: value proposition, customer, internal processes/competencies, external positioning, economic model, and personal/investor factors. Johnson et

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al. (2008) propose four interlocking elements: customer value proposition, profit formula, key resources, and key processes. Like the definition of the business model, there exists no general agreement on the required components of a business model. Table 1 summarizes various definitions and components of a business model developed by the prior studies.

In sum, all these definitions share a common idea: it concerns what is produced and sold, how, and to whom it is sold. How is the value of the product or service derived? To derive essential components among the business models, we categorized the various components into groups based on their underlying similarity and identified six major categories: value proposition, organizational governance, market scope, networked activities, resources, and sustainability.

Many previous studies analyzed the business model in a relatively static point of view. However, the static view has limitations in describing the evolutionary nature of the business model. Business model evolution is viewed as a fine-tuning process involving intended and emergent changes both between and within its core components (Demil & Lecocq, 2010). In the dynamic view of the business model, the business model transforms itself over time and manifests its evolution with the dynamic adjustment of

Table 1. Definitions and components of a business model

Study	Definition	Components
Timmers (1998)	An architecture for the product, service and information flows, including a description of the various business actors and their roles; a description of the potential benefits for the various business actors; a description of the sources of revenues.	Business actors and their roles, benefits, and sources of revenues
Amit & Zott (2001)	The content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities	The content, structure, and governance of transactions
Chesbrough & Rosenbloom (2002)	The business model is the heuristic logic that connects technical potential with the realization of economic value.	Value proposition, market segment, value chain structure, revenue generation and margins, position in the value network, and competitive strategy
Dubosson-Torbay, Osterwalder, & Pigneur (2002)	A business model is nothing else than the architecture of a firm and its network of partners for creating, marketing and delivering value and relationship capital to one or several segments of customers in order to generate profitable and sustainable revenue streams.	The products and services, the relationship capital, the infrastructure and the network of partners, and the financial aspects
Afuah & Tucci (2003)	The method by which a firm builds and uses its resources to offer its customers better value than its competitors and to make money doing so.	Customer value, scope, pricing, revenue sources, connected activities, implementation, capabilities, and sustainability
Morris et al. (2005)	A business model is a concise representation of how an interrelated set of decision variables in the areas of venture strategy, architecture, and economics are addressed to create sustainable competitive advantage in defined markets.	Value proposition, customer, internal processes/competencies, external positioning, economic model, and personal/investor factors
Shafer et al. (2005)	A business model is a representation of a firm's underlying core logic and strategic choices for creating and capturing value within a value network.	core logic and strategic choices for creating and capturing value
Johnson et al. (2008)	A business model consists of four interlocking elements that, taken together, create and deliver value.	Customer value proposition (CVP), profit formula, key resources, and key processes
Teece (2010)	A business model articulates the logic, the data and other evidence that support a value proposition for the customer, and a viable structure of revenues and costs for the enterprise delivering that value.	The design or architecture of value creation, delivery and capture mechanisms

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the components in interaction with the environments. Different types of accumulated resources interact with each other and with other parts of the firm's infrastructure, thereby creating unique combinations that will vary within the firm, and which produce and determine the firm's idiosyncratic set of capabilities (Kor & Mahoney, 2000). With a new set of capabilities, the company can build new value propositions and tap new markets.

3. SOCIAL MEDIA FOR BUSINESS MODEL IMPROVEMENT

While there exists an abundance of studies on the classifications, theories, and operations of business models, little attention has been given to a social media's impact on the business model improvement. We identified the six logically related business model components categorized in the previous section: value proposition, organizational governance, market scope, networked activities, resources, and sustainability. Many companies utilize social media tools to strengthen their existing business models. Understanding how social media applications can improve the value of existing businesses is a prerequisite to successful social media development. Specifically, we discuss how social media can be used to improve each component of a business model. Various real-world examples are provided to illustrate the use of social media for business model improvement.

3.1 Value Proposition

Value proposition refers to a description of the customer problem and needs, the solution that addresses the problem and needs, and the value of this solution from the customer's perspective. Social media is changing the value proposition dynamics between the company and customers. Customer-centric social media enhances the company's ability to offer better valued products/services by engaging customers in the value creation process as well as in the value consumption process. The customers are equipped with various online social networking applications and investigative knowledge and tools about products and services. Furthermore, customers' expectations for better value of the products and services are ever increasing due to increased competition among sellers. In this business environment, sustaining any value proposition at a long term is a difficult task and listening to customers' changing needs is a necessity business activity.

To enhance value proposition to customers, companies began to use social networking services (SNS) in a variety of ways. First, SNS are used to solicit feedback on customers' product experiences and assess their preferences. By creating a social network with customers and seeking innovative ideas from customers about the company's products, a company can find ways to enhance the value proposition. Second, SNS connect employees with customers to provide customized value to individual customers. According to Lynch (2009), Texas Instruments (TI) noticed a problem in its customer service department in 2004, the main customers of which are engineers who buy and use some of the company's most technical products. To respond to customer questions more effectively, TI decided to build "E2E," which stands for engineers to engineers. Launched in 2008, E2E became a private social networking site where TI engineers interact with customer engineers. E2E proved to be a transparent portal where customer engineers and TI engineers could share best practices that help enhance TI's value proposition to customers. Opening the innovation process to final customers is a new variant of Open Innovation (Chesbrough,

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2003) and is a potential source of value proposition. For example, Nokia hosts a corporate wiki forum where users are free to express their views about Nokia products. Nokia uses the ideas contributed by the users in developing their new value proposition which is a next generation product.

3.2 Organizational Governance

Governance is formally defined as "systems and processes that ensure the overall direction, effectiveness, supervision and accountability of an organization" (Cornforth, 2003). Organizational governance typically decides the size of the organization, the type of the organizational structure, and organizational policies. There is no one-size-fits-all type of governance structure. The members of the governance structure may include internal stakeholders such as staff and owners and external stakeholders such as community leaders and government officials. It is expected that governance structures evolve over time with changing environments.

Social media is increasingly recognized as an essential tool for governance by the senior members of an organization. According to a 2012 IBM study of over 1,700 CEOs in 64 countries, CEOs see social media as a tool for collaboration and relationship-building in the service of innovation and the creative exchange of ideas. The senior management's responsibility is to ensure that its company develops a comprehensive social media strategy and policies. The senior management needs to raise the right questions concerning the company's approach to the issue, test management's assumptions, and ensure that management creates and implements an effective social media strategy, policies, and practices (Chaher & Spellman, 2013).

According to 2012 Social Media Survey conducted by Stanford University's Rock Center for Corporate Governance in conjunction with The Conference Board (Larcker et al., 2012), nearly two-thirds of respondents (65%) of the executives and board members use social media for personal purposes, and 63% for business purposes. Of those who use social media, 80% have a LinkedIn account and 68% have a Facebook account, indicating top managers are familiar with social media. However, only 24% of senior managers and 8% of directors receive reports containing summary information and metrics from social media. These results show that more proactive roles are still required at the top management.

The executives and board members set the overall tone for social media development. Since social media is widely used for business and communication activities of the individual employees, it becomes important for the executives and board members to build clear and transparent guidelines to encourage creative and productive use of social media. They needs to analyze any major incidents involving publicly disseminated complaints, allegations or other negative comments about the company, as these increasingly appear to have an impact on corporate value (Katz & McIntosh, 2013).

3.3 Market Scope

Market scope determines specific market segments for the products or services that have appealing value propositions to the target groups. The market scope will be determined by a number of factors such as the particular social mission, needs of the market, competition in the market, and human and financial resources. A precise market segmentation study can be conducted by geography (e.g., cities, states, regions, and counties), demographics (e.g., age, income, gender, family size, occupation, education, and ethnicity), and psychographics (e.g., lifestyles, beliefs, values, interest, activities, and attitude).

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SNS can be used in a variety of ways to promote products and services in the target market. For example, Coca-Cola developed a section called MyCoke at the virtual world There.com. This section features large promotional displays, Coke-branded virtual clothing, and activities for consumers (Nasco et al., 2010). Procter and Gamble launched a "My Talking Stain Tide Commercial Contest" inviting consumers to create new ads for their product. McDonalds uses Twitter to offer giveaways such as T-shirts in an effort to market their fast foods. McDonalds also uses Twitter in order to communicate with customers. All these social media activities help the companies reach target customers effectively.

3.4 Networked Activities

A corporate value network is concerned about improvement of any network activities among suppliers, manufacturers, distributors, and retailers that add value to products/services. The significance and weight of value network partners are measured based on the magnitude of their value addition to products/services in different stages towards the final products. That is, the higher value the partner generates, the greater the role that partner plays in the network. The high-value partner needs special attention in value network management.

The difficulty of managing networked activity lies in the fact that it is heavily focused on the external processes, while having little visibility and/or control of these external processes. Social media enables value network partners to share information in a timely, interactive, and visible manner. Therefore, the process visibility increases and network process control is better managed. Furthermore, social media is more human-centric than traditional applications. Social media adds a human element to the technical network activities by engaging employees in multiple businesses in a more interactive manner. A company-owned private blog site enables the company to interact directly with partners, enhancing the power of the human element in the processes.

Social media enables companies to extend their boundaries. For example, Groupon is partnering with multiple merchant reputation sites such as Yelp and TripAdvisor. By expanding the networked activities with the strategic partners this way, their sales potentials increase significantly. Social media also brings small and medium-sized enterprises into the value network, which otherwise would not have been possible without social media. Easy-to-access social media tools lowered technological and resource barriers for many small and medium-sized enterprises, and their activities in the value network have become more visible. The visibility of global network activities is also more enhanced as social media enhances global communications and information sharing.

3.5 Resources

This component provides a conceptually grounded framework for assessing sustainable and developmental resources, and enables these resources to be examined in terms of the opportunities and threats for establishing sustainable competitive advantages. From a resource-based view, every firm has a unique set of resources that the firm can leverage to exploit opportunities and counter threats (Wernerfelt, 1984). Since not all resources are equal in creating sustainable competitive advantages, many researchers focused on identifying advantage-creating resources. Barney (1986, 1991) suggested that the advantage-creating resources must be firm-specific, rare, and difficult to imitate. In a changing environment, a company

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must continuously invent and upgrade their resources if they are to maintain a competitive advantage and growth.

Social media helps develop financial, technical, and operational resources in organizations. Social media facilitates creating, storing, refining, and sharing informational resources. Knowledge management, training, ERP, research and development, and human resources are areas where social media applications can be used to enhance various resources. Senior management needs to use social media to empower employees. Social networking services are used to support recruiting activities and connect potential contributors for distributed innovation processes (Cash et al., 2008). For example, social media is involved in the co-creation of new products with customers. According to Bughin et al. (2008), one in ten participants in the online community Second Life are already involved in co-creating with companies in different ways (testing prototypes or participating in design of new products), and 60% of the participants in this community say that they are willing to experiment with co-creation.

3.6 Sustainability

Sustainability is concerned with the development of the ways a company can gain a sustainable competitive advantage in the market. This component lays a ground work for how a company will attempt to develop a sustainable competitive advantage and use it to improve its competitive position in the market. Since 2010, sustainability has been widely implemented in businesses due to increased environmental awareness. Sustainability is becoming an integral part of a business model in a drive to achieve long-term corporate growth and profitability and fulfill environmental and social responsibilities at the same time.

Businesses have embraced social media for their sustainability initiatives and it is likely that more businesses will incorporate social media into their sustainability initiatives. Social networking services and blogs have already been used to promote corporate sustainability to their employees and solicit ideas from outside. For example, IBM's Smarter Planet is a website devoted to communicating its sustainability initiatives. General Electric is using social media to find innovative solutions to sustainability dilemmas. Starbucks brought its BetaCup Challenge to a website that crowdsources ideas from the public in order to find a sustainable solution to the coffee cup.

Social media is often used by consumers to speak out against business practices and the speed of information dissemination in social media is stupendous. Businesses that ignore their social responsibility can quickly become a target of the Consumer Watchdog. In April, 2012, to protest the hike of healthcare rates in California, supporters of Consumer Watchdog used Facebook and blogs to sign the petition to demand the justification of health care rates. It is now imperative for manufacturers of environmentally hazardous materials to keeping track of social media sites to monitor consumers' uptake on social and environmental issues.

4. GUIDELINES FOR SOCIAL MEDIA APPLICATIONS FOR BUSINESS MODEL IMPROVEMENT

Based on the survey of social media practices, this section presents guidelines for social media implementation to achieve business model improvement.

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4.1 Social Media Should Not Just Be a Part of Marketing Strategy, but a Part of an Enterprise-Wide Business and IT Strategy

It should be noted that social media affect the entire spectrum of business functions beyond just marketing. Social media is an integral part of IT strategy as well as marketing strategy. Lederer and Mendelow (1989) suggest that alignment of IT with strategy increases the likelihood of developing systems more critical to the organization. As the role of IT in business strategy development increases, the alignment will lead to a more competitive and profitable organization (Galliers, 1991). To enhance the potential benefits of social media, it is critical to analyze the impacts of social media on the entire organization and develop a coherent set of unique applications for their business strategy, since there is no uniform set of social media applications to all businesses.

4.2 Develop a Change Management Plan

Managing organizational change is a difficult task, but essential to make a new social media implementation successful. There is a chance to fail in the social media endeavors if not carefully developed and managed. Skepticism exists as to how social media for businesses can truly be exploited, either because the technology is too complex, or because major organizational bottlenecks of hierarchy and control exist (Davenport, 2007). High profile cases of failures of social media adoption exist. For example, Cambrian House failed in its crowdsourcing model. While operating a fully open architecture for collaboration, no one in the company had taken the full responsibility for idea development, leading to limited business development opportunities. This case shows the importance of communication and employee participation in the social media projects.

To facilitate the change management process, a company needs to appoint managers who can champion social media initiatives, to gain senior management support, to set achievable social media goals, and to communicate the change management to employees. The establishment of an appropriate change management program will minimize the failure rates or disappointing performance of social media adoption. In addition, investments in staff training are necessary to develop the competence of employees. It is generally assumed that training leads to improved competence. In addition, an appropriate work load assessment needs to be conducted in order not to burden employees in using and managing job-related social media applications.

4.3 A Well-Planned Enterprise-Wide Social Media Architecture Needs to Be Established for Content Development and Management

As social media becomes part of business strategy, companies are being challenged to support a variety of high-volume bandwidth-intensive social media applications. For companies, the architecture needs to address which media to use, how often to monitor and audit them, what contents, and who are the creators and consumers of the contents (e.g., employee or customers, potential customers, or general public). Companies need to redesign their website to improve the usability, aesthetics, and interactivity (Constantinides, 2004), and develop mechanisms to seamlessly integrate social media into existing business processes.

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4.4 A Well-Planned Social Media Metric Needs to Be Established for Performance Measurement

Many companies integrate social media into their business operations, but ignore the use of social media metrics to measure the performance. It is imperative to identify key performance metrics, establish the target values, and generate periodic performance reports. It is also important to prioritize key performance metrics. In order to establish target performance of various social media applications, competitors' performance metrics can be benchmarked. Key performance metrics include the number of social connections and followers, the number of reviews and review scores for products, the number of posts and reposts at blogs, the number of comments, response time to comments, social media development costs, and conversion rates (e.g., email subscriptions, and downloads).

4.5 Maintain Security Standards and Control Content Exposure

In seeking to gain value from social media endeavors, companies must be aware of the risks associated with these technologies. While social media inherently connects employees within the company and may connect the company to outsiders, companies must maintain tight security standards in order to prevent unauthorized access or the spread of harmful computer viruses (Dinger & Grover, 2010). Companies need to be aware of the data security issues, legal issues related to unintended disclosure of company data, and privacy issues. Recently, the US Securities and Exchange Commission (SEC) said it may file a law suit against Netflix and its CEO Reed Hastings over a post the CEO made on Facebook in July, 2012. In July, Mr. Hastings posted three lines stating that "Netflix monthly viewing exceeded 1 billion hours for the first time ever in June." This post raised the issue of whether it was privately disclosed information or not. Some claim that the SEC is in essence saying that Facebook is not a "public" website. SEC's Regulation FD, adopted in 2000, requires public companies to make full and fair public disclosure of material non-public information. The SEC believed that figure was material information that should have been disclosed in a press release or regulatory filing. This case illustrates the potential legal ramification of content posted on the social networking sites. In order to encourage proper access and usage of social media applications, companies need to establish social media security and usage policies and requires users to understand them.

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KEY TERMS AND DEFINITIONS

Business Model: A decision-making framework for developing logically coherent activities to support value creation and formulating strategies to sustain competitive advantages.

Governance: Systems and processes that ensure the overall direction, effectiveness, supervision and accountability of an organization.

Media Sharing: A social media application that enables users to create, store, and share their multimedia files (photos, videos, sounds) with others.

Social Bookmarking: The process of adding, annotating, editing, and sharing bookmarks with others.

Sustainability: The development of the ways a company can gain a sustainable competitive advantage in the market.

Value Proposition: A description of the customer problem and needs, the solution that addresses the problem and needs, and the value of this solution from the customer's perspective.

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Chapter 70
Organizational Memory:
The Role of Business Intelligence to Leverage the Application of Collective Knowledge

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ABSTRACT

Nowadays, the major challenge to organizations managers is that they must make appropriate decisions in a turbulent environment while it is hard to recognize whether information is good or bad, because actions resulting from wrong decisions may place the organization at risk of survival. That is why organizations managers try to avoid making wrong decisions. In order to improve this, managers should use collective knowledge and experiences shared through Organizational Memory (OM) effectively to reduce the rate of unsuccessful decision making. In this sense, Business Intelligence (BI) tools allow managers to improve the effectiveness of decision making and problem solving. In the light of these motivations, the aim of this chapter is to comprehend the role of BI systems in supporting OM effectively in the real context of a crowdsourcing academic initiative called CrowdUM.

INTRODUCTION

Managers are facing a huge challenge of making right decisions in face of turbulent social and economic conditions. Sudden changes in markets, together with the production of big amounts of information inside and outside the organization, make the task of selecting and evaluating information quality hard. Nevertheless, decisions have to be made and the resulting actions will lead the organization to be in a thriving or declining market position (Barrows & Neely, 2012; The Economist, 2009).

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Walsh and Ungson (1991) have proposed one of the first models to conceptualize how knowledge that supports organizational decisions is created and shared. According to these researchers, knowledge is stored in organizational bins forming a shared memory called Organizational Memory (OM). The model focuses on locations and contents. Information for decision-making is then stored as:

1. Experience in individuals;
2. Shared experience in culture;
3. Integrated sets of practices guiding transformation of inputs into outputs;
4. Structural configurations connecting formal roles played by individuals; and
5. Physical arrangements of workplace.

These bins, together with information stored in computer-based repositories, shape the kind of decisions organizational agents can make.

OM concept has evolved to account the distributed and reconstructive characteristics of shared memories. Morgeson and Hofmann (1999) proposed a functional view of OM in which the structure of OM evolves by continued interactions between organization members supported by memory artifacts. OM structure is usually linked with interactions, roles, tools, units of memory (individuals and groups), forming a web of resources, processes and connections able to hold past experience and bring it to present organizational activities. Organizational interactions are embedded in processes of probing and sense-making that result in recall past experiences. To support them, OM must display certain functions including:

1. Adaptation;
2. Goal attainment;
3. Integration; and
4. Pattern maintenance.

Other authors have worked the integrative albeit distributed nature of OM (Kruse, 2003; Feldman & Feldman, 2006; Rowlinson et al., 2010; Schwarz, 2007). This social constructionist view of OM addresses the subjective experience of remembering. The view posits that humans and organizations reconstruct past experience from records and recreate it to deal effectively with present conditions that may be very different from past events. This is not seen as a problem to be avoided but as a core characteristic that enables development of creative solutions for new problems.

OM is the root of collective intelligence (Malone et al., 2010). Collective intelligence in organizations represents: process that will articulate and optimize individual performance (the source of expertise and agents who convey the mission); formal and informal networks; methods of communication; norms; and cultural artifacts. Organizational intelligence is the collective ability to mobilize knowledge of organizational interior and environment to create and make favorable decisions as well as to promote innovation (Boder, 2006).

In this context, Information Systems appear as connectors and supporters of the meaning processors in organizations (humans) operating in specific cultural and political contexts (Stein & Zwass, 1995; Cegarra-Navarro & Sánchez-Polo, 2011).

Business Intelligence (BI) is one of the technologies developed to help decision makers elicit meaning from huge amounts of information to which they have access. BI is an architectural, managerial concept

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and a set of tools that allow creation and maintenance of a large database, retrieval of information, and the use of information to make effective decisions (Timothy et al., 2009; Turban et al., 2010; Chaudhuri et al., 2011).

This chapter focuses on the role of BI systems to support OM and is an attempt to answer the following question: Can BI systems improve OM to achieve Organizational Intelligence?

To answer this question, this chapter will be structured into three sections:

- **Section 1:** Presents concepts about OM and OM Information Systems (OMIS);
- **Section 2:** Describe concepts about BI, BI for OMIS, and BI architecture to support OM / OMIS; and
- **Section 3:** Presents a description of integration BI with OM in a real context initiative of crowdsourcing called CrowdUM.

Finally, conclusions are presented.

ORGANIZATIONAL MEMORY

OM concept has been developed for several decades, with contributions from various disciplines, such as Psychology, Sociology, Organizational Behavior and Information Systems (Argote, 2013; Casey & Olivera, 2011; Hodgkinson & Healey, 2008). The objective of this section is to describe this evolution and relating it to the evolution on conceptualizations of OMIS.

OM concept emerged out of the notion that organizations need to use past and present knowledge in collective and individual decisions and actions, and also to do projections to future. To do this, organizations need to preserve present knowledge and to identify gaps that must be addressed through learning (Kransdorff, 1998).

One of the first widely accepted OM conceptualizations is described in Walsh and Ungson's (1991) model. Their model synthesizes many of the previous scientific insights developed about how organizations store and retrieve knowledge. OM is viewed as an aggregate of information useful for decision-making and is stored in organizational bins. This is, therefore, a static conception of shared memory that focuses on locations and contents. Information for decision-making is then stored as: experience in individuals; shared experience in culture; integrated sets of practices guiding transformation of inputs into outputs; structural configurations connecting formal roles played by individuals; and physical arrangements of the workplace. The goal of the Walsh and Ungson's model is to present a comprehensive conceptualization of OM together with guidelines for developing empirical research.

The Walsh and Ungson's model came to support the research efforts in Information Systems field (Nevo & Wand, 2005). The basic idea is that information technology can be used to create a uniform, complete, consistent, up-to-date and integrated pool of knowledge that can then be made available for decision processes at all levels of the organization, this is denominated OMIS.

OMIS started as large databases of complex information and have evolved to more distributed systems developed according the principles of Transactive Memory Systems (TMS) (Brandon & Holligshead, 2004; Lewis et al., 2005; Lewis & Herndon, 2011). In this latter approach, Information Systems is a tool to link repositories of information to individuals seen as repositories of knowledge, and in this way interconnecting distributed repositories across an organization into an integrated memory system. TMS focus structural aspects of OM and ignores cultural and political dimensions of OM. In both approaches,

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OMIS are extensions of human abilities to capture, represent, communicate and maintain knowledge. OMIS is a framework to define processes of acquisition, retention, maintenance, and search & retrieval knowledge in a faster and more accurate way.

Recognizing limitations of static view of OM that the described approaches endorse, the concept has progressed to include dynamic features. Morgeson and Hofmann (1999) proposed that the structure of OM is defined by continued interactions between members of an organization, supported by memory artifacts. The OM structure is usually linked with interactions, roles, tools, units of memory (individuals and groups), forming a web of resources, processes and connections able to hold past experience and bring it to present organizational activities. The organizational interactions are embedded in processes of probing and sense making that result in the recall of past experience. To support them, OM must display certain functions including: adaptation, goal attainment, integration, and pattern maintenance.

This view of OM as having structures and functions, brings in the notion that OM should be seen as a process that enacts memory contents distributed inside and even outside organizational environment. This view is an extension to OMIS concepts and frameworks. The focus is no longer on storing and retrieving large amounts of information but also on supporting interactions, making them easier as well as informing and supporting by automatic feedback.

Authors working in this more recent view of OM tend to focus on political, communicative, and cultural dimensions of the organizational remembering, as well as the (re)constructive activities by which organizational members give rise to organizational identity (Hirst & Manier, 2008). OM is conceptualized as being present in all activities of the organization and with different levels of influence (Assmann & Czaplicka, 1995; Barnier et al., 2008; Hirst & Manier, 2008; Ricoeur, 2004; Halbwachs, 1992). It integrates resources, practices and technologies that are necessary for organizational actors to understand their activities, the business that renders those activities meaningful and the organization's role in markets where it operates. The process of remembering becomes more important than the content handled in this process.

OMIS are required to retrieve structured and non-structured data, processing it into meaningful ways to the user and bring the results in highly readable formats such as data visualizations. OMIS should support the quick understanding of situations, promote the construction of scenarios, enable integration of different users' manipulations and contributions, all of this to support collective intelligence required to solve complex problems and develop innovative practices (Malone et al., 2010).

INTEGRATION OF BUSINESS INTELLIGENCE WITH ORGANIZATIONAL MEMORY

The term BI was firstly used by Luhn (1958). Dresner of the Gartner Group in 1989 coined and promoted a definition of BI as an umbrella term to describe concepts and methods to improve business decision making by using fact-based support systems (Power, 2007).

BI functions focus mainly on using intelligent information technology tools to support organizational members to making better and faster decisions (Cody et al., 2002). The purpose of these systems is to improve the availability and quality of complex information for decision including strategic decision.

BI tools not only enable managing a large amount of documents within multidimensional views over extended time-frames, e.g., Extraction, Transforming and Loading (ETL), Data Warehousing (DW), Online Analytical Processing (OLAP) cubes, but also facilitate searching and sharing past information among

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organizational members to support solving new problems or tasks using OLAP and Query-by-Example (QbE) tools and discovering knowledge by analyzing data from different perspectives and summarizing it into useful information by using Data Mining (DM) algorithms. BI tools support the creation of insightful information from stored data. In this way BI tools improve the ability of an organization to remember its past and make sense of its future. This is the main role of memory, namely the OM.

Using DM algorithms such as classifier and clustering DM algorithms, organizational members may function as meaning "processors" of organizational network intelligence. This presents a high potential of classification and mapping suitable information (e.g., documents, projects, comments, feedback) into relevant groups and participants inside organization, for example by using DM's classifier algorithms an organization can provide intelligent solutions for finding and mapping relevant information to suitable users. Users can then integrate that information with their personal information and their past behaviors that have been captured from social network (e.g., Facebook or Twitter) in order to create a deep understanding of how knowledge is created inside organization and how its members nurture internal and external relations.

The BI system can play an important role in supporting a large scale OM functions, which spread from knowledge Acquisition, Retention and Maintenance functions to Search & Retrieval functions. It should be noted that when mentioning the role of BI tools, we are referring the process of storing information, the production of more complex information for decision support and the monitoring of changes in stored information.

Information is the foundation of knowledge creation and Humans when working in organizations produce organizational knowledge with the goal to share it and institutionalize it in organizational routines. OM emerges from this continuous interplay between information and knowledge enabled by using technological tools that mediate action, interaction, co-creation of meaning and decision making in organizations. From this point on, all of those technological tools will be called OMIS and OMIS includes BI tools.

The architecture model, see Figure 1, which is called the BI to OMIS integrated model, is a combination of relevant tools of BI system envisaged as an OMIS component in order to support OM by improving knowledge sharing and effective decision making.

The main BI tools that are used in this proposal will be classified into four layers. These layers correspond to the four main functions of the mnemonic layer of OMIS framework. Consequently, the descriptions about BI tools for each layer of the BI to OMIS integrated model will be described as follow:

- **Acquisition Layer:** Plays an important role in capturing and adapting data as well as information from many resources within OM. There are two tools to enhance acquisition: *Web Crawler* - collects data from web sources such as forums, web sites, online services, etc. Hence, web crawler is an appropriate tool to integrate web data and search relevant information about competitors, customers' trend, and markets segment; *ETL* - extracts, transforms, and loads data from many data sources and classifies, normalizes, and loads data into an organizational repository (e.g., Operational Data Store, DW, data mart) based on defined structures (e.g., meta-data, ontology structures).
- **Retention Layer:** This layer has the responsibility of managing the capability of organizational repository. Thus, this layer mainly focuses on database tools. Moreover, one of the main problems of retention is to store a large historical data over many years. DW and Data Mart are compatible repositories to manage organizational historical data.

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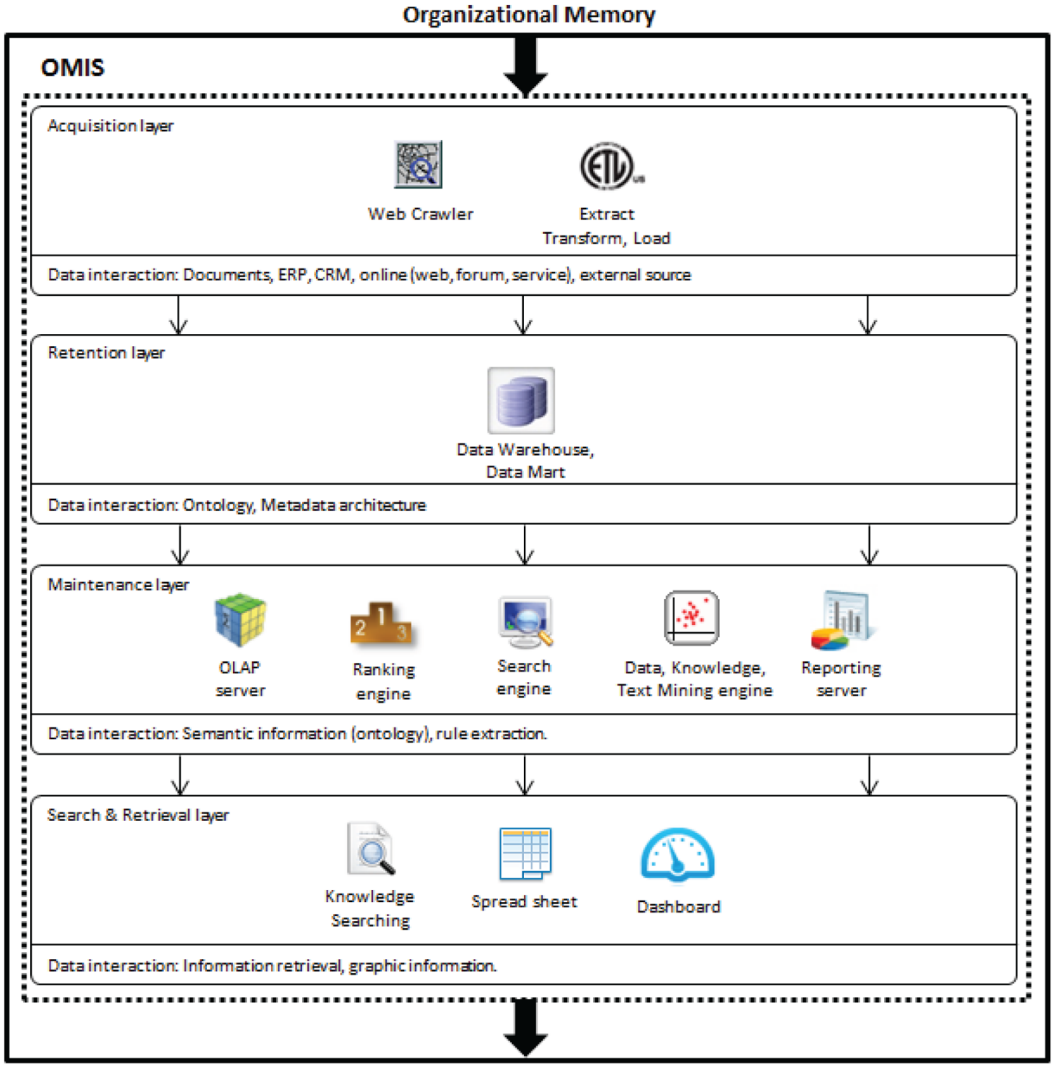
Figure 1. Framework BI to OMIS integrated model



- **Maintenance Layer:** In this layer, BI tools will be adapted to enhance, analysis, and classification of stored data, which are stored in organizational repositories such as DW. Like a metaphor of intelligent engine for BI to OMIS integrated model, this layer includes five components of BI system to help the maintenance of information and knowledge in an effective way: *OLAP server* - this allows users to interact with DW. Consequently, information might be filtered, aggregated, and drill-down through multidimensional views. This also allows users to reorganize and calculate massive historical data quickly based on OLAP cubes functions. Users could use OLAP cubes to create their own star schema in various dimensions to speed up the retrieval and query processing from large amounts of data stored in OMIS. *Ranking engine* - this is a database tool to enhance search engine retrieval performance (Fan et al., 2005). Through the ranking function research, authors concluded that "the retrieval performance of these newly discovered ranking functions has been found to be superior to the performance obtained by well-known ranking strategies in

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the information retrieval literature." In general, the ranking in BI-OMIS system can be assessed by all members of an organization to refine the usefulness of past information stored in the OMIS. *Search engine* - this function supports employees to search past knowledge. Based on structured data stored in knowledge repositories such as: email searching, document searching, task searching, and best practices finding. Moreover, this function also allows users to retrieve history of data modified via the time line of the document. Thus, this is an effective method to help users to retrieve past knowledge throughout highlight new updated contents, as well as identifying who performed the document. *Reporting server* **-** provides suitable mechanisms that enable definition, efficient execution and rendering of reports (Chaudhuri et al., 2011). Allows managers to export information from an OLAP cube in dynamic forms or templates, which will facilitate operations of managers in creating, modifying, and presenting a number of reports such as balance sheet, product reviews, or annual financial report without requiring extensive database knowledge. *Data Mining and Text Mining engine* **–** enable to analyze complex and unstructured problems such as classification, knowledge learning, problem solving, heuristics, etc. Mining methods use algorithms to deduce and propose new knowledge beyond what were saved in DW and OLAP. In addition, data mining engines provide ability for OMIS to forecast new knowledge relies on intensive analysis and synthesis historical data. Text analytic engines helps understand large amounts of text-data contained in organization's documents like business contracts, customer information, annual reports, customer reports, etc. Most popular functions of text mining are to (Turban et al., 2010, p. 289):

  - **Information Extraction:** Identifying key phrases and relationships of text;
  - **Topic Tracking:** Predicting relevant documents based on user's profile;
  - **Summarization:** Proposing the main content;
  - Categorization;
  - **Clustering:** Grouping similar documents;
  - Concept Linking; and
  - Question answering.

- **Search and Retrieval Layer:** This layer is composed by user interface methods to create an interactive channel. User can operate with all functions in the third layer of the BI-OMIS model via these components. This layer includes the following tools: *Knowledge searching*- this improves the basic search by using e.g., rules and case based reasoning. It gives to the user a friendly interface with search fields and conditions to help users find out the most appropriate information for solving problems. *Spreadsheet* **–** this is still a useful environment for users to manipulate analytic data (OLAP) and allow users to retrieve data quickly from various dimensions and present it in a drill-down view. *Dashboard* - gives a graphical interface for indicating Key Performance Indicators (KPI's) for OMIS. In addition, dashboard enables decision makers to keep track of the current status of organizational environment with a simple visual view.

BI WITH OM IN A CROWDSOURCING INITIATIVE: CROUDUM

In recent decades, the Internet gradually is becoming the organization's backbone, not only connecting people closely throughout time and locations, but also keeping our workers up to date by immediately sharing their own information.

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With the main objective to use internet advantages, appears the idea to connect online community of people, denominated a crowd network, with requesters of services, ideas, or contents in the purpose to enhance the working performance, as well as gaining more profits for participants in the crowd.

The term 'crowdsourcing' is derived from the business area to indicate the process of connecting a large crowd together via Internet, then allows seekers to address large projects by using crowd's creativity and talent. For this reason, these projects usually require a large amount of people who have a moderate ability such as students, normal employees, or local residents all over the world.

In a definition, Howe (2006) concluded that "crowdsourcing is the act of taking a job traditionally performed by a designated agent and outsourcing it to an undefined, generally large group of people in the form of an open call." This definition focuses on discriminating traditional job from the crowdsourcing. The author emphasized the role of large groups in selecting jobs through the open call instead of dealing with specific customer directly. As a result, crowdsourcing could create solutions more quickly and cheaply than traditional methods.

Throughout the evolving time of crowdsourcing as well as based on the purpose of each crowdsourcing group, the crowd is often classified into six categories (Bell, 2009; Brabham, 2013) as follows (examples presented are better explained at Additional Reading Section):

- **Crowd Wisdom:** Crowd wisdom focuses on collecting innovations via asking the crowd, inside and also outside the company, to solve problems, forecast future, or propose a strategy for a specific environment. Then, the best solution is selected. In this way, simExchange, Iowa Elections Market, and Hollywood Stock Exchange are examples of crowd wisdom.
- **Crowd Creation:** Crowd creation has a little bit difference from crowd wisdom. In this purpose the crowd and requester have to work together to co-create new information/knowledge. For example: NASA's Clickworkers and InnoCentive.
- **Crowd Voting:** Voting is a method of inquiry opinions of the crowd to collect their ideologies about designs, campaigns, and trends of a product, technology or something else. The result supports company to modify products before they turn to bulk production. For example: American Idol and Threadless T-shirt company.
- **Crowd Funding:** The crowd funding main objective is to aggregate a group of shareholders, who will build up the funding of projects or creation of assets. The outcome and responsibility of the crowd in this type of crowdsourcing is higher and more important than other types of crowdsourcing. For example: Kiva and Sellaband companies.
- **Crowd Democracy:** This kind of crowd mainly focuses on participants who give decisions of local, regional and national governments.
- **Crowd Review:** Crowd review pays attention to available objects such as products, services, or events from requesters (e.g., companies or manufacturers). The crowd shares reviewers' information about their activities while using it, for example: while visiting a monument, while eating at a restaurant, while watching a film, or while trying a service. These reviews then support companies in having a better understanding about the quality of their products.

Crowdsourcing has advantages in various areas based on the potential of crowd that could reduce the cost and time in solving problems. On the other hand, the crowdsourcing shows several pitfalls that prevent the expansion of crowdsourcing:

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1. Managing a large scale of crowd in order to ensure a big participation of wide variety of experiences coming from jobs, cognitive styles, contact networks, etc.;
2. Assessing a large numbers of results/solutions returned from the crowd;
3. Ensuring high quality of work; and
4. Fostering cooperation among crowd members to solve projects.

To make clear the features of crowdsourcing in a real context, Figure 2 indicates the use-case diagram of CrowdUM that relies on the fundamental structure of crowdsourcing. In general, CrowdUM plays a main role in the crowdsourcing model as a brokering service or intermediary. CrowdUM is designed for organizations (the seeker) such as companies, personals, or agencies that have ideas, problems, and requirements that need to be accomplished through simple but creative activities. The crowd (the solver) are able to gain experience, create knowledge and become more entrepreneurial, they are almost the current students and former students of University of Minho. Moreover, this is a dynamic group that could propose more creativeness's in exploring solutions regardless their nominal cost. The third component in CrowdUM appears as a service broker (the intermediary). The intermediary pays attention to finding requirements from seekers, and then spreading them to appropriate solvers. For more detail, Figure 3 represents the main functions of crowdsourcing initiative in the form of action diagram to help us comprehend CrowdUM's process. The initiative aims to promote an approximation of entrepreneurs, and potential employers, to academic environment in order to foment a better understanding of skills that students in various disciplines are developing; it also aims to constitute itself as a learning tool in that it favors the development of students' knowledge and skills by solving challenges for real organizations.

With the aim to creating intellectual assets and providing creative solutions to existing problems, CrowdUM allows seekers and solvers access to a wide range of skills and collective knowledge via web base platform as an intermediary. Moreover, CrowdUM is a tool for innovation, which if used properly can generate new ideas, reduce time to research and develop projects, lower costs and create direct re-

Figure 2. The CrowdUM use-case diagram

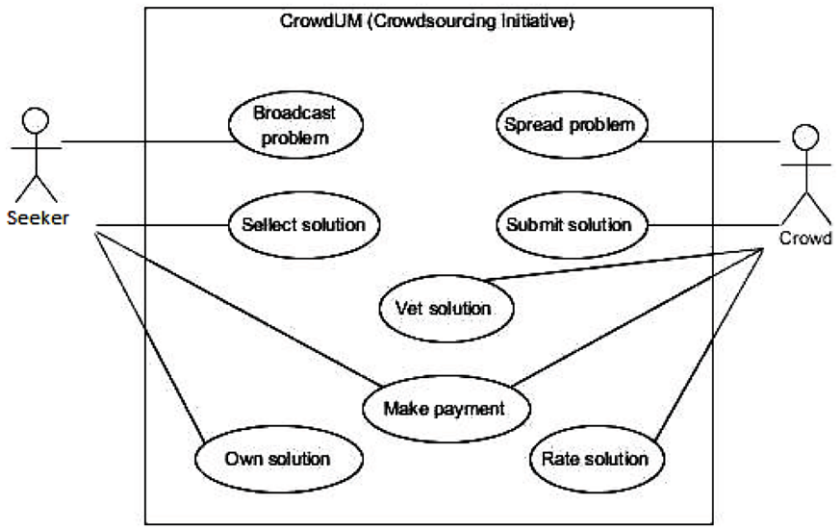

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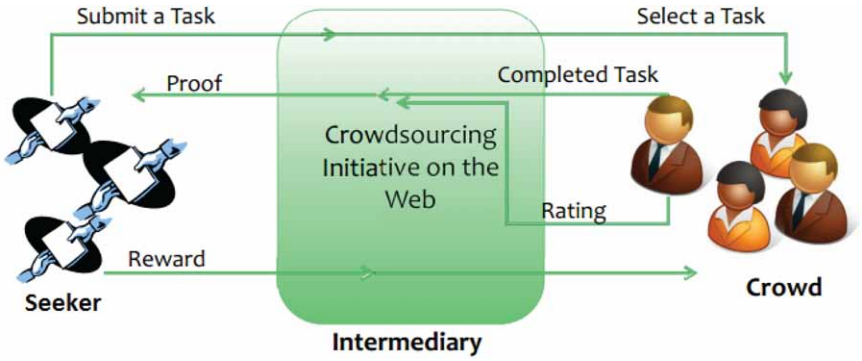
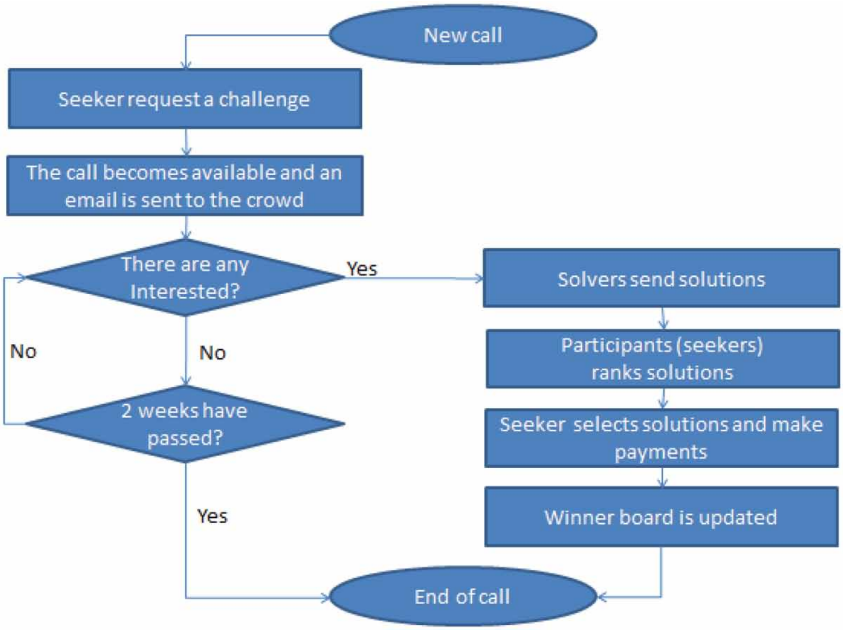
Figure 3. The CroudUM active diagram



lationships between seekers and solvers. This phenomenon arose from the perception that many small contributions linked together are more relevant and effective than a single large contribution.

The process execution of CrowdUM is modeled by a workflow diagram. At the beginning, the seeker describes project's requirements with time-limit and budget for the challenge and awaits solutions from solvers. All information is sent by email to every solver registered on CrowdUM. The challenge will be available on CrowdUM for a defined period of time. When a solver chooses a challenge, the solution can be submitted to CrowdUM website from anywhere and anytime. Meanwhile, seekers are available to give indications in order to help solvers to improve quality of final product. The crowd (seekers and solvers) rate and choose the best solutions. Finally, the best solution is selected from all solvers submissions. The best solution owner, the solver, will receive incentives. The major incentive would be a social recognition given by other contributors (the crowd). See Figure 4.

Figure 4. CroudUM workflow model



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With maturation of project scale and the increase of the crowd size over time, CrowdUM showed a lack of an effective management approach to:

1. Help crowd to be notified of new projects more intelligently based on crowd members' hobbies;
2. Enhance quality of solutions; and
3. Manage more effectively projects, solutions, documents, and also business of CrowdUM.

To solve these issues and with incorporation of BI tools to support OM, six useful aspects in this solution arise:

- Using BI enables CrowdUM to manage guides, documents, and relevant information produced in the context of continuous interactions among crowd members and between members and the initiative; BI also supports users to share their knowledge with other members. This helps crowd members to use past knowledge for solving new problems. To develop this feature, ETL will extract and load data and documents content from the CrowdUM database into DW at scheduled time, next the DW and OLAP cubes play a significant role to classifying documents in various dimensions, for example: Time, Geography, Project, Customer (seeker), Problem, Solution, Document and Crowd. These dimensions facilitate users to navigate in the cube, i.e., slice and dice, roll-up, drill-down, etc.
- Finally crowd members could find relevant documents via dynamic interface of the QbE system to select desirable dimensions, which are based on their demands and priorities. QbE system gives users an ability to search documents by defining filters, for example: Type - 'Urgent', Category - 'Web sites', and Status - 'Finish'. Results could be grouped, for example by Geography dimension as Country or City. Users cans save the query result in order to share with other crowd members.
- Using DM to classify the crowd enables supporting the intermediary (CrowdUM Managers) to find a better awareness about user's skills and allows finding the right members in the crowd by classifying user's groups, who have maximum similarity based on their personal information and their usage behaviors. After this is done, appropriate jobs/tasks are sent to suitable groups automatically. BI to OMIS system enables CrowdUM system to comprehend user's demand more accurately by spreading new projects from customers to proper crowd members. Moreover this feature will reduce irrelevant rate of invitation's letter which are automatically send to subscribers when a new project appears.
- Supporting seekers to find the most feasible solution. BI to OMIS support decision in refining the large amount of solutions provided by crowd by improving user's ranking and comment classification. User's ranking focuses on the number of votes from crowd members at each solution. The comment classification is developed from the DM classify functions (e.g., J48 Decision Trees, Naïve Bayes, Support Vector Machines, among others), that classifies comments in each solution into two classes as good assessment and bad assessment, allowing seekers to quickly recognizing the value of the solution based on its good and bad rating. In this way, seekers can reduce cost and time associated with developing a solution and help improving quality of the solutions offered by crowd.
- Members (newbies or not) needed a direct inquiry for special information or difficult issues that are not supported in OMIS. To solve this issue is relevant classify the category of feedback by identifying who do feedback (e.g, supervisors, masters, older workers, etc.) and send answers to

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members. The role of BI-OMIS system is to classify messages from users and then create a direct connection between members with older CrowdUM workers, who have an important historical knowledge for decision-making support by using DM classify functions.

- Putting in place effective incentive mechanism by using Dashboard component of BI to OMIS model to update the list of best crowd members in each category, i.e., frequent participation and raking by number of award-winning solutions. Incentive mechanisms will promote excellence and encourage members to engage in further projects; incentives also increase motivation for new members to participate in projects. Dashboard component manage several KPI's:
  - Revenue indicator shows the total revenue per year;
  - CrowdUM Status indicator allows managers see the number of documents in CrowdUM's OMIS, total current problems, answers, projects, and crowd members;
  - Incentive mechanism relies on two next indicators to show the most dynamic solvers, and also the most valuable seekers in the CrowdUM. In that, the first indicator shows top five crowd solvers with decrease sort order on their total revenue. And the second indicator shows top five companies (knew as seekers) by their highest payment to CrowdUM. By this way, CrowdUM's managers could put in place effective incentive mechanisms with solvers as well with seekers;
  - Managing project's status is the last feature of the OMIS dynamic dashboard. Via three indicators, status of project is presented in three types for instances: (1) total finished project indicates managers how many projects were finished successful, the KPI fluctuate from high to low value of total finished projects. (2) Besides, the total failure project indicates unsuccessful risk of CrowdUM's projects, the value fluctuate from safe to risk value. Risk value indicates there are some urgent problems that need to be fixed right away. (3) Finally, the total ongoing project indicates the number of projects that ending soon.
- Using web platform to support and manage a large scale of crowd members from various places and time. Web platform was connected with a group created on Facebook, through an application designed for this purpose. Therefore it was possible to automatically collect information about members of the crowd registered on Facebook, if they permitted. This information was then used to redirect e-mail alerts to members of the crowd with interests close to those needed to solve a new challenge. By this way, CrowdUM can use a huge resource from social network (Facebook) to collect users' information like hobbies, introduce the concepts for newbies and facilitate sharing the CrowdUM concept trough the social network friends via various methods (e.g., posting on user's wall, sending message, sending invitation, etc.), and finally encourage them to be registered at CrowdUM.

The platform was tested for 3 months. Solvers were asked to help the study by answering real and fake tasks (micro-tasks). This enabled to increase online activity and interaction. Information automatically gathered was then analyzed to determine how solvers interacted with each other and what pages were most seen.

Although the initiative is still in its infancy and tools described above are only now beginning to be used, it is possible to verify that the solvers can establish contacts with colleagues from other disciplines more easily by identifying challenges. It also became easier to call solver's attention to new challenges and seekers are now more aware of job profiles that are being developed in several areas of the university.

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FUTURE RESEARCH DIRECTIONS

A better integration of Data Warehouse and Data Mining technologies is needed to empower the retention and retrieval features of OMIS. Data Warehouse was used to save documents' information, meanwhile Data Mining was used to classify and link relevant documents together via classification functions. A solution could be a semantic web definition to enable a creation of a large network space of linked documents that keeps track the relationship between documents throughout multidimensional views of Data Warehouse (e.g., geographic, key terms, categories, or time dimension). With this purpose, OMIS will allow users to easily expand search results with nearby documents on different dimensions, which will be adapted from visual graphic interface of semantic web tool. Besides, documents' correlation coefficient will be analyzed by Data Mining functions to decide the relationship between one document and others' documents.

A first study to evaluate the effectiveness of the proposed framework to understand the role of BI tools to improve OMIS was made by integrating those tools in the crowdUM initiative web platform. Some improvements in the crowd and seekers knowledge and decision were detected. However further studies are required to explore how BI tools can be used to improve collective and distributed functions of OMIS.

CONCLUSION

This chapter proposed a conceptualization of BI tools as components of an OMIS. OMIS is seen as a broader concept which assumes that the computer-based systems of an organization have an inherent role in support organizational memory. Organizational memory emerges from interactions needed to accomplish organization's mission. This collective and distributed memory holds the memory functions of acquisition, retention, maintenance and retrieval of organizational knowledge. Although organizational memory exists because of individuals that constitute the organization, it transcends and expands individual memories and persists after individuals leave.

In this chapter it is assumed that knowledge is created by Humans and requires the existence of information, namely the one that is transmitted in dialogues. It was also assumed that too much information inhibits knowledge creation since Humans have limited capabilities of information processing. BI tools expand this capacity by pre-processing information in a way that makes the resulting information closer to the needs of knowledge creation which support organizations' intelligence. OMIS that integrate also BI tools holds functions of Information Acquisition, Retention, Maintenance and Retrieval. BI tools enhance in particular functions of information acquisition and retrieval. BI play an important role in supporting OM by automatically collecting and updating knowledge, identifying the useful information for decision making, and thus providing an effective support to OM.

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KEY TERMS AND DEFINITIONS

American Idol: The public (the crown) votes to elect the best artist, there are three applications to support community: Idol Nation, Idol Nation Fan Wall with forums, polls, social all-stars, social scene, and finally Forums with a lot of topics been discussed (AmericanIdol, 2013).

Business Intelligence (BI): A key enabler for increasing value and performance to organizations and it is a process that includes two primary activities: getting data in and getting data out (Watson and Wixom, 2007).

Clik Workers: NASA Clickworkers was developed to help scientists and researchers build an extensive database of landforms from data captured by Mars Reconnaissance Orbiter's (MRO) High Resolution Science Experiment (HiRISE). It began as a pilot study in 2000 to determine whether or not online volunteers would be interested in contributing, and if they could produce good data that can be used to answer interesting science questions. As a clickworker you will learn about various landforms on Mars (and on Earth), how they are formed, and what scientists can learn from them. You can experience firsthand what it's like to be an active participant in the scientific process (ClikWorkers, 2012).

Collective Knowledge: A complex and difficult notion, but there are three conceptualization of collective knowledge (Hecker, 2012): as shared knowledge; as complementary knowledge; and as knowledge embedded in collective artifacts.

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Crowdsourcing: This term is derived from the business area to indicate the process of connecting a large crowd together via the Internet, which allows seekers to address almost large projects by using crowd's (solvers) creativity and talent to solve these challenges. Howe (2006) define crowdsourcing as an act of taking a job traditionally performed by a designated agent and outsourcing it to an undefined, generally large group of people in the form of an open call.

Hollywood Stock Exchange® (HSX®): HSX is the world's leading entertainment stock market. At HSX, visitors buy and sell virtual shares of celebrities and movies with a currency called the Hollywood Dollar®. The Company's Virtual Specialist® technology allows an unlimited number of consumers to trade thousands of virtual entertainment securities in a fair and orderly, supply and demand based market. HSX syndicates the data collected from the Exchange as market research to entertainment, consumer product and financial institutions and as original content to radio, television and print media. HSX was founded in 1996 (HSX, 2012).

Iowa Electronic Markets (IEM): IEM are operated by faculty at University of Iowa Henry B. Tippie College of Business as part of researching and teaching mission. These markets are small-scale, real-money futures markets where contract payoffs depend on economic and political events such as elections. It intends to use markets in classes as a pedagogical tool by gaining experience with real-world markets. As a research tool, the markets provide an unparalleled laboratory in which study individual trading behavior as well as market level performance (IEM, 2012).

InnoCentive: InnoCentive is the global leader in crowdsourcing innovation problems to the world's smartest people who compete to provide ideas and solutions to important business, social, policy, scientific, and technical challenges. Using a global network of millions of problem solvers, proven challenge methodology, and cloud-based innovation management platform combine to help clients transform their economics of innovation through rapid solution delivery and the development of sustainable open innovation programs. For more than a decade, leading organizations such as AARP Foundation, Air Force Research Labs, Booz Allen Hamilton, Cleveland Clinic, Eli Lilly & Company, EMC Corporation, NASA, Nature Publishing Group, Procter & Gamble, Scientific American, Syngenta, The Economist, Thomson Reuters, and several government agencies in the U.S. and Europe have partnered with InnoCentive to rapidly generate innovative new ideas and solve problems faster, more cost effectively, and with less risk than ever before (InnoCentive, 2012).

Kiva: Kiva is a non-profit organization with a mission to connect people through lending to alleviate poverty. Leveraging the internet and a worldwide network of microfinance institutions, Kiva lets individuals lend as little as $25 to help create opportunity around the world. All 100% of every dollar lend on Kiva goes directly towards funding loans. The Kiva process has four following steps. Step 1: Make a loan on Kiva. Step 2: Get updates, throughout the life of the loan, Kiva informs of progress by email. Step 3: Get paid back, as the borrower repays the loan, the money becomes available to borrower. This is called Kiva Credit. Step 4: Repeat the process, i.e., the borrower can now fund another loan, donate it to Kiva, or withdraw it to spend on something else (Kiva, 2013).

Organizational Memory (OM): An intellectual asset that is unique to every company - probably the most important constituent of any institution's durability (Kransdorff, 1998). Walsh and Ungson's (1991) viewed OM as an aggregate of information useful for decision-making and stored in organizational bins.

Organizational Memory Information Systems (OMIS): Enables to retrieve structured and non-structured data, processing it into meaningful ways to the user and bring the results in highly readable formats such as data visualizations. OMIS should support the quick understanding of situations, promote the construction of scenarios, enable the integration of different users' manipulations and contributions,

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all of this to support the collective intelligence required to solve complex problems and develop innovative practices (Malone et al., 2010).

Seeker: The sponsor of the initiative, which aims to see solved an issue.

Sell a Band: Sell a Band works through seven following steps. Step 1: discover music by browsing the site, looking at the Charts, using the Search or listen some songs. Step 2: support your favorite artist by buying a part and helping them to raise the funds for a new music project (a new album, tour or the promotion of their music). Step 3: "I'm with the band" by be connected with your favorite artists on their way to reach their funding goal. Promote them, stay in touch with them and help them. 4. Change your mind, before the Fund raising goal has been reached it is possible to withdraw money from a Music Project and move it to another project. Step 5: Artist reaches target, once an artist has reached his/her goal the doors are closed, meaning that no new "Believers" can come on board and it is no longer possible withdraw money. 6. Make magic happen, the artist will use the funds raised to complete his/her Music Project. Step 7: Get rewarded, receive free downloads and other goodies artists might offer like exclusive CDs, t-shirts, free lunches etc. And artists might even let the "Believer" get a cut of their revenues (Sellaband, 2013).

SimExchange: The SimExchange uses the wisdom of crowds to predict the upcoming bestselling and top rated video games. The SimExchange works like a stock market for video games and uses virtual money. The crown use this virtual money to buy stock in games that they believe will sale more than currently predicted and they can sell stock in games that they think will sell less than predicted (SimExchange, 2006).

Solver: The crowd able to participate in the initiative with creativity, talent or resources.

Threadless: Threadless T-shirt company fosters artists from around the world to submit original ideas and designs to products, like a t-shirt, hoody, iPhone case, or any of our other products. This is a hardest part to do, but the artist could use Threadless Forums to collaborate with others artists on improvement a design or asking for a critique. The Threadless community scores each design for seven days and the best of the best are printed and sold, the most successful artists on Threadless are encouraged to submit more designs, even they received negative comments, they can use them as constructive fuel to make their designs even stronger. New designs are chosen for print every single week and the winning artists see their name up in lights, and they are paid handsome royalties and they take at home big cash prizes (Threadless, 2013).

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Chapter 71
Business and Technology Trends in Social CRM

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ABSTRACT

Social media technologies have transformed the traditional CRM applications landscape in many ways. Apart from extending the traditional customer touch points, social media technologies play a critical role in integrating the activities involved in operational and analytical CRM. This chapter explores the business and technology trends in social CRM and examines current social CRM solutions and their capabilities in the analytical and operational (sales, service, and marketing) efforts of organizations. The chapter also discusses the technological and managerial challenges organizations may face in embracing social media technologies in their customer relationship management processes.

INTRODUCTION

The operational as well as strategic advantages of CRM systems have long been understood by many organizations. CRM systems enable both small and large organizations to focus on their customers and generate value through long-term relationships. Royal Bank of Canada's early adoption and success with CRM technologies in the banking industry (Khirallah, 2001), and Harrah's dramatic achievements in customer service and profitability in the casino industry (Loveman, 2003) are few of the success stories. Social media technologies have further enhanced this value creation process by extending the scope and functionalities of CRM applications both at the analytical and operational fronts. Industry surveys indicate that the vast majority of today's customers rely on social media for information related to a company's product or brand (DEI Worldwide, 2008; Accenture, 2009). Social media tools and applications extend the traditional boundaries to create and maintain complex social interactions on a much larger scale. As a result, they empower organizations to be more effective and productive in the formulation of marketing strategies as well as in their execution in the sales, marketing, and service fronts. Social CRM leverages a new wave of social tools (e.g., RSS, social networking, videos, widgets, wikis, social analytics, etc.) and enables marketers to effectively interact with customers and gather information for actionable insights.

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In its 2012 report on Magic Quadrant for Social CRM, Gartner defines Social CRM as "a business strategy that generates opportunities for sales, marketing and customer service, while also benefiting the online communities" (Gartner, 2012; p.1). Gartner's report highlights that to be successful in social CRM, companies should focus much less on how an organization can manage the customer, and much more on how the customer can manage the relationship. In other words, social CRM applications should encourage many-to-many participation among internal users, as well as customers, prospects, and other partners, capture and share user-generated content, provide varying levels of autonomy and engagement levels to the community, and demonstrate a mutual and balanced purpose for company and community use (Gartner, 2012). Greenberg (2009) also highlights that social CRM is not a replacement for CRM; it is a change primarily on how communications take place. While conventional CRM strategies focus on one-on-one customer interactions by leveraging integrated data and business processes across multiple touch points, social media channels, by contrast, make information freely available in order to shift influence to the community and power to the consumer (Tobey, 2010). These descriptions emphasize that social CRM complements traditional CRM, but brings several advantages and strengths to the CRM teams both in the analytical and operational roles. For example, service teams can broaden their understanding of the customer and her/his service expectations through conversations on social platforms. Social CRM enables service teams to redefine their roles and proactively indentify issues before they become problems (Accenture, 2009). Similarly, sales and marketing teams can take advantage of the wealth of social media technologies and content to develop more effective strategies and marketing campaigns.

The social Web brings new opportunities as well as challenges to how organizations acquire and manage customers. This includes how companies view consumers and embrace social media as a more robust and increasingly intricate channel of communication and relation building. Social CRM programs rely on conversations taking place at the various social media sites. Managing activity on social channels and the contents users generate can make already complex tasks even more challenging (Business-Software, 2010). Sales, marketing, and customer service teams need to manage and produce structured and actionable information from the social Web in order to take appropriate and timely business actions based on the conversations and relationships they engage in. Mining social media data requires efficient and scalable tools and analytics in order to effectively monitor and filter online conversations and manage new forms of data related to campaigning and relationships.

Unlike the traditional CRM environment, customers have relatively more control and power in social CRM. According to Forrester's survey, nearly 50% of users rank information from other consumers as more important than information from marketers (Greene et al., 2009; Accenture, 2009). Thus, social CRM represents a fundamental shift from a predominantly company-to-consumer dialogue to consumer-to-consumer dialogue (Accenture, 2009). Furthermore, due to the big data revolution and the nature of data companies deal with in the social media environment, tracking and measuring CRM performance is becoming increasingly challenging. The 3Vs of big data: *volume, variety and velocity* (Laney, 2001; McAfee & Brynjolfsson, 2012) show the CRM implications of big data challenges. For example, the volume dimension of big data emphasizes the infrastructural readiness (i.e., hardware and software capacity and scalability) of organizations to maintain and analyze the large amount of data that is coming from the various CRM touch points. In addition, the variety and velocity dimensions emphasize the ubiquitous nature and speed of unstructured data in today's CRM environment and the challenges organizations face in their data pre-processing and model building efforts.

The social CRM environment is also characterized by the explosion of metrics and the growing efforts by social media gurus and consulting firms to create a framework that can be effectively utilized

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organization-wide (Etlinger & Li, 2011; Owang & Lovett, 2010; Awareness Inc., 2012). Social CRM requires companies to change their analytics culture and adopt solutions that integrate techniques such as text mining, web mining, social network analysis, and spatial-temporal analysis with existing DBMS-based systems. Awareness Inc. (2012) defines social analytics as "an evolving business discipline that aggregates and analyzes online conversations (industry, competitive, prospect, consumer, customer) and social activity generated by brands across social channels" (p.4). This definition emphasizes the ever changing nature of this discipline as the technology, data, and market environments change. Social analytics involves the aggregation, segmentation and analysis of streams of social and web data to drive actionable business insight (Awareness, Inc., 2012). Owyang and Lovett (2010) of Altimeter and Web Analytics Demystified also define social marketing analytics as "…the discipline that helps companies measure, assess and explain the performance of social media initiatives in the context of specific business objectives" (p.5). Their definition emphasizes that social marketing analytics provides firms with a measurement standard for assessing their efforts and applying a pragmatic system of management based on data.

A major trend on the analytics front is the increasing focus on predictive modeling and the incorporation of unstructured data analysis (i.e., text mining and natural language processing (NLP)). Davenport (2006) identifies predictive modeling as the primary strength of analytics competitors today which utilizes historical and current data (demographic, life style, transaction) to predict future customer behavior. Text analytics techniques have been actively pursued in several emerging areas, including information extraction, topic models, question answering (Q/A), and opinion mining (Chen, Chiang, & Storey, 2012). Social media has created tremendous opportunities for businesses in understanding the opinions of their customers regarding marketing campaigns, brands, and product preferences, and text mining and NLP allow meaning and context to be captured and analyzed from these unstructured data.

Social CRM Strategy

Social CRM should not be a standalone initiative that eliminates existing customer strategy. However, adopting social CRM requires organizations to augment or redefine their overall CRM program to support new customer interaction models as well as the culture of internal and external collaborations (Greenberg, 2009; Wang and Owyang, 2010; Attensity and Chess Media Group, 2010). In the first of their two-part series on social CRM, IBM's Baird and Parasnis underscore that a successful social CRM strategy should facilitate collaborative experiences, offer tangible customer value, and exploit the power of the social community (IBM Institute, 2011a, p. 12). In order to lay the foundation for this, they recommend that organizations need to recognize the unique features of the social media channel in relation to other customer touch points as well as the power position of the customer in the social media environment. Furthermore, they emphasize the importance of integrating the social channel with other customer-facing initiatives and the use of monetary incentives to enhance customer engagement.

Effective social CRM strategies require an organization to leverage existing CRM strategy and processes in a way that is both efficient and scalable to take advantage of social media resources. This means that activities and processes related to sales, marketing, and service should strategically utilize the extended collaboration and relationship opportunities provided by social media technologies. Social CRM is more than just the tools and the people hired to deal with social media channels. Simply using social media technologies does not automatically bring organizational benefits. Organizations should adopt a social CRM strategy in order to touch customers at multiple points and early in the buying process (Accenture,

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2009). Wang and Owyang (2010) of Altimeter Group, based on interviews and consultations with several organizations, leading market influencers, and solution vendors, report that most organizations start their social CRM initiatives by laying out foundational (baseline) processes and deploying a customer insight program. After these initiatives, Wang and Owyang (2010) emphasize that organizations should focus on real business values across several categories of social CRM use cases.

Social CRM Deployment Options

Advances in Web 2.0 technologies and cloud computing have expanded the development and deployment options for enterprise applications. In addition to fueling the rise of the on-demand CRM applications, this technology trend has created a more flexible development environment for on-premise CRM applications. *On-Premise CRM* involves the deployment of CRM applications on the premises of a client organization where the servers, connections, access, and data are all controlled by the organization and housed internally. "On-premise CRM, also known as licensed, on-site, or in-house CRM, is a CRM that is housed at a client's location, and managed by its own employees" (Business-Software.com, 2012, p.3). On the other hand, with the *On-Demand CRM*, also known as hosted CRM, data, servers, and applications are made available via the web, housed by the application vendor. "With hosted CRM, all hardware and software components are purchased, installed, tested, and maintained by a third-party hosting provider at a remote site. The hosting service provider also stores and manages all customer-related data" (Business-Software.com, 2012, p.2). This section discusses the CRM development and deployment alternatives that are available for organizations and examines some of the challenges in integrating new applications with existing capabilities via on-premise versus on-demand delivery model.

Among the key considerations in the CRM selection and deployment options are user empowerment, investment timeline and total cost of ownership (TCO), data sensitivity, availability of internal IT resources, and integration (Sage Software Inc., 2008). First and foremost, the operational requirements of the CRM solution at the sales, marketing, and service processes are critical to enhance the flexibility as well as availability of the CRM application. Thus, user's empowerment, which embodies the functional requirements of the CRM application, configuration and customization needs, as well as accessibility, is one of the key areas of consideration when choosing the deployment alternative that is suitable to an organization (Sage Software Inc., 2008). Moreover, understanding the total cost of ownership (TCO) associated with a particular CRM deployment, customers' security issues on third-party hosting of their data, the capability of an organization's IT staff and other resources, and the degree of integration required between the analytical and operational fronts are the other important considerations when choosing between on-demand and on-premise options for CRM deployment (Sage Software Inc., 2008). Benlian, Hess, and Buxmann (2009) also examine the main drivers and inhibiting factors of SaaS-adoption for different application types and show that social influence, pre-existing attitude toward SaaS-adoption, adoption uncertainty, and strategic value are the most consistent drivers. Their empirical analysis shows that the patterns of decisions on SaaS-adoption depend on the application type, implying that vendors should address application-specific drivers to increase SaaS adoption. For example, applications with a high level of standardization, less strategic relevance, and lower technical and economic risks, tend to have a higher degree of adoption in a SaaS delivery model. These findings have several implications for organizations when evaluating on-demand versus on-premise options for CRM because they need to understand the operational requirements of CRM in the customer service, sales, and marketing

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processes, and the associated benefits and risks involved when migrating the data and applications supporting these processes.

Traditional drivers of on-demand based solutions also include a focus on core competencies, cost-effectiveness, flexibility in technology choices, and the lack of necessary IT application skills in many firms (Kern, Lacity, & Willcocks, 2002). As the range of demand-driven applications grows, it is important that business data and logics are properly integrated with other applications deployed by the SaaS subscriber (Sun, Zhang, Chen, Zhang, & Liang, 2007). According to market surveys on the integration requirement of SaaS customers, most companies expect that the SaaS solution can be integrated with their on-premises legacy applications or other SaaS solutions (Kern et al., 2002). Some SaaS solution vendors provide integration as part of their service offerings by maintaining an integration server with prebuilt connectors to on-premise applications (Hai & Sakoda, 2007). SaaS providers also maintain a set of standard Web service application programming interfaces (APIs) to enable data integration. There is also an emerging integration-on-demand market that facilitates integration service through menu-driven wizards and platforms for easily incorporating connectors as well as data cleansing and validation add-ons in an affordable and flexible pricing model (Hai & Sakoda, 2007).

The actual costs and benefits of a SaaS CRM deployment depend on several internal and external factors, including the unique needs of an organization, the required level of integration with on-premise applications as well as changes that may be required through future upgrades or extensions. Lashar (2009a) discusses the challenges, particularly for large organizations in deploying SaaS CRM and the tradeoffs these organizations should address in their strategy and planning. The major tradeoffs, according to Lashar (2009a), lie in idealism versus realism, adoption versus functionalism, and dynamism versus discipline. Thus, organizations should expect the challenges of transformation and change realistically. Second, large organizations should expect gaps in the functionality of SaaS CRM for business requirements where SaaS solutions are less mature. While these gaps can be closed in the long-term, understanding the depth and breadth of functionality in SaaS CRM applications is important to maintain the right balance between on-premise and on-demand applications in the implementation process. Third, large organizations should be wary of the speed and frequency of changes to their SaaS CRM applications after initial deployment. For large organizations, even small changes may result in unintended impacts, thus requiring a disciplined approach to avoid costly mistakes. Lashar (2009b) also emphasizes the challenges for large organizations in integrating their SaaS CRM platforms into the rest of the technology landscape. For large organizations, technical activities such as moving data from legacy applications and integrating the new software with existing applications may involve significant risks and costs due to limitations in the capabilities of native tools as well as limitations in the SaaS CRM data structures and maintenance. SaaS CRM platforms may also pose challenges for the IT staff in large organizations in operational support, which involves technical constraints in managing availability, controlling security, optimizing performance, and migrating configuration changes (Lashar, 2009b).

Traditionally, on-demand software applications were provided in several forms such as Application Service Providing (ASP) or Business Service Providing (BSP) (Benlian et al., 2009). Based on the key considerations discussed above, the early applications of ASPs were unable to offer greater economic benefits over locally installed applications and had limited ability for customization, data sharing and integration with other applications (Hai & Sakoda, 2007). However, SaaS is now becoming a popular model for CRM applications, particularly for small and medium size organizations which do not have the infrastructural requirements of social CRM. This increased demand has led to the proliferation of SaaS development platforms, third-party add-ons, social plug-ins, and integration tools. SaaS makes

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it easier for many organizations to bundle the cost of the infrastructure, the right to use the software, and all hosting, maintenance and support services into a single monthly or per-use charging (Sun et al., 2007). Current SaaS solutions provide flexible software architecture and loosely coupled customizable and configurable modules which allow users to quickly meet their requirements without significant code changes (Hai & Sakoda, 2007).

Among the major CRM trends outlined by Forrester Research is that SaaS CRM solutions has become the default choice (Band, Hamerman, & Magarie, 2010). On-demand CRM solutions are relatively more affordable, particularly for small and medium size businesses with limited infrastructure and the resources needed to effectively run on-premise applications. Some of the key players of the on-demand CRM market (including social CRM applications) are *Salesforce.com, NetSuite*, and *RightNow Technologies* (SearchCRM.com). Targeting primarily small and medium businesses since its inception, Salesforce.com is the pioneer in the SaaS market that forced traditional CRM vendors to redefine their approach, including recent developments in social CRM applications. The company has been successful in establishing a sustainable business model and offering a pay-as-you-go CRM solution that includes sales force automation (SFA), marketing automation, and customer service and support automation. Salesforce.com provides an online application directory, AppExchange, and a Web-based programming tool for third party developers to facilitate integration of add-on services with other core on-demand CRM services. AppExchange's applications use the company's proprietary programming language, Apex, as their on-demand platform. Similarly, NetSuite's programming tool, SuiteFlex, enabled the company to offer customization capabilities to its customers while also allowing them to host new applications within the system (SearchCRM.Com).

While SaaS CRM may seem a natural fit to smaller businesses, larger organizations are also considering SaaS CRM as most traditional CRM vendors (e.g., Microsoft and Oracle) are now moving into the SaaS territory. For example, Microsoft's first multi-tenant version of CRM came in 2007, which allows users to benefit from economies of scale, with multiple customers running on the same instance of the CRM product. Later in the same year, Microsoft also announced pricing for on-demand Dynamics Live CRM, offering pricing in multiple tiers, the most expensive of which beats Salesforce.com's rate per user per month (SearchCRM.Com). Similarly, Oracle's on-demand CRM offers capabilities in sales, marketing, service, partner relationship management, call center, analytics, mobile, and integration (Oracle.com). These capabilities are available for a number of industries, including life sciences in medical as well as pharmaceutical, high technology, insurance, automotive, and wealth management (Oracle.com).

Forrester outlines five best practice strategies to succeed with CRM SaaS solutions based on an interview with early adopters of SaaS CRM, leading CRM SaaS vendors and professional services organizations (Band et al., 2008). These best practice strategies include: building a solid business case; negotiating a sound contract; using a proven implementation approach; establishing strong data security procedures; and creating robust governance and support structures (Band et al., 2008).

In building a solid business case, Forrester's study identified the importance of deeply understanding the total costs of SaaS CRM, and focusing on business models and economic drivers, differences in business benefits, flexibility, and risk. In the contractual agreement, the study identified the need for a formal service-level agreement (SLA) and that companies need to protect themselves from hidden cost drivers, unexpected service outages, declines in customer support, and obscure disaster recovery procedures. Concerning the implementation approach, the best practice includes defining business objectives; establishing a team (that involves an executive sponsor, a steering committee with a user group representative, a CRM SaaS solution administrator, and a CRM SaaS vendor developer or consultant);

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defining a timeline that outlines major tasks, milestones, and accountabilities upfront; defining a scope and prioritizing initiatives; and configuring a SaaS CRM solution that meets the specific needs of the users. In the area of data security, the study also identified the need for data protection guarantees; compliance with industry standards; clearly defining roles and access rights for different users in an organization; and defining vendor data integration, conversion and exit blueprints. The final area of best practice identified in Forrester's study relates to the governance structure of the SaaS solution. Governance structure involves managing the SaaS solution; identifying the support resources and designating the support staff; establishing data backup procedures; and outlining upgrade schedules and procedures.

SOCIAL CRM VENDOR SOLUTIONS AND CAPABILITIES

Regardless of the delivery model, social CRM applications should leverage traditional CRM capabilities with the emerging social technologies to maximize engagement with customers and business partners. This increasing focus on customer engagement is one of the driving forces for the growth of the social CRM market. Recognizing this trend, not only the traditional CRM vendors, but also new entrants are striving to offer solutions that can help companies meet their customers' need in a transparent manner. This section summarizes how existing vendors are supporting social CRM applications and describe the features and functionalities provided by new solutions in the social CRM market based on industry reports.

According MarketsandMarkets (M&M), the social CRM market is expected to grow from $1.91 billion in 2013 to $9.08 billion in 2018, representing a compound annual growth rate of 36.5% from 2013 to 2018(MarketsandMarkets, 2013). Their study identifies *SAP, Oracle, Salesforce.com, Amdocs* and *IBM* as the major vendors in the social CRM market, and companies such as *Lithium* and *Jive Inc.* moving towards this market. Their assessment of the market also includes the areas of applications (i.e., marketing, sales, customer support and service, and others), deployment options (i.e., On-demand, On-premise, or hybrid), solutions (i.e., social monitoring, social mapping, social middleware, social management, and social measurement), users (SMEs or enterprises), and verticals (i.e., academic and government, automotive, transportation and logistics, Banking, Financial services and Insurance (BFSI), consumer goods and retail, energy, power and utilities, and healthcare).

An analysis of social CRM vendors is also provided in Gartner's Magic Quadrant report (Gartner, 2012). Gartner's Magic Quadrant for social CRM evaluates the market and ranks the leading social CRM vendors according to two major dimensions: *ability to execute* and *completeness of vision*. The evaluation categories under the ability to execute dimension include: product/service; overall viability in terms of business unit, financial, strategy, and organization; sales execution/pricing; market responsiveness and track record; marketing execution; and customer experience. The evaluation categories under the completeness of vision dimension include: market understanding; marketing strategy; sales strategy; offering (product) strategy; business model; vertical/industry strategy; innovation; and geographic strategy. Beginning with a large list of vendors that offer some elements of social CRM, Gartner short-listed few vendors by emphasizing on processes and how vendors meet minimum inclusion requirements. Vendor categories include social-media monitoring; peer-to-peer community; social campaigns; enterprise feedback management; and product reviews. Gartner noted that, in the last few years, there have been accelerated mergers and acquisitions in the market and this is expected to continue every year.

Gartner's four quadrants of the market based on its evaluation criteria are "Leaders", "Challengers", "Visionaries", and "Niche Players". Table 1 describes Gartner's characteristics of vendors that fall in

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each quadrant. For example, vendors falling in the Leaders' quadrant have software that benefits both the company and the community. *Jive Software* and *Lithium* are the only vendors identified in this quadrant in 2010, but *Salesforce.com* has joined this quadrant in 2012. Visionaries demonstrate strong understanding of current and future market trends and directions. In the 2010 report, the vendors identified in this quadrant include *Mzinga, Salesforce.com, and KichApps*. In 2012, this quadrant includes *Attensity* and *Telligent*. Challengers have an established presence, credibility and viability, as well as strong products, market position, and resources to become leaders, but lack functional breadth, marketing strategy, or rate of innovation. Gartner did not identify vendors exemplifying these characteristics in its 2010 report. However, in its 2012 report, two vendors, *Bazzzrvoice* and *Oracle,* were identified. The Niche Players provide useful, focused technology, understand changing market dynamics and work toward evolving their product capabilities, but may have limited functions, product road maps, or an innovative growth strategy. The vast majority of vendors short-listed in Gartner's study are in this quadrant (See Table 1). However, this list has been substantially changed from the 2010 list. In 2010, the vendors include *RightNow; Demand Media; Vovici; Bazaarvoice; Nielsen BuzzMetrics; LiveWorld; Thompson Reuter-Hubbard One; Radian6; Oracle CRM On Demand; Globalpark; Leverage Software; InsideView; Visible Technologies;* and *Overtone.* In 2012, this list includes *Demand Media; QuestBack; Visible Technologies; Get Satisfaction; Kana; Artesian.*

Business-Software (www.business-software.com, 2010; 2012) also evaluated the CRM market in 2010 as well as 2012 and reported the top CRM vendors, categorized by functionality, delivery model, customer focus, and other criteria. Business-Software describes two basic Social CRM models: 1) the first model relates to the social media management capabilities offered by major CRM vendors in the form of modules that integrate with their existing CRM platforms, which can range from simple (just a Twitter integration) to complex (complete community management); 2) the second model is offered by social

Table 1. Gartner's magic quadrants and vendor characteristics (Gartner, 2012)

Challengers	**Leaders**
• Offer solutions that are poised to move into leadership, but have not yet done so. • Have strong products, as well as the market position and resources to become leaders, but may not have either the same functional breadth, marketing strategy, or rate of innovation as those in the visionaries quadrant. • Have an established presence, credibility and viability, and once their products become "good enough", they will likely cross-sell to their customer base to leapfrog others into the Leaders quadrant at some point in the future. **Vendors:** *Bazaarvoice; Oracle*	• Leaders' software must benefit both company and community: Leaders show benefits to enterprises by demonstrating ROI, by supporting KPIs, and leaders' software convinces users that they get something valuable by participating in a conversation or community. • Leaders' offerings demonstrate support for multiple CRM processes, not just one domain, and have substantial revenue coming specifically from their social CRM offerings. **Vendors:** *Salesforce.com, Jive, Lithium*
• Provide useful, focused technology, understand changing market dynamics and are working toward evolving their product capabilities. • Some can be held back by narrow functions, limited product road maps or by the lack of an innovative growth strategy • Many of the smaller vendors may enjoy success relative to their size, but need to grow and establish their positions before their competitive differentiation erodes in 2011. **Vendors:** *Demand Media; QuestBack; Visible Technologies; Get Satisfaction; Kana; Artesian*	• Demonstrate strong understanding of current and future market trends and directions. • Their products and product road map exhibit innovation especially in architecture and lightweight integration. • The Visionaries in this market have not exhibited the scope of delivery of the Challengers, but have demonstrated vision across a range of capabilities. **Vendors:** *Attensity; Telligent*
Niche Players	**Visionaries**

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CRM vendors whose platforms focus almost exclusively on customer relationship management through social networks. These products focus on community engagement and online communication. Some of them are standalone platforms, but they can be integrative with major CRM platforms. Their 2010 top CRM vendors list includes *Microsoft Dynamics, Salesforce.com, NetSuite, SAP, Sage, eSalesTrack, Jive Software, Lithium, BatchBlue*, and *Helpstream*. The first 10 positions of their 2012 top 40 list include *Netsuite,SAP, Maximizer, Pivotal (CDC Software), Microsoft Dynamics, Salesforce.com, Sage, Adapt CRM, Amdocs,* and *MyBusiness CRM*. Vendors are also profiled in terms of business processes (suite, marketing, customer service, call center, sales force automation), deployment options (hosted/SaaS versus on-premise), and size of organizations (small, mid-size, enterprise). The vast majority of the top ranked vendors support the core functionalities in the marketing, customer service and sales force automation area. The top vendors in the category of hosted/SaaS model include *NetSuite, SAP, Microsoft Dynamics, Salesforce.com, Sage, MyBusiness CRM, Avidian Technologies, C2CRM, ClaritySoft, Tracker-RMS*, among others. The top vendors in the category of on-premise include *SAP, Maximizer, Pivotal (CDC Software), Microsoft Dynamics, Sage, Adapt CRM, Amdocs, Avidian Technologies, C2CRM, ClaritySoft, Consona,* among others. As the list shows, some vendors offer both the on-demand as well as on-premise deployment options. Most of the top-ranked vendors also support companies in all size categories.

Due to variations in design priorities and the market being served, the social CRM software modules and functionalities are not uniform across the vendors. Accordingly, several research and consultancy firms have attempted to evaluate the various offerings, features, and functionalities of vendors in order to guide clients on their choices. For example, Gartner's reports provide a comprehensive description of social CRM applications offered by vendors identified in its Magic Quadrant for Social CRM (Gartner, 2010; 2012). These applications typically have customer-centric functions to facilitate purchase decisions, customer support, and access to product and service information, as well as administrative tools for businesses to support different initiatives. Similarly, Business-Software (2010) describes the main components of a social CRM suite to include *Brand Monitoring* to track conversation regarding a brand or business which can take the form of sentiment tracking on third-party sites or internal contributions, or opinions expressed in customer service/support calls; *Social Media Platforms* to access and contribute to social media platforms such as Twitter and Facebook from within the Social CRM solution; *Community Support*: to create and manage customer communities from within the platform; and *Social CRM Analytics* to generate reports on popular content, search keywords, and navigation paths, sentiment and behavioral analysis, and monitor customer interactions within online communities.

Social CRM Challenges

In addition to the operational as well as strategic benefits of social CRM, organizations should be aware of the challenges and risks involved in a social CRM strategy. For example, in Avande's 2008 survey, fear and apathy toward social media were noted as key obstacles to using social media. The survey found that senior executives and IT staff tend to resist social media due to concerns over its impact on employee productivity. In addition, organizations may tend to resist social CRM adoption in order to avoid possible liability for privacy and security, intellectual property infringement or other social and legal risks. In this section, we review some of the critical challenges organizations may face in embracing social media in their CRM strategy.

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Integration

The success of a CRM strategy depends on effective integration of front-office operations with back-office analytical efforts, among other things. The social CRM programs make this integration process even more demanding. The review of the vendors in the social CRM market indicates that vendors excel at different priority areas and offer different capabilities. A comprehensive social CRM program requires effective integration of solutions that may come from multiple vendors, but most organizations lack the IT resources to achieve this objective.

Training and Software Utilization

Organizations adopting the social CRM strategy need to match the hiring and training requirements with the pace of technological progress. With advances in new database and internet technologies and analytical techniques, organizations need to monitor the capabilities of the solutions they invest in and the utilization rates of the tools and functionalities by their employees. One of the key components in assessing the total cost of ownership with CRM or social CRM is training. In order to take full advantage of the capabilities, organizations should plan for regular training as part of their learning and growth objective in the social CRM strategy.

Data Security

Privacy and security are the foundation for effective customer engagement and part of the social CRM overall strategy. One of the major challenges of social CRM platforms is the security of personal profiles residing in vendor's data repositories as well as social networking sites such as Facebook and LinkedIn. The decentralized nature of social media data makes the issue of data security more serious in today's online environment. CRM solutions that rely on Web-based data repositories need to establish data security policies concerning the profiles of customers and business partners. Organizations that belong to industries such as financial services and healthcare are subject to extensive government and industry data security regulations that are challenging to address with SaaS solutions (Hai & Sakoda, 2007). Another operational issue that comes with data security is the service reliability. If SaaS solutions face frequent downtime, it can easily compromise the various advantages of on-demand applications. From the end-users perspectives, both data security and service reliability are critical requirements for an effective integration of social CRM applications.

Companies providing social CRM solution should do more than framing the terms of use that protect themselves from potential legal liabilities. Several issues have already been the subject of discussion concerning terms of use as well as user's rights on their data with popular social networks. Adding to these challenges are policies towards the use of customer data by third-party developers. Third-party developers play a major role in extending the value of SaaS services by providing add-on services or facilitating application integrations. However, in the absence well-defined policies on the use of core customer data by these developers, the privacy and security of customers can be easily compromised with serious legal consequences. Applications that are interwoven with third-party networks are directly or indirectly affected by these issues. Today's customers are not only more sensitive about their information, but also have more power to challenge businesses on their privacy and security policies.

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Analytics and Privacy

Although the analytical capabilities of social CRM helps marketers to gain marketing intelligence, mining social data poses a threat to ethical issues concerning customer privacy and individuality. Social media prompts users to disseminate data about their personal profiles which can be easily discovered, mined and combined with other data for use in a completely different purpose. This capability also raises privacy concerns for customers because their information and actions can be easily analyzed and used for different purposes without their consent. CRM analytics can be used to discover a wealth of information on customer categories, profiles, and personal preferences. Beyond basic customer information, analytics can target a customer's specific events and actions on the social Web. This analytical capability, which is increasingly becoming better, makes customers' age-old concerns about the Internet and their privacy even more serious. In order to use this capability for productive business insights, organizations should give equal attention to the ethical issues concerning customer privacy and individuality.

Intellectual Property Rights

Social media has resulted in an explosive growth of user-generated content which presents significant legal challenges (George & Scerri, 2007). Social CRM strategies involve the use of Web-based data repositories that allow users to store and share various types of contents. Yet, several social media companies have already been the subject of copyright issues due to loose policies on user actions. The more difficult challenge is the variation of copyright laws from place to place, while many of the social media sites cross several cultures and operate in multiple nations and geographic regions. Yet, their approach has been predominantly reactive, rather than proactive in dealing with copyright infringements. The user-friendly nature and flexible content sharing capabilities of most social media applications put unwary employees at risk of disseminating proprietary contents or violating the terms of service of partner Web sites. Several Web-based applications and features are available free of charge in order to attract the user base and enhance future functionalities based on user feedback and usage. If users do not pay attention to their proprietary contents, they can be easily exposed to copyrights infringements.

Social Media Policy

Organizational policy governing the use of social CRM applications and tools should be an integral part of any social CRM strategy. Furthermore, organizations should monitor any government regulations (national or international) as well as industry regulations that provide guidance on social software applications, customer interactions, management of customer data and transactions in a SaaS delivery model. Many organizations today are active members of the social media environment, but policies governing their participation as well as their employees are not usually given the attention they deserve, particularly in customer-facing applications. Incidents happen on a routine basis mostly involving employees that are unaware of many legal and business issues surrounding social media technologies and their use in customer-facing activities. Thus, the decision to participate in social media, including the use of social software or application tools should consider a broad organizational policy framework that can help educate employees on their rights and limitations, as well as understand the approach or format they should follow in the day-to-day business use of social media technologies. As primary tools for engaging with customers and business partners, social CRM applications are more exposed to potential

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legal risks. Employees may damage company image while genuinely trying to promote their organization if they are unaware of the information they can disclose or its accuracy. In the absence of established company policies, guidelines, and appropriate training, employees are more than likely to face such risks.

CONCLUDING REMARKS

This chapter reviewed the business and technology trends in social CRM and discussed several capabilities of social CRM applications for businesses in their sales, marketing and service activities. A review of the CRM market by analysts and research firms presented in this chapter also shows that the market will continue to grow in the next few years with the potential of more capable and integrated offerings from many vendors and Web-based platforms. The market has also shown several mergers and acquisitions as some vendors continue to maintain their market share by extending their capabilities through these strategies.

This chapter also discussed the additional challenges social CRM brings for organizations in the areas of implementation, application integration, data management, data security, and consumer privacy. In addition, while the business benefits and cost advantages of SaaS CRM solutions look attractive for organizations, industry experts advise organizations to conduct a comprehensive analysis of the deployment options and to follow a disciplined approach to the SaaS approach. To generate timely business actions using social CRM applications, organizations need enhanced business analytics and a holistic approach to the data that is coming from both structured and unstructured sources.

The various opportunities and challenges imply that social CRM requires a well-defined business strategy that helps organizations integrate the many touch points into their sales, marketing, and service processes and other internal systems. Industry experts also emphasize that organizations should not eliminate existing customer strategy, but redefine their overall CRM program to support new customer engagement and collaboration models (Greenberg, 2010; Wang & Owyang, 2010; Attensity and Chess Media Group, 2010). To derive real business values, this strategy should also incorporate change management, training, and appropriate measures based on business goals.

Finally, in addition to the internal challenges to adopting social CRM strategy, organizations should be wary of the related ethical and legal issues. As discussed, social CRM is directly and indirectly affected by the global issues surrounding social media technologies. Therefore, establishing proactive policies, training, and staying current with national and international regulations as well as industry requirements should be part of any social CRM initiative.

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KEY TERMS AND DEFINITIONS

Analytics: Software-based algorithms and statistics used to derive meaning from data.

Brand Monitoring: A practice of listening to and/or measuring what customers say and write about a company or brand using social media tools.

CRM (Customer Relationship Management): A technology solution for managing customers and establishing long-term relationship for companies.

Legacy System: System, application, or technology that is obsolete, but continues to be used because it performs a needed function adequately.

Metrics: Detailed measures that are defined to feed KPIs in a measurement system.

Sentiment Analysis: Part of social media analytics that uses analytical or computational techniques to determine the attitude or judgment of a speaker or a writer with respect to some topic, organization, brand, or products.

Social Channel: A Web 2.0 enabled medium that allows users to communicate and amongst one another. I.e. Facebook, Google +.

Social CRM: A technology solution based on social media which includes social networks, blogs, forums, chats, audio and video sharing, etc.

Social CRM Analytics: Algorithms that support various types of social media data analysis to generate reports.

Software Suite: A collection of software modules with specific functionalities that are integrated with common interface to support different business processes/objectives.

Text Analytics: The use of advanced data mining techniques and algorithms to identify meaning from words and sentences. Natural language processing is a technique.

Use Case: A software engineering term used to describe system behavior from an actor's point of view or high-level functional description of requirements.

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Section 7
Critical Issues and Challenges

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Chapter 72
Beyond Micro-Tasks: Research Opportunities in Observational Crowdsourcing

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ABSTRACT

The emergence of crowdsourcing as an important mode of information production has attracted increasing research attention. In this article, the authors review crowdsourcing research in the data management field. Most research in this domain can be termed tasked-based, focusing on micro-tasks that exploit scale and redundancy in crowds. The authors' review points to another important type of crowdsourcing – which they term observational – that can expand the scope of extant crowdsourcing data management research. Observational crowdsourcing consists of projects that harness human sensory ability to support long-term data acquisition. The authors consider the challenges in this domain, review approaches to data management for crowdsourcing, and suggest directions for future research that bridges the gaps between the two research streams.

INTRODUCTION

Recent years have seen a major shift in knowledge production via crowdsourcing, wherein increasingly work is being done by distributed members of the general public (the crowd), rather than employees or traditional subsidiaries. Crowdsourcing promises to dramatically expand organizational computing power and "sensor" networks, making it possible to engage ordinary people in large-scale data collection (Brabham, 2013; Doan, Ramakrishnan, & Halevy, 2011; Franklin, Kossmann, Kraska, Ramesh, & Xin, 2011; Garcia-Molina, Joglekar, Marcus, Parameswaran, & Verroios, 2016; Li, Wang, Zheng, & Franklin, 2016).

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Applications of crowdsourcing are rapidly expanding and power such diverse activities as corporate product development, marketing, public policy, scientific research, graphic design, software development, and writing and editing. Crowdsourcing is increasingly tasked with tackling difficult societal and technological challenges, such as climate change (Theobald et al., 2015), natural disasters (Brabham, 2013) and commonsense reasoning in artificial intelligence (Davis & Marcus, 2015).

Organizations integrate crowdsourcing into internal decision making and operations. Fortune 500 companies maintain digital platforms to monitor what potential customers are saying and understand customer reactions to products and services. They also use consumer feedback to design better products and monitor market changes (Abbasi, Chen, & Salem, 2008; Barwise & Meehan, 2010; Brynjolfsson & McAfee, 2014; Delort, Arunasalam, & Paris, 2011).

Crowdsourcing turns problem-solving capacity and data into commodities, making them available on-demand. For example, many municipalities in the United States now subscribe to CitySourced.com, which harnesses citizens' reports of crime, graffiti, potholes, broken street lights, and other civic issues, to better support infrastructure management. In a more general setting, Amazon's Mechanical Turk (mturk.com), CrowdFlower.com, and Clickworker.com maintain pools of "crowdworkers" that companies hire on-demand to perform small problem-solving tasks.

There is also a proliferation of platforms for automatically generating data collection forms that can be easily configured and rapidly launched on a large scale. Projects such as EpiCollect.net, SciStarter.com, or SmartCitizen.me make crowdsourcing possible for organizations and even individuals, requiring little technical expertise and infrastructure. Crowd-powered extensions of word processors, such as Soylent, enlist crowds for document writing and editing (Bernstein et al., 2015). In addition to becoming a mainstream commercial service, crowdsourcing has become a major resource for scientific research (Goodman & Paolacci, 2017).

Crowdsourcing presents several data management challenges. Unlike traditional data collection in organizations, in crowdsourcing there are typically weaker constraints on who can participate. This creates the challenge of managing data produced by often anonymous users with varying levels of domain expertise or motivation (Lukyanenko, Parsons, Wiersma, Sieber, & Maddah, 2016). Furthermore, in many projects participation is voluntary, making it difficult to engage users in eliciting information requirements (e.g., to guide database design) or in improving the quality of existing data (e.g., to clarify a particular data entry, or request additional information) (Chen, Xu, & Whinston, 2011). These challenges offer exciting opportunities for data management researchers to design innovative solutions.

In this paper, we survey current research on data management in crowdsourcing. We argue that two major, largely disconnected, streams of crowdsourcing research exist: (1) studies that investigate uses for crowds as links in a larger technological chain and tend to focus on small, granular and well-defined micro-tasks (task-based crowdsourcing); (2) studies that explore the potential of crowds as "sensors" in the environment that can be leveraged in organizational decision making and innovation (observational crowdsourcing). Until now, the data management community has studied primarily the first kind of crowdsourcing, resulting in a serious gap in resolving challenges associated with the latter type. With this in mind, we analyze the challenges and opportunities associated with observational crowdsourcing environments and suggest directions for future database research in this context.

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TYPES OF CROWDSOURCING

Driven by a combination of: (1) sustained interest from organizations in harnessing the knowledge of ordinary people; and (2) formidable research challenges, the data management community has increasingly adopted crowdsourcing as a serious research topic. The growth of crowdsourcing data management research is evidenced by the proliferation of panels, workshops, and special journal issues on this topic. Examples include: *VLDB* panels and workshops starting from 2007's "Web 2.0 and Databases"; *ACM SIGMOD 2009*'s panel "Crowd, Clouds, and Algorithms"; *ACM CIKM* "CrowdSense" 2012 and 2014 workshops; *ACM SIGKDD* workshops; *AAAI Conference on Human Computation & Crowdsourcing* (*HCOMP*) since 2009; and a growing number of journal articles.

The importance of research on crowdsourcing data management is underscored by its relevance to other major data management problems. Crowdsourcing is a key contributor to the growth of user-generated content and is commonly considered together with social media and social networking (Faraj, Jarvenpaa, & Majchrzak, 2011; Germonprez & Hovorka, 2013; Kane, Alavi, Labianca, & Borgatti, 2014; Levina & Arriaga, 2014; Zwass, 2010). As crowds, due to their scale, are capable of generating massive volumes of rich and heterogeneous data, crowdsourcing exemplifies the "big data" management challenge (Carlo Batini, Rula, Scannapieco, & Viscusi, 2015; Jagadish et al., 2014). As crowd data is often sparse, and of uncertain quality, crowdsourcing research is relevant to work on noSQL databases, integration of heterogeneous data sources, and data quality (Cattell, 2011; Kosmala, Wiggins, Swanson, & Simmons, 2016; Lukyanenko, Parsons, & Wiersma, 2014b). Finally, tapping into human problem-solving ability, crowdsourcing promises to complement technological shortcomings of machines (e.g., through human-powered query execution, sorts, joins, or inference-making) (Bernstein et al., 2015; Davis & Marcus, 2015; Franklin et al., 2011).

Despite such potential, the scope of data management research in crowdsourcing has been narrow. Based on current publications in information systems, computer science, and software engineering, we focus on two clearly identifiable streams of crowdsourcing research – the dominant (small) task-based crowdsourcing and the less common observational crowdsourcing – that, while related, are pursued largely independent of each other.

On one hand, there is growing body of work that aims to leverage crowds as links in a larger technological chain, in which people are seen primarily as problem-solvers in small, granular and well-defined tasks (Amsterdamer & Milo, 2015; Garcia-Molina et al., 2016; Kittur, Chi, & Suh, 2008; Li et al., 2016; Paolacci, Chandler, & Ipeirotis, 2010; Weld, 2015). In this context, Amsterdamer et al. (2015) liken crowds to "an external (and very slow, potentially unreliable) hard drive" that can be queried on demand for information. Since this work typically considers crowds as useful for performing small, independent, and well-defined tasks, we term this stream task-based crowdsourcing.

On the other hand, there is growing recognition of the potential of crowds to support organizational decision-making, operations and innovation through the ability to observe and report on their environment (Brabham, 2013; Brynjolfsson & McAfee, 2014). With an explicit organizational focus, this line of research aims to better understand the advantages and limitations of crowdsourcing as a unique form of organizational "sense-making" (Brabham, 2013; Brynjolfsson & McAfee, 2014). Researchers in this stream investigate a variety of issues, including motivation of crowds (Coleman, Georgiadou, & Labonte, 2009; Daugherty, Eastin, & Bright, 2008; Nov, Arazy, & Anderson, 2011; Prestopnik & Crowston, 2011), data quality in the crowds (Ogunseye, Parsons, & Lukyanenko, 2017; Parsons, Lukyanenko, & Wiersma, 2011; Sheng, Provost, & Ipeirotis, 2008; Sheppard, Wiggins, & Terveen, 2014; Wiggins,

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Newman, Stevenson, & Crowston, 2011), organization of crowds (Arazy, Nov, Patterson, & Yeo, 2011), design of crowdsourcing platforms (Lukyanenko, Parsons, & Wiersma, 2011; Prestopnik & Crowston, 2011; Wiggins et al., 2013), and utilization of crowd-produced resources in organizations (Majchrzak & More, 2011). We focus on those issues relevant to data management. As organizational data collection is typically a continuous, on-going process that involves observing or sensing the broader enviornment, we term this research stream *observational crowdsourcing*.

Note that other types of applications of crowdsourcing exist, including question-answering sites, contests, reviews, and fundraising (Brabham, 2013; Dissanayake, Zhang, & Gu, 2015; Doan et al., 2011; Leimeister, Huber, Bretschneider, & Krcmar, 2009). We limit our focus to the two streams of research that have explicit data management implications (but as databases underlie most crowdsourcing technologies, future research should consider other types of crowdsourcing as well).

TASK-BASED VS. OBSERVATIONAL CROWDSOURCING

In task-based crowdsourcing, crowds are data providers and problem solvers in a larger technological chain. Characteristic features of this type of crowdsourcing include:

1. Small, well-defined tasks;
2. Activities take place primarily online;
3. Crowdworkers are typically (but not always) paid.

Major examples of task-based crowdsourcing platforms include Amazon Mechanical Turk, CrowdFlower, and Microworkers. Using such platforms, designers can pose tasks to a crowd of workers for a small payment. Typical small ("micro") tasks include classifying items, providing missing values, sorting and filtering items, and comparing items; however, more complex tasks, such as answering open-ended questions, are possible (Amsterdamer et al., 2015; Amsterdamer & Milo, 2015; Kittur et al., 2008; Paolacci et al., 2010; Sorokin & Forsyth, 2008). These tasks can be sent to crowd database engines that combine traditional SQL statements with user-defined functions (Franklin et al., 2011; Park et al., 2013). Micro-task data management projects include CrowdDB (Franklin et al., 2011), sCOOP and Deco (Parameswaran, Park, Garcia-Molina, Polyzotis & Widom, 2012; Park et al., 2013), Qurk (Marcus, Wu, Karger, Madden, & Miller, 2011b) and CrowdFill (Park & Widom, 2014).

Task-based crowdsourcing also includes some citizen science projects such as GalaxyZoo, Snapshot Serengeti, and FoldIt (Cardamone et al., 2009; Clery, 2011; Simpson, Page, & De Roure, 2014). Unlike Amazon Mechanical Turk, these projects do not involve payment, but instead tap into the enthusiasm of participants to advance science. Typical tasks in these projects are small, well-defined, and carried out entirely online (e.g., classifying galaxies, identifying animals from digital photographs) (Garcia-Molina et al., 2016).

Commonly, micro-tasks are stripped of broader context and underlying objectives, and can be treated by workers as stand-alone autonomous problems (Brynjolfsson, Geva, & Reichman, 2016; Deng, Joshi, & Galliers, 2016). While special skills may be required to complete a task, broader understanding of the projects or sponsoring organizations is not expected. Each task accrues some cost – making it desirable

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to "minimize the number of questions" (Parameswaran, Sarma, Garcia-Molina, Polyzotis, & Widom, 2011, p. 267) and trade off cost against other objectives, such as accuracy, completeness, timeliness (see, e.g., Amsterdamer & Milo, 2015). The questions posted to the crowd may have widely-accepted answers that deal with general knowledge (e.g., "What is the capital of country X?") or be more subjective and individual (e.g., "Is movie X a comedy?") (see (Amsterdamer & Milo, 2015)).

As task-based crowdsourcing seeks to gather evidence for well-defined problems or tasks, it conforms to deductive reasoning and the hypothetico-deductive method of inquiry (Evans, Newstead, & Byrne, 1993; Popper, 2002). Deductive reasoning relies on making general statements (i.e., philosophically, beginning with a premise) and finding specific instances of these general statements. The hypothetico-deductive method proceeds by formulating a hypothesis in a form that could be falsified by empirical evidence. As a result, many researchers suggest that crowdsourcing (being a typical data collection endevour that involves people) should be targeted and hypothesis-driven (Francis, Blancher, & Phoenix, 2009; Goodman & Paolacci, 2017; Nichols & Williams, 2006; Wiersma, 2005).

Task-based crowdsourcing naturally fits the prevailing conceptualization of knowledge inquiry and data collection. It also aligns with prevailing methods in science, where conclusions derived primarily from exploratory analysis are still met with skeptisism under the typical assumption that "[i]t is a capital mistake to look at the data before you have identified all the theories" (Leamer, 1990, p. 239). Deductive reasoning is further aligned with traditional data management technologies and approaches (e.g., relational databases, entity relationship diagrams) based on a *closed world* assumption (Reiter, 1987).

While task-based crowdsourcing remains an important area, data management knowledge can be expanded through deeper understanding of another major model of crowdsourcing, observational crowdsourcing, in which organizations harness human perceptual and information-gathering abilities to make sense of the environment in which they operate. Characteristic features of this type of crowdsourcing include:

1. Long-term, continuous data collection;
2. Ill-defined, open-ended tasks;
3. At least in part performed out in the world;
4. Mostly voluntary in nature.

Major examples of observational crowdsourcing include eBird.org, iSpotNature.org, CitySourced.com, and MedWatch (www.fda.gov/Safety/MedWatch). Applications of these projects span diverse topics such as community mapping, crisis management, civic engagement, corporate market surveillance, and online citizen science. These projects are typically created by organizations as standalone platforms to allow people to report on natural or social phenomena they experience in the course of daily life, as well as to interact with each other and the organizational sponsors.

To illustrate the breadth of observational crowdsourcing, consider one of its major manifestations, citizen science, in which organizations (e.g., academic institutions) create purpose-built, open participation, online platforms that allow non-experts to provide data, view data, and often interact with scientists (Gura, 2013; Levy & Germonprez, 2017; Show, 2015; Wiersma, 2010). For example, in 2002 Cornell University launched eBird (www.ebird.com) to collect bird sightings from amateur birdwatchers around the globe to generate data for their ornithology research program (Hochachka et al., 2012; Sullivan et

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al., 2009).[1] Similar scientific projects include GalaxyZoo (galaxies), iSpotNature.org (global natural history with an historic UK focus), and many regional projects. To appreciate the pervasiveness of citizen science, consider that there are over a dozen large scale, global projects that focus on soils alone (e.g., OPAL Soil, The GLOBE, mySoil App, see (Rossiter, Liu, Carlisle, & Zhu, 2015)).

Much hope is vested in this kind of crowdsourcing, including assisting in tackling humanity's "evil quintet" – climate change, overexploitation, invasive species, land use change, and pollution (Theobald et al., 2015) – and unleashing unprecedented innovation and growth (Brynjolfsson & McAfee, 2014). In biology alone, it is estimated that more than two million people are engaged in major citizen science projects contributing up to $2.5 billion of in-kind value (Theobald et al., 2015). Citizen science promises to reduce research costs and has led to significant discoveries, such as Hanny's Voorwerp - a novel astronomical object named after a Dutch teacher Hanny van Arkel who discovered it on the GalaxyZoo project.

Indeed, citizen science was one of the first applications of crowdsourcing. Scientists have traditionally been accustomed to dealing with outside research participants, field settings, noisy data, and unreliable sources. Science has also been a major investor in resource-intensive and novel data collection infrastructure, and has embraced the promise of user-generated content and interactive web technologies since the late 1990s (Brossard, Lewenstein, & Bonney, 2005; Mims, 1999). Thus, the technological challenges (including those of data management) are relatively well established (Claire, Louise, & Mordechai, 2011; Wiggins et al., 2011).

Unlike highly focused, task-based crowdsourcing, which follows the hypothetico-deductive method of inquiry, observational crowdsourcing often relies on inductive reasoning. Philosophically, this makes (at least some) observational crowdsourcing data collection inductive in nature. Inductive reasoning involves hypothesis construction and making generalizations based on current empirical evidence, knowledge and understanding of phenomena. As a basis for systematic data collection, induction continues to be met with skepticism (Chalmers, 2013; Popper, 2002). Indeed, some observational crowdsourcing is targeted and hypothesis-based (Wiersma, 2010)

At the same time, working with diverse volunteers who are asked to experience a complex and unbounded real world opens an exciting opportunity to discover something new, find unanticipated uses of data, and deepen our understanding of the domain. Consequently, researchers increasingly suggest to approach this type of crowdsourcing in a hypothesis-free manner and explicitly seek to capture "unknown unknowns" (Lukyanenko, Parsons, & Wiersma, 2016; Wintle, Runge, & Bekessy, 2010). Among other things, this suggests embracing a more open view of domains. The reliance on targeted collection, however, limits the potential for knowledge discovery using crowds. Any predefined data collection inherently constrains the variety of data that can be collected in a study by fixing in advance the classes and attributes of interest and, consequently, determines both the classes and attributes to be excluded. While this results in highly consistent data, it limits creativity, discovery and innovation in crowds.

As many traditional data management approaches (e.g., based on a closed-world assumption) are more aligned with task-based crowdsourcing, we call on researchers to support observational crowdsourcing with innovative data management solutions.

The differences between typical task-based and observational projects are summarized in Table 1. Next, we discuss trends and opportunities in task-based crowdsourcing and then turn our attention to the observational crowdsourcing data management issues and challenges.

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Table 1. Comparison between typical task-based and observational crowdsourcing

Characteristic	Observational	Task-based
Nature of data collection	Long-term, continuous	Short, standalone
Problem formulation	Often ill-defined, open-ended	Well-defined
Data collection setting	Out in the world	Online
Nature of participation	Voluntary	Paid, sometimes voluntary
Philosophical underpinning	Inductive reasoning	Deductive reasoning

TASK-BASED CROWDSOURCING RESEARCH: TRENDS AND FUTURE OPPORTUNITIES

The work on task-based crowdsourcing highlights a number of problems requiring future research. Recently, there have been several reviews examining current and future potential of task-based crowdsourcing (Amsterdamer & Milo, 2015; Garcia-Molina et al., 2016; Li et al., 2016). Here, we briefly summarize some research questions in this stream (done here for context-setting and comparison with observational crowdsourcing, the main focus of this paper).

Major task-based crowdsourcing challenges relate to cost-benefit management when selecting the number of crowdworkers, number of tasks per worker, and models for aggregating crowd-produced results (Franklin et al., 2011). A major open challenge in crowdsourcing is incentivization and motivation of crowd workers (e.g., (Sheng et al., 2008)). As discussed by Amsterdamer and Milo (2015), trade-offs are inevitable and an unresolved issue is which objective function is best for a given application. Since incentives frequently involve payment, a research challenge is determining when and how much payment is appropriate for a given scenario, and when more intrinsic motivators can be more effective (Dow, Kulkarni, Klemmer, & Hartmann, 2012).

Information quality is a major challenge in task-based crowdsourcing. While crowd workers typically get paid for their contributions, the payments are often small, and traditional organizational incentives (e.g., awards, recognition by peers and promotions) are lacking (Deng et al., 2016; Gray, Suri, Ali, & Kulkarni, 2016). A common approach when dealing with small tasks assigned to crowd workers is that, by exploiting redundancy in the crowds (i.e., asking multiple users the same question, see (Franklin et al., 2011; Park & Widom, 2014)), some mean tendency can be established. Redundancy is thus a major form of quality control (in addition to other strategies, such as qualifying crowdworkers based on a number of previously completed tasks, and post-hoc statistical analysis, see (Hochachka et al., 2012; Wiggins et al., 2011)).

Another issue is crowd selection, as expertise and motivation differs substantially within crowds (Arazy et al., 2011; Coleman et al., 2009; Ogunseye & Parsons, 2016). As much task-based crowdsourcing is focusing on major platforms, such as Amazon's Mechanical Turk, research has examined crowd selection mechanisms provided by these platforms (e.g., qualifying tests, available worker profile variables) (Ipeirotis, Provost, & Wang, 2010; Kittur et al., 2008; Paolacci et al., 2010). A major stream of research examines task-worker matching and making task recommendations given worker attributes (e.g., expertise, past task performance) and declared preferences (Ambati, Vogel, & Carbonell, 2011; Geiger & Schader,

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2014; Mao, Yang, Wang, Jia, & Harman, 2015; Yuen, King, & Leung, 2011, 2012). A promising, but thus far ill-explored (Amsterdamer et al., 2015), technique is specifying crowd properties directly when formulating a query. For example, a CrowdSQL (Franklin et al., 2011) query may be in this form:

```
SELECT SpeciesName
FROM BiologyPhotos
WHERE conservationStatus ~= 'Invasive'
   AND crowdExpertise IN ('Biology',  'Ecology', 'Australia')
```

In this query, the results are effectively conditioned on the right mix of crowd workers. This, of course, presupposes there is a shared ontology of crowd properties and leads to challenges in interpreting the results in the context of crowd qualifications.

Bringing humans into the technological chain of query formulation, writing, and execution necessitates rethinking existing query optimization algorithms. Specifically, query optimization strategies for crowds need to confront significantly greater latency and provide redundancy to deal with the unreliability of individual crowd worker results. The key to addressing this issue may lie in parallel execution and innovative approaches to decomposing, merging, and aggregating results (Difallah, Catasta, Demartini, & Cudré-Mauroux, 2014; Kucherbaev, Daniel, Tranquillini, & Marchese, 2016; Tranquillini, Daniel, Kucherbaev, & Casati, 2015).

A broader problem is establishing which tasks are amenable to human-powered intervention, discovering and enlarging the boundaries on crowd potential. An open issue is that of scale and the ability of human-powered problem-solving to handle big data queries. As the issue of information quality looms large when dealing with variable and often limited domain expertise, it motivates a search for innovative solutions for conceptual and logical storage and corresponding interfaces for micro-tasks that makes it easier for crowdworkers to find tasks to which they are able to contribute (Park & Widom, 2014).

We expect that research on task-based crowdsourcing will continue to benefit from major advances in related fields. Indeed, many studies of small tasks lie at the intersection of cognitive psychology, human-computer interaction, artificial intelligence (AI), natural language processing (NLP), and computer vision. A growing area of research is hybrid intelligence, wherein crowdsourcing is augmented with AI (Bernstein et al., 2015; Davis & Marcus, 2015; Guo et al., 2015). For example, a growing application of hybrid intelligence is when initial work is done by AI and humans are asked to tackle tasks for which AI has low confidence (e.g., beta version of CrowdFlowerAI, see crowdflower.com). As AI is less expensive than human crowds, a key challenge is in expanding abilities of AI to support human tasks. This can be done by using AI for pre-processing information and prioritizing work to be done by humans, and by identifying those tasks that are particularly difficult for AI, but easier for humans (Davis & Marcus, 2015; Guo et al., 2015).

Finally, research is needed to expand this context beyond such popular and well-understood platforms as Amazon's Mechanical Turk, and investigate micro-task problems in small projects where there is less redundancy and less is known about potential contributors (as an example, consider small projects created using EpiCollect.com[2]). In such scenarios, the "cold start" problem (i.e., when task requesters or the platforms cannot draw inferences for users about which it has not yet gathered sufficient information) is a major challenge (Lika, Kolomvatsos, & Hadjiefthymiades, 2014; Schein, Popescul, Ungar, & Pen-

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nock, 2002; Tejeda-Lorente, Bernabé-Moreno, Porcel, & Herrera-Viedma, 2017). Cold start potentially affects worker selection, providing appropriate interface designs, and selecting questions and conceptual structures matching potentially unknown characteristics of the crowd. These challenges motivate research examining potential solutions to this problem (Chen, Zhao, Wang, & Ng, 2016; Fan, Wei, Zhang, Yang, & Du, 2016; Safran & Che, 2017).

The challenges related to task-based crowdsourcing are summarized in Table 2, with sample solutions taken from research discussed above.

OBSERVATIONAL CROWDSOURCING: TRENDS AND OPPORTUNITIES

To understand data management challenges in observational crowdsourcing, consider the case of eBird. eBird contributors report birds they have seen in the wild. To generate consistent data, the collection is structured to make it amenable to search and retrieval by scientists. In particular, users are asked to select the biological species of the observed bird from a set of available options and indicate how many birds of the species were observed, as well as where and when the observation took place. Data are stored in a relational database.

Some decisions related to data management in a project such as eBird include: conceptual structures used to capture objects of interest to scientists; database schema used for storage; data collection interfaces; and, possibly, data visualization tools. Traditionally, users (in this case, amateur birders and scientists) would be involved in conceptual modeling and database design (for verification purposes) to ensure that the resulting structures reflect the views of all participants. The key issue is that, while scientists are a relatively homogenous and well understood stakeholder group, in a project such as eBird there are typically no constraints on who can participate. As a result, data contributors can be an extremely diverse, anonymous, and ill-understood user group. Therefore, it is unclear how to best structure data in such a project.

Table 2. Challenges and sample solutions in task-based crowdsourcing

Challenge	Sample solutions
Task and worker cost-benefit management	Formal models of optimality between number of tasks per worker and task cost, models of optimal number of workers
Data quality management	Employing task redundancy, data post-processing, traning, tutorials
Incentives and motivation	Paying crowd workers, modeling optimal payment schedules
Crowd selection	Using CrowdSQL to specify crowd attributes, qualifying tests, platform-provided filters
Innovative interface design	Allowing workers to select questions to answer (e.g., CrowdFill)
Task-worker matching	Automatic task recommendation agents
Crowd SQL query optimization	Optimizing worker response time by decomposing tasks
Crowd-database integration	Human-powered queries (e.g., CrowdSQL)
Establishing bounds of crowdsourcing	Hybrid intelligence solutions

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Managing Key Objective Trade-Offs: Quality, Utility and Participation

The eBird project shows a key challenge of observational crowdsourcing: managing the key trade-offs between utility of the data, data quality and user participation. In addition, recognizing that people may observe something unusual or novel, projects often have another objective: fostering discoveries.

It is generally recognized that data quality is a major issue for these types of projects (Kosmala et al., 2016; Lewandowski & Specht, 2015; Lukyanenko et al., 2014b). At the same time, eBird would not survive if volunteers do not provide observations of birds – making efforts to increase participation of great importance (Diner, Nakayama, Nov, & Porfiri, 2017; Domroese & Johnson, 2017; Lee, Crowston, Østerlund, & Miller, 2017). Finally, the project is designed to deliver data for scientific research and thus, citizen science projects organize domains to maximize the scientific utility of the data (Burgess et al., 2017; Prestopnik & Crowston, 2012; Stevens et al., 2014).

The search for solutions to address these three issues often means emphasizing one over the other. Thus, most projects in biology require positive identification (i.e., classification) of genera or species, as this classification level is useful for scientific analysis (Elbroch et al., 2011; Lewandowski & Specht, 2015; Mayden, 2002). For example, eBird asks users to discriminate discriminate between Common, Caspian and Artic Tern. However, members of the general population targeted by crowdsourcing are not biology experts and may not be able to correctly identify at the species level (Gura, 2013; Lewandowski & Specht, 2015). Requiring contributors to classify at the species-genus level (or other levels of interest to science) may lead to guessing or project abandonment (Lukyanenko, Parsons, & Wiersma, 2014a; Lukyanenko et al., 2014b). One common solution to this challenge is traning data contributors, but this approach is limited given the often-anonymous Internet setting and uncommitted nature of online volunteers (Lewandowski & Specht, 2015). This is quite different from typical task-based crowdsourcing, where training may be required or crowd workers with desired characteristics can be specified as part of the task design.

Recently, researchers have been exploring advanced statistical techniques that can be used after data is captured to detect outliers or increase confidence in data provided by non-expert crowds (Bonney et al., 2014). Advanced computational techniques (e.g., live questions from an artificial agent) have also been used to support of volunteers during the data collection activity itself. For example, a promising direction is applying machine learning techniques that aim to classify an organism based on the photograph provided (e.g., eBird's MerlinApp). Yet, this is generally possible only with few target classes (which may not work in most general purpose projects[3]), and only when the photos are available and of sufficient resolution. In addition, such approaches do not recognize the value of capturing additional information about an observation. Thus, beyond classifying the focal object, projects are frequently interested in the context of observation and other notable objects. For example, a project may hope to collect in a structured form information such as "observed species *x* while on a tourist trip from *h* to *z*; *x* was preying on species *y*; species *y* appeared ill; one wing was broken and it seems to have been covered in oil; it was sunny and windy; species *x* and *y* were identified with the help of the tour guide *j*." As each such story would be different, this uniqueness makes observational crowdsourcing especially promising as a source of discoveries.

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Data Sparsity and Data Intergration

From an organizational perspective, observational data production is continuous (consider eBird, which has been operating since 2002). At the same time, crowd members are free to drop in and out of projects sporadically, as organizations have little control over user participation (Rossiter et al., 2015; Wiersma, 2010). This results in a major challenge of integrating data across participants into a coherent domain view. Moreover, projects often involve observations of phenomena across a geographic area (e.g., UK in iSpot.org.uk, Australia in ala.org.au). This contrasts with the way much research has conceptualized crowdsourcing thus far, since, in task-based crowdsourcing, sparsity can be dealt with through task design. Indeed, the prevalence of redundancy as a common feature of task-based crowdsourcing creates an opposite challenge of data aggregation. Unlike micro-tasks that are necessarily focused, a major obstacle in observational data collection is integrating sparse and weakly-related data across time and space.

Large or Open Domain Boundaries

Traditional database development, as typically used in micro-task crowdsourcing, presupposes that domain boundaries are well-established. As organizations hope to better understand a complex and dynamic real-world environment through crowdsourcing, the scope of projects can be extensive and malleable. For example, iSpot.org.uk collected sightings of all-natural history in Great Britain. Similarly, GalaxyZoo images contain a variety of cosmic objects, some unknown to scientists themselves. A Canadian project, www.nlnature.com, interprets its interest in "local natural history" as including "any sighting of plants, animals, and other things (e.g., interesting rocks, landmarks)."[4] This means no single crowd member, developer or domain expert is likely to be an expert in the entire application domain.

Dealing with spatial, temporal, and attribute data scarcity is an important research direction. If an organization (e.g., a city) is looking to manage services based on a crowdsourcing data set (e.g., citysourced.com), it needs to "impute" gaps in coverage that necessarily arise when data is not collected systematically. The question arises whether it is possible to anticipate such gaps and proactively channel crowd effort in appropriate directions. Thus far, research has demonstrated the extent of this problem (Boakes et al., 2010; Lukyanenko et al., 2014b), but offered few solutions (none to our knowledge dealing with databases).

Need to Understand Data Creation Context

In many citizen science projects, it is critical to understand the context (i.e., relevant environmental factors) of data creation in order to better interpret the observations. In many projects, the phenomena about which users supply data may be available only to the original contributor (or a handful of people). For example, in projects that map biodiversity, the objects of interest (e.g., birds, animals) may be fleeting with a very short exposure time. In such cases, it is extremely difficult to exploit redundancy in the crowds (Franklin et al., 2011; Sheng et al., 2008), and the challenge is to get the most value out of a single data point. The anonymous nature of many projects further precludes seeking clarification or additional information unless such a query can be formulated before the contributor leaves the project.

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While the issue is relevant to many projects, few specialized solutions exist. For example, a recent study suggests that the common practice of relying on the same volunteers over time may result in crowds becoming "stale"; this manifests in volunteers providing fewer context-rich observations (Ogunseye et al., 2017). This may suggest that projects should continuously recruit new volunteers, as well as offer incentives for existing volunteers to provide context-rich data.

Difficulty in Collecting System Requirements

A major feature of observational crowdsourcing is the democratic nature of participation. Projects such as eBird allow anyone to register and post observations of birds. While these projects are developed primarily to serve the needs of organizations (with stable cohorts of subject matter experts, such as scientists or product engineers), the users or contributors (i.e., citizen scientists, product consumers) are ordinary people, often lacking subject matter expertise and possessing diverse domain views (Gura, 2013; Lewandowski & Specht, 2015; Sullivan et al., 2009). Whereas task-based crowdsourcing may constrain who gets to perform a task (e.g., by eliminating members with low reputation, requiring a certain skill, or pruning data post-hoc based on known user attributes), this is often impossible when participation is open and anonymous. In citizen science, for example, many projects require only minimal information from participants (e.g., to comply with anonymity requirements of research protocols (see, e.g., Lukyanenko et al., 2014a)). As a result, some requirements and domain knowledge may originate from domain experts within organizations, but data are often provided by anonymous and non-expert users. It is furthermore impossible to reach every potential user who may wish to contribute data. As modelers are unable to fully determine the domain expertise of crowd providers and reach every potential user, a major challenge is how to conduct requirements elicitation and analysis to design appropriate database schemas and user interfaces that are congruent with the views of all users.

The challenges of requirements elicitation loom larger in observational crowdsourcing than in task-based projects. Unlike the latter, observational crowdsourcing projects are often developed from scratch and require custom modeling, database design and user interfaces. They are also considerably larger in development scope, and thus more expensive to implement, than task-based projects where existing platforms provide complete environments for worker participation and even provide ready-made templates for common tasks. In contrast, observational projects have to create the entire user environment for each project (e.g., data collection forms, visualization of existing data points, user forums). Furthermore, as many tasks are quite inexpensive, task providers working with such environments as AMT may freely experiment with test configurations until the desired outcomes are reached. In contrast, for many observational projects, there is a considerable delay (sometimes measured in years) between the original inception of the idea and the analysis of the data provided by contributors and the realization that something should be adjusted or modified in the task protocols and project designs. Consequently, it is critical to ensure that analysts collect accurate and complete requirements to specify appropriate features of the projects.

Motivated by the challenges to requirements elicitation in UGC, researchers have been exploring such solutions as user surrogates (e.g., usability experts), attracting average or representative users, conducing elicitation via videoconferencing platforms, and conducting requirements based on stratified sampling of users from common groups (e.g., non-experts vs. experts) (Anand & Mobasher, 2005; Carroll, Hoffman, Han, & Rosson, 2015; Iivari & Iivari, 2011; Iivari, 2011; Le Dantec, Asad, Misra, & Watkins, 2015; Salgado & Galanakis, 2014). Despite these solutions, often a very small group of users (e.g., those most

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accessible to the development team, such as scientists) are intensely involved (Bratteteig & Wagner, 2012, 2014). Requirements elicitation in UGC remains an open and exciting opportunity that researchers are continuously encouraged to pursue (Iivari, 2011; Kyng, 2010; Lukyanenko, Parsons, Wiersma, et al., 2016; Obendorf, Janneck, & Finck, 2009; Shapiro, 2010, 2010; Titlestad, Staring, & Braa, 2009).

Choice of Data Model

The choice of the data model affects the way information is collected and stored in crowdsourcing, including task difficulty and the quality of the resulting data. Thus, we specifically focus on the issue of data models in observational crowdsourcing.

Currently, there is no agreed-upon data model for observational crowdsourcing. Many major crowdsourcing projects, such as eBird, CitySourced, and EpiCollect, are based on traditional (e.g., relational) implementations, as there is no established solution specialized for observational crowdsourcing. Indeed, much work on micro-task based crowdsourcing extends the relational data model and SQL (Davidson, Khanna, Milo, & Roy, 2013; Franklin et al., 2011; Marcus, Wu, Karger, Madden, & Miller, 2011a). In contrast, some researchers argue the relational model has a negative impact on information quality and user participation and suggest that noSQL flexible data structures are more appropriate in this setting (Lukyanenko et al., 2014b).

In recent years, there has been growing interest in flexible data models. One approach is dynamic schema evolution or malleable schema (Dong & Halevy, 2005; Roussopoulos & Karagiannis, 2009). These approaches have been suggested for web-based systems and micro-task markets (Selke, Lofi, & Balke, 2012). As a variation, users may also be allowed to create their own schemas. The malleable schema approach, however, invites unresolved issues of cooperative schema evolution, concurrent access, and modification of schemas. It is also unclear if this approach is reliable for less knowledgeable or technology-averse users who may lack skills and motivation to create or alter models. Also, the sporadic nature of participation (anonymous or semi-anonymous in some projects) makes it difficult to assume quality of schemas (unlike in more predictable task-based crowdsourcing; see (Selke et al., 2012)).

One approach that has received research attention, including empirical evaluation, is the instance-based data model (Parsons & Wand, 2000) in crowdsourcing (Lukyanenko et al., 2017, 2014b). The model is based on the premise that instance and attribute are more fundamental modeling constructs than class. Although promising, unresolved issues with instance-based approaches include usability (i.e., developing appropriately flexible user interfaces) and assuring that data is useful for project sponsors. Given the demonstrable benefits of the instance-based model, an open question is whether other similar models, such as graph, key-value, or document-based, can also be leveraged (Cattell, 2011; Chang et al., 2008; DeCandia et al., 2007). Application of graph databases has been examined in task-based crowdsourcing (Parameswaran et al., 2011), but could be extended to observational crowdsourcing as well.

Both traditional and flexible approaches to modeling crowdsourced data embody the assumption that data schemas (rigid or flexible) are specified before data can be collected and stored. The case of citizen science above should motivate data management researchers to rethink this assumption.

One possible solution is storing user input in an unstructured form (e.g., as free-form text). However, without systematic data production in the direction required by project sponsors, the yield of useful information from free-form data collection is likely to be dismal. Furthermore, since a hallmark of crowdsourcing is massive datasets (even "big data") (Hochachka et al., 2012; Ipeirotis & Gabrilovich, 2014), to the extent possible data needs to be structured to allow for automatic querying and analysis. Currently many

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projects (e.g., eBird, GalaxyZoo) employ a hybrid solution: there are few predefined fields (e.g., type of galaxy; bird species observed), while additional information can be entered in a comments field, via email or an accompanying discussion forum (if available). This raises the question of how to determine the best allocation of data between structured and unstructured forms, and, importantly, how to increase the structured component of the project. Some solutions include post-hoc application of data-intensive techniques (e.g., data mining) (Hochachka et al., 2012). An open question is whether innovative data modeling and artificial intelligence can be used to collect more structured data at the point of capture. Artificial intelligence, including hybrid intelligence, is a major trend in task-based crowdsourcing (see above), yet its applications to observational projects remains limited.

Advances in natural language processing open opportunities in data collection and processing. One impact on data management research is increased utility of unstructured data formats when data from crowds can be collected as text and then parsed using text mining or natural language processing (NLP) (e.g., Jha, Andreas, Thadani, Rosenthal, & McKeown, 2010). A promising area of research resulting from NLP is voice-based data collection in crowdsourcing (e.g., dictating observations into a smart phone that is able to parse this information and possibly ask follow-up questions in real time). These applications may be limited in task-based environments (where activities occur primarily online), but may be quite effective in observational projects that involve generating data while experiencing the world. In many natural settings (in the forest, on the road, on a boat), speaking into a system may be more convenient than typing. Presently, we are not aware of research that specifically investigates this solution, creating an opportunity for a potential breakthrough in observational crowdsourcing.

Summary

Unlike task-based crowdsourcing that places crowds in a well-controlled technological chain, observational crowdsourcing conceptualizes crowds as integral elements of the organizational information chain that links internal decision making with the messy external environment. Crowds are sources of data and insights on the broader context in which organizations operate, giving people a more active and open-ended role in the data gathering process, and in the project as a whole. In this setting, database researchers are confronted with the need to produce solutions that are both technologically sound and effective at unlocking the potential of people as sensors of their surroundings, while delivering data of high quality to be usable in scientific research. The challenges related to observational crowdsourcing are summarized in Table 3; the table also presents potential solutions taken from research discussed above.

OUTLOOK FOR THE FUTURE

Crowdsourcing provides an opportunity for researchers to develop applications that support knowledge acquisition from diverse and heterogeneous crowds. Drawn to its promise, crowdsourcing research is on the rise. This survey of the crowdsourcing landscape suggests there are two major, but disconnected, "islands" of crowdsourcing research: task-based and observational. Task-based crowdsourcing builds innovative technological chains by inserting human workers at various points of data processing. In contrast, observational crowdsourcing conceptualizes as volunteers and "intelligent sensors" of reality. While much scope for innovation remains in task-based crowdsourcing, research on data management for observational crowdsourcing is scarcer and the challenges formidable.

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Table 3. Challenges and solutions in observational crowdsourcing

Challenge	Sample solutions
Data quality	Training of volunteers, post-processing of data
Participation and motivation (as it relates to data management)	Gamification of tasks, removing participation barriers by making data collection easy and intuitive
Organizational (scientific) utility of data	Restricting data input, using advanced computational techniques to structure and analyze data after it is collected
Fostering discoveries	Promoting discoveries through open and flexible interfaces, asking real-time follow-up questions using natural language capable artificial agents
Optimizing objective trade-offs (e.g., between quality and utility)	Using open and flexible data collection processes and data models
Data sparsity, data intergration	Statistical techniques for data integration
Large and open domain boundaries	Democratizing requirements elicitation, keeping project open to new classes of things
Need to understand data creation context	Avoid crowd staleness, encourage volunteers to provide diverse and context-rich data
Difficulty in collecting system requirements	Leverage usability experts, representative users, massive videoconferencing platforms
What data model to use?	Flexible in schema-less solutions, NLP

Our goal is to bring into focus the potential of observational crowdsourcing that we hope will catalyze database researchers to search for innovative solutions. While challenges in this domain are significant, we believe there are reasons to be optimistic. Many issues in observational crowdsourcing have been subjects of considerable research in the data management research community, including flexible schemas (Abiteboul, 1997; Angles & Gutierrez, 2008), data integration (Batini, Lenzerini, & Navathe, 1986; Zhao & Ram, 2007), schema evolution (Banerjee, Kim, Kim, & Korth, 1987; Liu, Chrysanthis, & Chang, 1994), data sparsity (Chang et al., 2008; Lehner, Albrecht, & Wedekind, 1998), conceptual modeling for dynamic and changing requirements (Chen, 2006; Liddle & Embley, 2007), data quality (Batini et al., 2015; Becker, 1998; Lee, Pipino, Strong, & Wang, 2004; Wang & Strong, 1996), and the rapidly expanding fields of AI, NLP, computer vision and hybrid intelligence (Bernstein et al., 2015; Davenport & Patil, 2012; Davis & Marcus, 2015; Nixon & Aguado, 2012). This and other relevant knowledge can be brought to bear on data management challenges in observational crowdsourcing.

The work in micro-task markets has already resulted in promising technologies that improve schema design, enhance query execution and optimization, and support innovative database and interface integration. Such innovative concepts as human-powered queries or joins have been proposed and implemented. Many of these solutions could be applied to power observational crowdsourcing as well. For example, the CrowdFill (Park & Widom, 2014) application introduces a novel data model for task-based crowdsourcing that gives workers considerable discretion in what to contribute. This data model could be leveraged in other kinds of crowdsourcing as well by giving volunteers flexibility in determining what kind of data they wish to contribute. Similarly, the concept of redundancy is central to many micro-tasks, with much ongoing research that examines efficient design of repeating tasks, organization of multiple labelers, detection of abnormalities, and models of optimality when other factors (e.g., cost) are considered (Franklin et al., 2011; Sheng et al., 2008). As many observational projects (e.g., eBird.

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org) actively employ statistical algorithms that seek to detect outliers and discover averages (Bonney et al., 2014; Hochachka et al., 2012), both streams of research stand to benefit from closer interaction.

There appears to be a significant opportunity for cross-pollination of findings and solutions between task-based and observational crowdsourcing. Both study very similar phenomena of large numbers of ordinary people contributing their abilities, talents and observational capacities to specific projects. This shared opportunity translates into a common challenge of creating an effective technological space that allows people of different views, motivations, and backgrounds to contribute successfully. Having this common challenge underscores the need for greater cooperation between the two islands of data management research in crowdsourcing.

The challenges posed by crowdsourcing (see Table 2 and Table 3) give rise to exciting research opportunities. The ongoing work on human-powered data management tasks has made significant strides, and many open questions remain. However, it is in another major type of crowdsourcing – one emphasizing human surveillance of the environment – that more wicked problems lurk. Unlike closed corporate environments which can be conceptually "frozen" to develop agreed-on conceptual and logical structures that represent domains, observational crowdsourcing is inherently dynamic and open. This translates into an opportunity for researchers to gain a deeper understanding of crowdsourcing and leverage this knowledge to potentially revolutionize data management theory and practice.

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ENDNOTES

1 As of October 2017, eBird participants reported more than 400 million observations from around the world (Source: http://ebird.org/content/ebird/news/).

2 See: http://www.isgtw.org/feature/collecting-data-gets-easier-epicollect.

3 Currently Merlin App allows to identify 400 species (out of over 10,000 bird species), see http://merlin.allaboutbirds.org/help-and-faqs.

4 http://www.nlnature.com/Endangered-Species-Biodiversity/About-NL-Nature-2.aspx.

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Chapter 73
Integrated and Transactional Platforms: Crowdsourcing and Crowdfunding Platforms

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ABSTRACT

In recent years, crowdsourcing has increased in popularity as a method for gathering ideas for new innovations and providing solutions to existing problems. In this chapter, crowdsourcing intermediaries and business models are analyzed. How intermediaries' providers are managing interactions between different groups of platform actors (contributors) in order to receive new ideas, feedback, and solutions for improving consumers products and services is studied. Crowdfunding platforms are discussed based on crowdsourcing open innovation vision. Hence, research focuses on crowdfunding innovations for alternative financial services. The chapter aims to collect and analyze quality data regarding the current status and prospective evolution of crowdfunding. The study offers classification and examination of the current status of crowdfunding and proposes a definition of the crowdfunding multi-sided platform, develops research framework for crowdfunding platform comparison and business model analysis. The results of this chapter reveal benefits but also practical challenges to overcome before innovation crowdsourcing and crowdfunding intermediaries can be effectively utilized.

INTRODUCTION

The term "crowdsourcing" was introduced by Howe (2006) and defined as "the act of a company or institution taking a function once performed by employees and outsourcing it to an undefined (and generally large) network of people in the form of an open call. This can take the form of peer-production (when the job is performed collaboratively), but is also often undertaken by sole individuals. The crucial prerequisite is the use of the open call format and the large network of potential laborers."

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Estellés-Arolas, E. and González-Ladrón-de-Guevara (2012) found more than 40 definitions of crowdsourcing in the extant literature. Based on those findings, they have created a comprehensive definition for crowdsourcing: "Crowdsourcing is a type of participative online activity in which an individual, an institution, a non-profit organization or company proposes to a group of individuals of varying knowledge, heterogeneity and number, via a flexible open call, the voluntary undertaking of a task. The undertaking of the task, of variable complexity and modularity, and in which the crowd should participate bringing their work, money, knowledge and/or experience, always entails mutual benefit. The user will receive the satisfaction of a given type of need, be it economic, social recognition, self- esteem or the development of individual skills, while the crowdsourcer will obtain and utilize to their advantage what the user has brought to the venture, whose form will depend on the type of activity undertaken."

Brabham (2008, 2013) defined "crowdsourcing" as an "online, distributed problem-solving and production model." Brabham defined the following 4 key ingredients of crowdsourcing:

1. An organization that has a task it needs to be performed,
2. A community (crowd) that is willing to perform the task voluntarily,
3. An online environment that allows the work to take place and the community to interact with the organization, and
4. Mutual benefit for the organization and the community.

What is more, crowdsourced labor is truly motivated to make a contribution only if they see their efforts make a real difference and the game is worth playing. That is why crowdsourcing is about networking and tapping the right crowd (Belleflamme et al., 2014).

Nakatsu, Grossman and Iacovou (2014) define crowdsourcing as a four-step process in which:

1. A requestor (either an individual or organization) identifies a specific task to be performed or problem to be solved;
2. The requestor broadcasts the task or problem online;
3. The crowd performs the task or solves the problem;
4. Depending on the nature of the task, the requestor either
    a. Sifts through the solutions and selects the best solution (selective crowdsourcing), or
    b. Aggregates/synthesizes the crowd's submissions in a meaningful way (integrative crowdsourcing)."

It is helpful to look at the levels of crowdsourcing classification (see Figure 1) to determine what is included in crowdsourcing approaches.

Crowdsourcing and Open Innovation

The open innovation concept was introduced by Chesbrough and Rosenbloom (2002), Chesbrough (2011). Marjanovic et al. (2012) and Wikhamn (2013) hold that crowdsourcing is an important type of open innovation.

While open innovation is a central idea in crowdsourcing, the two terms are not synonymous and should not be used interchangeably (Marjanovic et al., 2012). Open innovation focuses primarily on innovation processes, with many of these processes describing knowledge flows between firms (B2B

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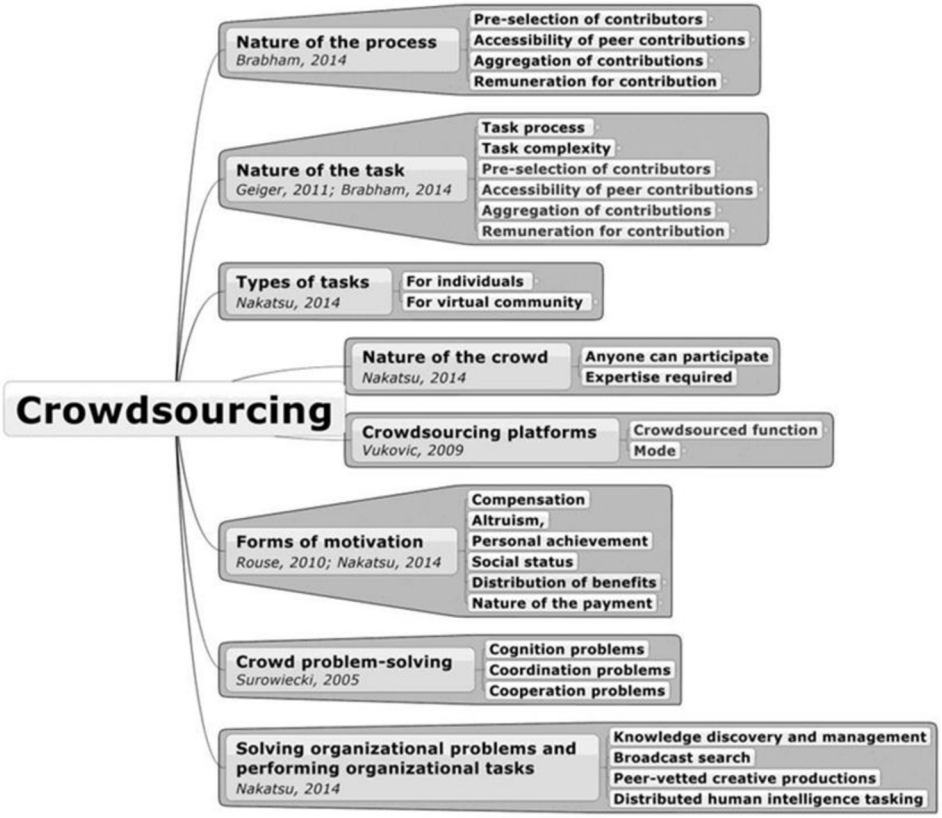
Figure 1. Classification of crowdsourcing approaches (2 levels)



transactions) rather than between firms and large crowds of anonymous individuals. As we have shown above, there are many other reasons why firms and individuals use crowdsourcing. So not all forms of open innovation are used for crowdsourcing (see Figure 2).

Crowdsourcing innovation is a multi-dimensional phenomenon that should be described from different perspectives – cultural, organizational and technological spheres – that have transformed significantly

Figure 2. Classification of open innovation approaches (2 levels)

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under the development of web technologies, web 2.0 in particular. A crowdsourcing process comprises a number of activities that involve resources within and beyond organizational boundaries, mostly human participants.

The characteristics of the activities and resources within this process depend on the specific purpose of a crowdsourcing effort. Research on crowdsourcing innovations comes from a variety of fields such as IT innovations, platform innovations, open innovations, social innovations, management, psychology and many other areas that have discovered crowdsourcing as a useful approach.

Crowdsourcing network users (seekers and solvers) access a common platform that facilitates their interactions. Platforms are usually a subset of components (hardware, software, services) and rules (technical standards, protocols for information exchange, policies and contracts that govern transactions) employed by users in most of their transactions. Crowdsourcing MSP business model always should be related with Crowdsourcing MSP strategy. All this forms main platform building blocks (Figure 3). Minimal number of crowdsourcing MSP sides is usually 3.

Therefore, crowdsourcing MSP BMP framework has a distinct structure of taxonomy and is shown on the Figure 4. Crowdsourcing MSP BMP creates Value by facilitating interactions between different

Figure 3. Three-sided crowdsourcing platform main building blocks

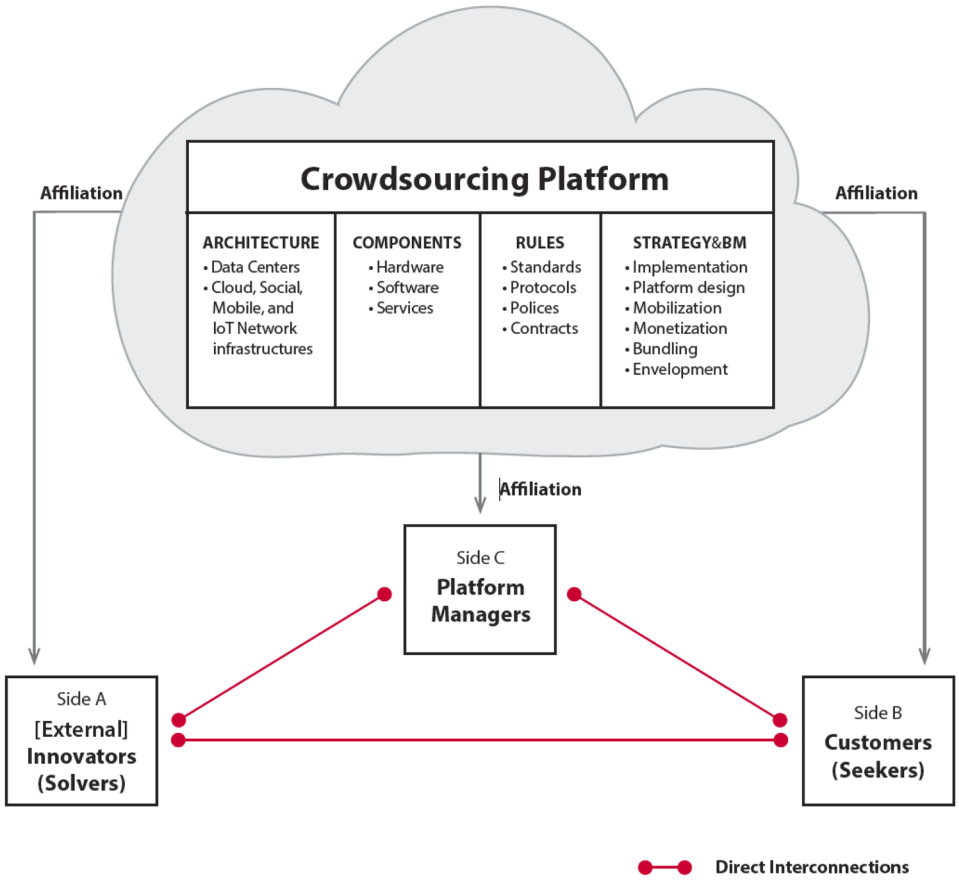

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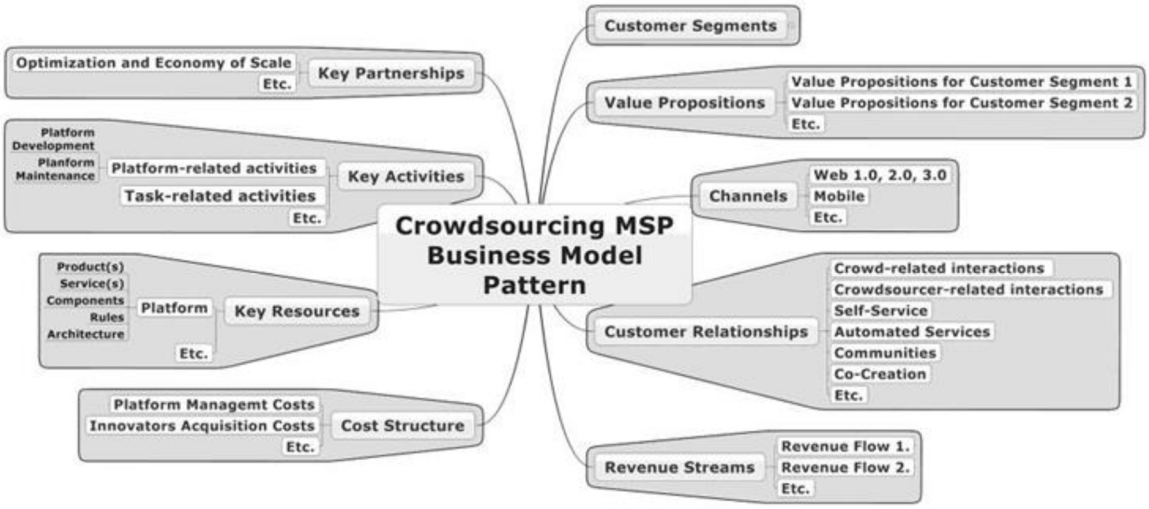
Figure 4. Crowdsourcing MSP business model pattern



groups/sides of the platform. The crowdsourcing MSP BMP Value Proposition usually creates value in such main areas (Hagiu, 2006; Osterwalder & Pigneur, 2010; Evans, 2011):

- Mobilizing user groups (Customer Segments) and balancing interests;
- Matchmaking between Customer Segments;
- Reducing costs by channeling transaction through the platform;
- Strategic decisions in platform evolution, multi-homing costs, scaling and liquidity.

Crowdsourcing MSP BMP has several Platform Customer Segments, each of which has its own Value Proposition and associated Revenue Stream. Furthermore in some business models one Customer Segment cannot exist without another. Sometimes one or more Customer Segments may enjoy free offers or reduced prices subsidized by revenues from other Customer Segments. Choosing which segment to subsidize can be a crucial strategic pricing decision that determines the success of MSP BM. MSPs are of value to one group of customers only if the other groups of customers are also present.

Crowdfunding Platforms

Crowdfunding is considered as an option or a part of crowdsourcing. In the recent years new forms of alternative finance including crowdfunding are growing quickly. This growth is beginning to attract institutional investors and alternative finance is on the cusp of becoming mainstream (Wardrop et al., 2015). Alternative financial services (AFS) are financial services provided inside or outside traditional financial institutions (Nesta, 2014; Wardrop et al., 2015). As it is mentioned by Wardrop et al. (2015), this innovative, decentralized and potentially disruptive alternative finances are supplying credit to consumers, providing early stage investments to start-ups and growth capital to SMEs, stimulating regional economies and funding worthwhile causes (Figure 5). Crowdfunding is a latest AFS innovation that appears to have tapped a new funding channel for entrepreneurs and enterprises. In particular, crowd-

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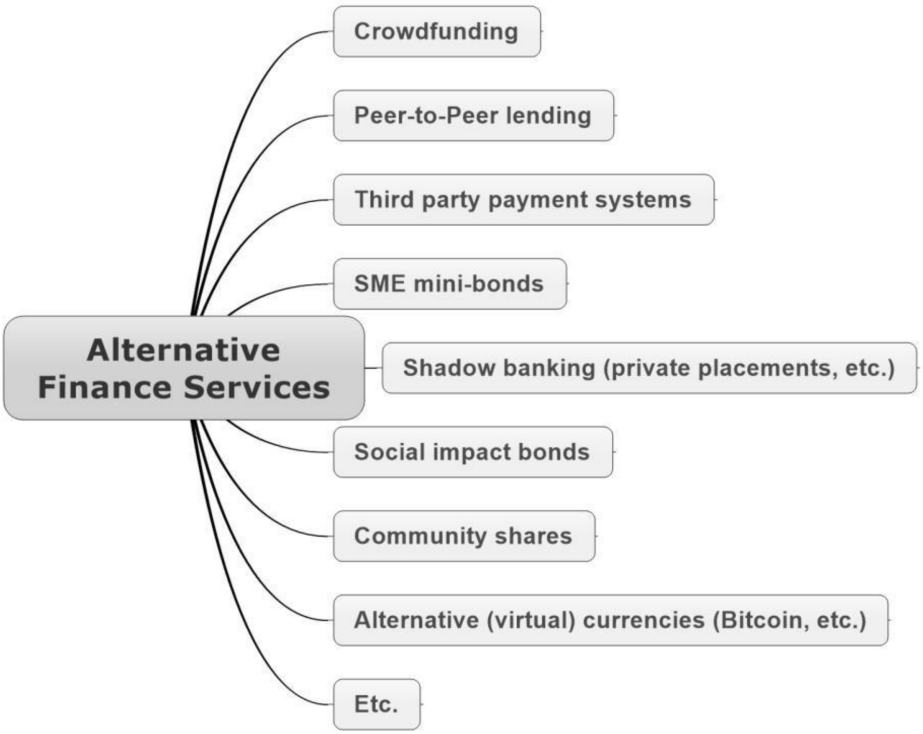
Figure 5. Alternative Finance Services (based on Wardrop et al., 2015)



funding is emerging as an alternative funding channel for any stage of enterprise growth and becomes a powerful tool to drive innovations and bring the social change.

Despite its increased importance, limited research has systematically examined why and how non-financial and financial institutions engage in crowdfunding and how crowdfunding impacts alternative financial innovations. This chapter aims to address this critical gap by focusing on the following questions:

- What are the elements, relationships, vocabulary, and semantics of crowdfunding innovations?
- How to develop the methodology, the classification and organization of domain concepts of the crowdfunding innovation ontology?
- What are the basic types and the main business models of crowdfunding intermediaries?

We propose the crowdfunding ontology/taxonomy, which is a conceptualization and formalization of the elements, relationships, vocabulary and semantics of crowdfunding innovations. Our research was motivated by the observation that various descriptions of crowdfunding innovation services implement the concept of a crowdfunding services on similar core concepts with distinct features. The scope is the Global economy and the emerging economy, namely Russia. The goal is to capture the common core of different approaches to facilitate research in crowdfunding. Thus we illustrate how the crowdfunding innovation ontology can be complemented by the real instances in the Global market and emerging market of Russia.

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As a result, the analysis methodology incorporates information from different but interrelated sources that form a representative sample of the domain:

- Reported and observed crowdfunding trends and e-finance activity. This study incorporates data from 2005 up to 2015 from the Internet (blogs, web conferences, etc.).
- Financial and non-financial organizations, finance/bank/crowdfunding cloud service providers, consulting companies, financial organizations and universities briefings, press releases, market and company reports, as well as other publicly available information.
- Research and text books in the field of crowdfunding, published from 2005 up to 2015.

A crowdfunding process comprises a number of activities that involve resources within and beyond organizational boundaries, mostly human participants and information technology (IT). The characteristics of the activities and resources within this process depend on the specific purpose of a crowdfunding effort. Research on crowdfunding innovations comes from a variety of fields such as IT innovations, platform innovations, open innovations, social innovations, management, psychology, and many other areas that have discovered crowdfunding as a useful approach. Accordingly, research questions mostly center on specific use cases and individual aspects of crowdfunding. This fragmentation of crowdfunding research and a general lack of foundational theory, however, make it difficult to provide organizations and entrepreneurs with well-founded guidance for the design of their crowdfunding initiatives (Haas, Blohm and Leimeister, 2014).

Schwienbacher and Larralde (2010) define crowdfunding as "an open call, essentially through the Internet, for the provision of financial resources either in form of donation or in exchange for some form of reward and/or voting rights in order to support initiatives for specific purposes." Mollick (2014) presents a definition in an entrepreneurial context: "Crowdfunding refers to the efforts by entrepreneurial individuals and groups – cultural, social and for profit – to fund their ventures by drawing on relatively small contributions from a relatively large number of individuals using the Internet, without standard financial intermediaries".

These definitions give the opportunity to associate to crowdfunding other financing modes like micro- finance and internet-based peer-to-peer lending and other cases.

Micro-finance concept means providing a limited financial support to low-income, unprivileged people that are non-secured from a usual banking point of view. The idea emerged recently and expanded rapidly around the world both online and offline. The best known platform for micro-financing abroad is Kiva, a non-profit organization that "provides safe, affordable access to capital to those in need and helps people create better lives for themselves and their families". Prosper is another well-known platform with similar purpose but whereas the former focuses the most on philanthropy the latter is more concentrated on transactional benefits and financial returns for both parties – "cutting out the middleman and connecting the people who need money with those who have it, borrowers get better rates and investors, better returns for their loans." While it is a wide-spread belief that micro-financing has a lot in common with crowdfunding, many authors refuse to accept this opinion – Caetano and Cardoso (2011) claims that "sites like Kiva and Prosper can be better placed within the finance sector than crowdfunding projects. That is because lenders charge interest rates."

Peer-to-peer lending relies on the same fundamentals as crowdfunding does but the applicability of these means of funds collection depends on the stage of business development. Peer-to-peer lending is a fast cash inflow to the business when no rewards need to be given away but the interest rate is paid on a

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constant basis just like it would happen in a bank. So it reminds mostly micro-financing process and has little to do with traditional crowdfunding. Crowdfunding is considered as an option or a part of crowdsourcing. The term was introduced by Howe (2006) and defined as "the act of a company or institution taking a function once performed by employees and outsourcing it to an undefined (and generally large) network of people in the form of an open call. This can take the form of peer-production (when the job is performed collaboratively), but is also often undertaken by sole individuals. The crucial prerequisite is the use of the open call format and the large network of potential laborers." What is more, crowdsourced labor is truly motivated to make a contribution only if they see their efforts make a real difference and the game is worth playing. That is why crowdsourcing is about networking and tapping the right crowd, those being the points of parity with crowdfunding (Najah and Jarboui, 2015).

Crowdfunding Industry

Global Market

According to the statistical data for 2014, crowdfunding showed an excessive growth – crowdfunding platforms funded overall more than 2 million projects and collected more than $16,2 billion which makes a 162% of the figure for the same indicator in 2013 – $6,2 billion (Baeck, Collins and Zhang, 2014; Wardrop et al., 2015). Moreover, the crowdfunding industry is expected to double the results and reach $34,4 billion by the end of 2015. It may come as a surprise but the majority of funds – more than 53% – were collected on reward-free platforms that stand for only 30% of all crowdfunding platforms, while the most popular type – reward-based platforms – were less successful in raising funds despite of the fact they stand for 70% of all crowdfunding platforms. The total cumulative sum of investments in a reward-based crowdfunding rose by 549% annually, from $1,6 million in 2009. And it came as no surprise that the major part of investments is collected by Northern America ($837 million), which stands for more than a half of sum collected worldwide. North America has been the most rapidly growing region as well. By April 2014, there were 452 crowdfunding platforms worldwide, and the number was expected to grow by more than 600 by the end of 2015. Most of the platforms – 208 – are based in Northern America, 191 of which in USA. European region stands for 139 platforms, 44 of which are in Great Britain. Herewith, 95% of all funds attracted in Europe and 73% of all funds attracted in North America were assembled at the top five crowdfunding platforms. That happened mostly because of the size of the platforms, their reputation and expertise in audience knowledge, promotional activities and therefore – funds attraction.

The most well-known crowdfunding platforms are Kickstarter and its closest competitor Indiegogo. Other platforms have not reach yet such level of recognition and trust as those two.

Emerging Markets: Russia

Crowdfunding came to Russia in 2008 with a platform called Kroogi – it was launched by Miroslav Sabaev, who worked for a long time in American IT-companies and had an acquaintance with famous Russian musician Boris Grebenshikov. The idea of the project was the following: the musicians uploaded their musical works on the website and the fans were free to donate as much money as they wanted. Boris Grebenshikov was among the initiators of Kroogi campaign in Russia and uploaded a unique record from

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his concert which was not available anywhere else. Ultimately, a lot of musicians took part in the campaign and managed to earn as much as they would have probably earned working with record companies.

Another crowdfunding campaign that went aloud was RosPil activists oriented service organized by Alexey Navalny. Started in the middle of 2011, it gained huge popularity and quickly reached its target figures – 5 million rubles were collected within a month. That was some sort of signal for other political organizations – and if earlier activists were forced to fund their publishing and meetings by themselves, now this financial part could be shared with other sympathizers (Sokolov, 2015).

Yet politician projects are not able to attract as many investors from the crowd as projects devoted to charity, and the situation is quite clear – charity based on collective support existed long before the emergence of crowdfunding but the Internet just gave it a new wave, offering all the benefits of unlimited and boundless communication between parties of a campaign. In this connection, not only individuals and small non-profit organizations tend to apply to crowdfunding but also large holdings. Thus, in 2013 a federal TV Channel "One" launched a charity campaign for those people who were affected by the flood in the Far East of Russia and collected a significant amount of more than 700 million rubles.

Crowdfunding in Russia despite all those successful projects is still at the very beginning of its development. Experts estimate a total amount of Russian crowdfunding market to be worth $2 million, which is incomparably smaller than European and American ones, but predict a 10 times grow in the future, though. Currently, there are already 9 working crowdfunding platforms. Only two of the existing Russian platforms have succeded so far: the biggest one is Planeta.ru with more than 50 million rubles collected so far, while the smaller one is Boomstarter with 10 million rubles raised. Some of other existing platforms are S miru po nitke, Tugeza and Kroogi.

Boomstarter is a Russian analog of the extremely popular American crowdfunding giant Kickstarter. In fact, it is the closest copy of the latter in everything – name, interface and functional opportunities. It was founded in 2012 by Ruslan Tugushev and Evgeny Gavrilin. Boomstarter helps authors of creative, scientific and other projects to attract funds by asking investors from the crowd. As a dividend, Boomstarter takes a 5% commission of all money collected, while another 5% goes to electronic paying systems. When placing a project to the platform, the author maintains all the rights concerned with property law but at the same time all project data goes public and cannot be deleted or somehow changed after the project's fulfillment. Projects that can be funded using the platform are classified by 12 categories, such as: design, food, publishing, fashion, technology, choreography, photography, theater, music, video and games, the last 3 ones being the most popular. Projects with a strictly determined aim like music album recording, book publishing or making a masterpiece, bounded with time frames and prototypes are welcomed as well, while charity, grant funding, medical and agitation campaigns are not allowed. Start-ups do not belong to the project classification so they are forbidden as well. Boomstarter applies the following scheme of collecting money: there is a strict rule that in order to transfer all money collected to the crowdfunder, the project needs to attract the whole sum that was initially stated during a certain period of time that is also determined beforehand. If the project does not manage to attract that sum in time, the money goes back to the investors.

Planeta.ru is another popular crowdfunding platform launched in 2012. Its system of money collection differs considerably from that of Boomstarter – no time boundaries and funding limits. If a crowdfunder manages to attract at least half of the sum initially stated, he can then take the money and start the project realization. The time span of the funding process is flexible as well – it is enough to inform the investors about a possible time period and that is it. Max Lakmus, the founder of Planeta.ru, points out that the restrictions on amounts and time applied by Boomstarter, prevent crowdfunding campaigns

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from successful fulfillment since the market for Russia is small and unstable so far. Besides, they do not reject charity projects and provide them with functional service without charging any commission. That advantageously distinguishes Planeta.ru from others and broadens its perspectives. By now Planeta.ru has 34 successfully completed and more than 45 on-going projects, it has helped to collect 9,5 million rubles and the number of registered users is dynamically approaching a 100 000 people border, more than 8 500 of whom have already participated in funding process.

Crowdfunding Regulations

Crowdfunding is developing rapidly around the world acting as an innovative mean of fundraising, but to facilitate effective transactions and ensure further growth it is important to establish a legislative base that would coordinate actions of all the parties of the process.

The history of crowdfunding legislative regulation in the US started on April 5, 2012, when the JOB Act was signed by the president Barak Obama. The Act implies a simplified system of investment collection for small-sized companies, so called start-ups without moving to IPO. The Act allows collecting up to $1 million with no more than 2 thousands investors as a maximum amount. In this case any restrictions concerned investors accreditations are removed. Each investor may participate in a crowdfunding campaign with a maximum amount of $10,000. Currently all crowdfunding platforms are available for accredited investors only.

It was stated, that during the thorough analysis of crowdfunding campaigns in the US, which reached a total of more than $250 million, no case of fraud was detected. Experts from Forbes believe that investments via crowdfunding platforms are more transparent and traceable in terms of accountability (Barnett, 2013).

The history of crowdfunding in Russia started in the second half of 2012 with the advent of such crowdfunding platforms as Boomstarter and Planeta.ru, which are currently developing very dynamically. And in spite of the fact that these projects were originally just copied from the American model, they have got their own characteristics, adapted to Russian realities. As a result, the explosive growth of interest to crowdfunding from domestic Internet users happened. Most Russian crowdfunding platform implement free-of-charge or conditionally repayable and conditionally return projects. In other words, there may be simple donations for a certain idea, or it may be a reward-based crowdfunding when investor gets either material or emotional value in return. From the point of view of Russian legislation such projects as crowdfunding fall under the regulation of art. 572 of the Civil Code and are seen as a donation contract. In this scheme, the investor, or more appropriately in this case – donor or giver, donates a certain amount of money to the recipient's property. The disadvantage of this structure is that it is actually excluded from legal entities by virtue of an outright ban on such transactions as well as the presence of additional constraints associated with the legislation to fight money laundering and maintain tax burden. One of the possible legal schemes that can be used to simplify the access of investors to start-ups, is available from July 1, 2014, after the entry into force of amendments to the Federal Law of 22.04.1996 N 39-FZ on the securities market concerning the legal status of the companies specialized on project financing. However, this form is only accessible for long-term (not less than 3 years) investment projects alongside with an issuance of bonds, which individuals can subsequently acquire.

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So to sum up, there are no strict norms prohibiting from raising funds via crowdfunding but at the same time there are no norm supporting a simplified schemes of investment via the Internet either. And due to the fact that the essence of crowdfunding platforms lies in the possibility of becoming an investor remotely, without leaving home, it is advisable to consider some ways of simplifying the existing rules on the limited liability company (LLC) establishment. To implement crowdfunding projects within the LLC scheme it is necessary to remove the existing restriction on the number of participants and to simplify the procedure of re-registration of new members as well as the procedure of making important decisions. Taking into account all mentioned obstacles the development of a full-fledged investment in terms of crowdfunding in Russia would probably require the preparation of a special law, similar to the one signed in 2012 in the United States.

We propose the following definition of the crowdfunding multi-sided platform (Yablonsky, 2016b):

Crowdfunding multi-sided platform (henceforth, CMSP) is an organization that creates value primarily by enabling direct interactions between two main (or more) distinct types of affiliated customers: Capital- seeking Agents and Capital-giving Agents.

All this forms main crowdfunding multisided platform building blocks (Figure 6).

The study of CMSPs is important because it is a large and constantly growing share of global economy, and CMSPs' firms face distinctive management challenges: familiar rules, such as value-based pricing, may fail and traditional barriers to entry may no longer hold. Due to the network effects, platform intermediaries often enjoy increasing returns to scale and their industries have room for only a few players (Eisenmann, Parker, Van Alstyne, 2006).

We propose crowdfunding ontology/taxonomy as a basic conceptual framework and knowledge management tool for analyzing and interpreting non-price instruments used by crowdfunding (Figure 7). General crowdfunding taxonomy suggests a framework for SMSP description and comparison.

We propose crowdfunding BMP (Figure 8). We set 7 main types of crowdfunding value propositions. The general crowdfunding business model sets the framework for thriving business model innovations that have been created and take into account the potential disruptive nature of crowdfunding. Going forward, more hybrid models will emerge. Some CMSP experiment with a combined model of loans and pre-sales. A percentage of the funding can be put into a loan (and will be repaid with interest) and the other part of the funding can be used to pre-finance the production of the product or service. Also there are benefits for the entrepreneur in hybrid models or in approaches to mix crowd-funding with other investment forms, for example, when crowdfunding is used to pre-sell a product, through which market validation and segmentation can be done to generate revenue and position the project for a follow-up or parallel investment from business angels. Crowdfunding is transformative in its total of business models, with the biggest potential lying in the combination of different approaches that will allow funding the whole life- cycle of a project, product, services or other business innovation.

In reality crowdfunding MSP use nuanced combinations of legal, technological, informational and other instruments (including price-setting) to implement desired outcomes (Boudreau and Hagiu, 2008).

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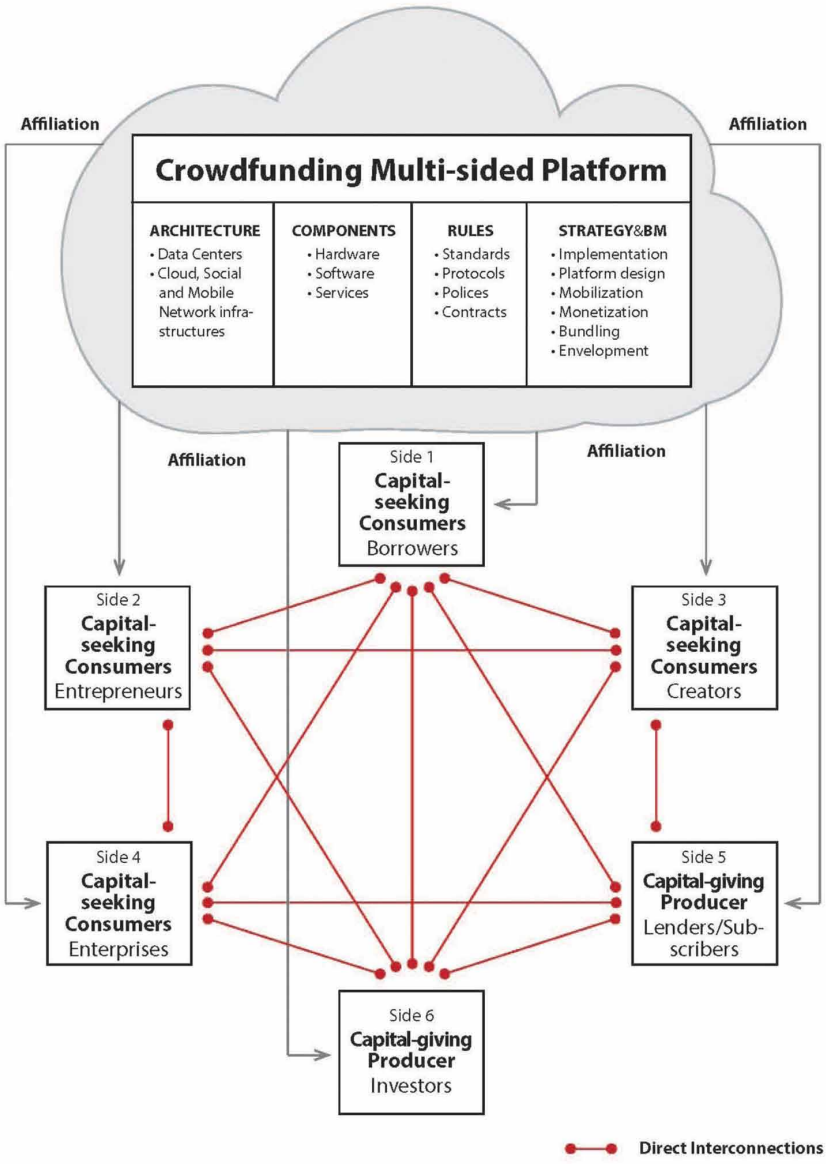
Figure 6. Crowdfunding multisided platform building blocks



CONCLUSION

Summarizing we can conclude the following:

- Having analyzed innovation crowdsourcing e-intermediaries we propose a layered taxonomy framework for approaching the crowdsourcing in a platform business models context. The framework is illustrated by the example of crowdfunding and consulting platforms.
- A clear and precise description and structuring of the information on innovation crowdsourcing platform business models are prerequisites for a common understanding of the innovation

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Figure 7. Crowdfunding taxonomy

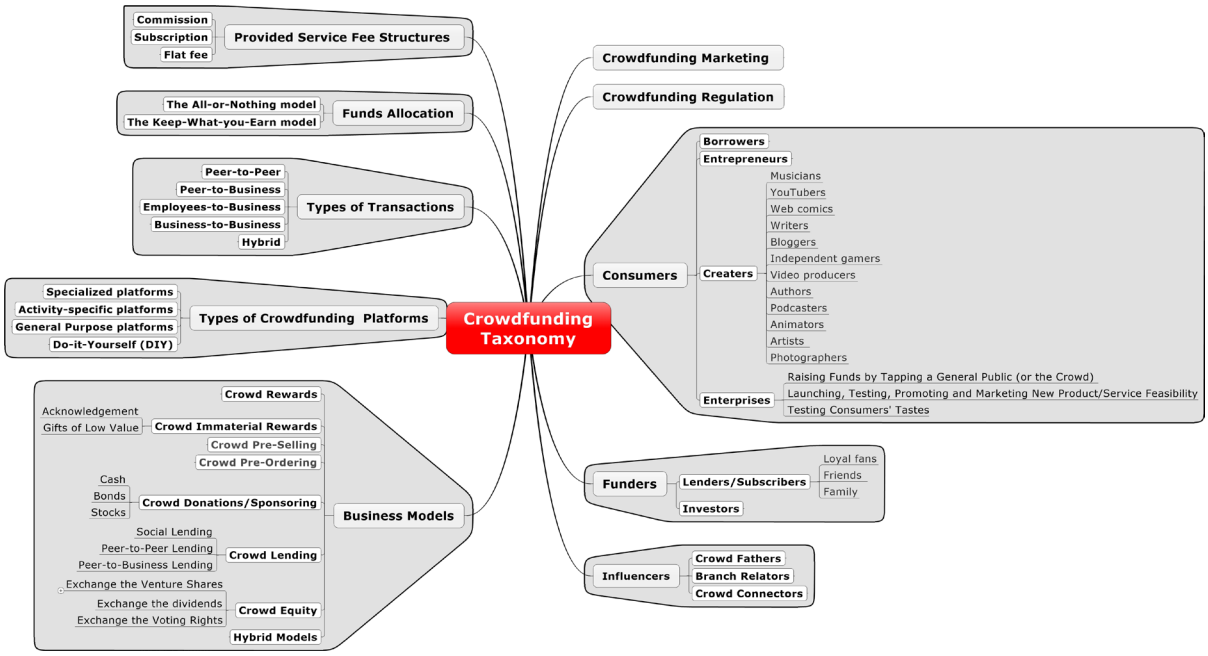
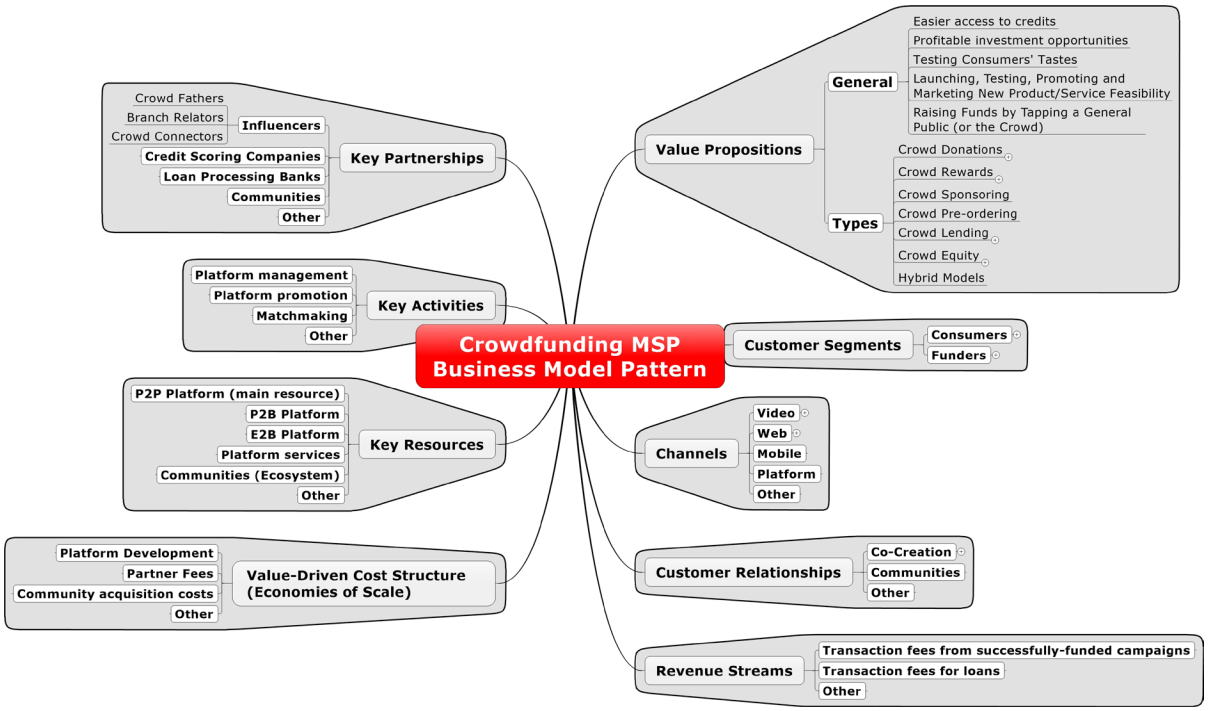


Figure 8. Crowdfunding BMP



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crowdsourcing e-intermediaries. Following Osterwalder (2004) we provide an innovation crowdsourcing e-intermediaries business model pattern ontology, thT is a conceptualization and formalization of the elements, relationships, vocabulary and semantics of an e-intermediaries MSP (Yablonsky, 2016a). It is structured into several levels of decomposition with increasing depth and complexity. Ontologies, taxonomies and other types of controlled vocabularies are the preferred means to achieve such a common understanding by specifying the terms of the e-intermediary's domain, disambiguating them from each other, controlling synonyms and structuring the domain via term relationships.

- We propose a new definition of the innovation crowdsourcing multi-sided platform and the crowdfunding MSP.
- The research observes crowdfunding industry, including the global and the emerging markets (Russia), and proposes a definition of the crowdfunding multi-sided platform.
- The study offers a classification and examination of the current status of crowdfunding globally and in Russia.
- Crowdfunding is a term used to collectively describe many different delivery channels available to platform affiliated capital-seeking agents (investee) and capital-giving agents (investors) plus other members of crowdfunding ecosystem.
- The crowdfunding innovation taxonomy for global and Russian markets is deduced from the qualitative empirical research and offers a means to structure the understanding of the crowdfunding innovation services and main ecosystem actors, such as stakeholders, payment instruments, types, channels provided service fee structures, types of platforms, business models, agents, crowdfunding platforms, crowdfunding regulation, etc.
- Platform crowdfunding innovations prevail. Our research proposes a new definition of the crowdfunding multi-sided platform and develops a conceptual research framework for crowdfunding platform business models analysis, comparison and implementation.
- The general crowdfunding platform business model pattern sets the framework for thriving business model innovations that have been created and take into account the potential disruptive nature of crowdfunding. BMP contains 7 main types of crowdfunding value propositions.
- In the future more hybrid models will emerge. Some CMSP experiment with a combined model of loans and pre-sales. There are benefits for the entrepreneur in hybrid models or in approaches to mix crowd funding with other investment forms, for example where crowdfunding is used to pre-sell a product, through which market validation and segmentation can be done, to generate revenue and position the project for a follow-up or parallel investment from business angels.
- Platform crowdfunding is transformative in the total of its business models, with the biggest potential lying in the combination of different approaches that will allow funding the whole life cycle of a project, product, service or other business innovation.
- Crowdfunding platform is opposed by the prevalent information asymmetry between both parties. The investee holds all the information while the investor has only limited chances to verify the truth and relevance of the information given by the platform.
- The main limitations of crowdfunding innovations are related with the lack of a unified regulation between the US, Europe and the Emerging countries.
- *Practical implications.* The evaluation logic presents a tool that managers, company owners and investors can use to identify innovation crowdsourcing business models to interact with differ-

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ent groups of contributors in order to receive new ideas, feedback and solutions, so that it can be later used to evaluate the effectiveness of innovation crowdsourcing platforms and in decision-making regarding the design of the value offering of platform's products and services. Since the framework has been specifically designed for evaluating the innovation crowdsourcing potential of platforms, it proves to be particularly convenient for analyzing different types of platforms. It can be used not only to evaluate the effectiveness of innovation crowdsourcing platforms, but also in decision-making concerning the design of a different value offering of innovation crowdsourcing multi-sided platform business models and products or services.

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Chapter 74
Investigating Factors Influencing the Quality of Crowdsourced Work Under Different Incentives:
Some Empirical Results

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ABSTRACT

Crowdsourcing is a new form of online labor, where the process of solving a problem is approached by soliciting contributions from a large group of people. In this paper, the authors attempt to investigate how different incentives affect the quality of work in such contexts, by completing the same task in three different environments: in a laboratory setting, on a social networking as well as on a crowdsourcing site. Analyzing the obtained results indicates that under different incentives, different factors contribute to the quality of work in crowdsourcing tasks. In general the research highlights that the identification of factors contributing positively to higher quality of work in crowdsourcing environments is a complex question, depending on the task at hand.

1. INTRODUCTION

The rise of the web and its big impact to people's daily routine has created suitable conditions for new economic processes to emerge. In this respect, crowdsourcing can be considered as a fast-growing activity which involves division of labor for tedious tasks. It can be used to successfully address a great variety of tasks that include funding, reviewing, idea hatching as well as a general search for answers and solu-

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tions. In general, crowdsourcing is a process which obtains needed services, ideas, or content and looks for contributions from a large group of people, in the form of an online community, rather than from traditional employees and/or suppliers. The process of crowdsourcing is often used to subdivide tedious work by combining the efforts of numerous self-identified volunteers or part-time workers, where each contributor of their own initiative adds a small portion to the greater result (Howe 2006). Nowadays, it is often used for particular types of work such as translation services, microtasks, image tagging and transcription. (Estellés-Arolas et al. 2012).

Crowdsourcing has received in recent years the interest of researchers in various fields that aim to analyze, comprehend, assess and even improve this new form of labor and finally find strategies and frameworks in order to increase the quality of the work being done in high levels (Howe 2008). An overview of the general principles of crowdsourcing aimed towards achieving high quality of work is given by existing literature (Yuen et al. 2011).

Quality of work in crowdsourcing is the extent to which the provided outcome of the worker fulfills the requirements of the requester (Allahbakhsh et al. 2013: 76-81). In general, quality of work in such contexts is considered a subjective issue. That's why many researches try to propose various models and metrics to assess and ensure high the quality of work in such environments. With respect to the existing models, two approaches to achieving quality results can be identified: approaches based on the profile of individual workers and approaches focusing on the specification and design of the submitted task. Workers in crowdsourcing markets usually have different levels of expertise and experience and many times adjust their efforts according to incentives hence affecting the quality of the outcome. (Wang et al. 2013). On the other hand approaches focusing on task design (under which the requester describes the task that should be completed) consists of several components (task definition, user interface, granularity and compensation policy) which obviously affect the quality of the worker's result (Finnerty et al. 2013: 16-20).

In this paper we aim to address questions related to what factor affect the quality of work in crowdsourced tasks when these are performed under different incentives. The focus is in particular whether or not different incentives are associated with different factors influencing the quality of work (Chandler 2013:123-133). Towards this, we conducted experiments where the same crowdsourcing task has been submitted under three different incentive schemes and compare the quality of work received.

This paper is structured as follows. In the next section we describe the task workers had to complete and present the three environments where the task was submitted. Consequently, we present the methodology and show the results of the analysis. The paper concludes with a summary and an some future research directions.

2. RELATED WORK

The literature suggests that the level of the quality of workers' results closely relates to the incentives of the participants as well as depends on the environment where the experiments take place (Kaufmann et al., 2011:340). In existing literature, motivation in participating in crowdsourcing tasks can be divided in two categories: intrinsic and extrinsic (Thompson et al. 1999:25-37). Intrinsic motivation exists if an individual is activated because of his/her seeking for the fulfillment generated by the activity (e.g. acting just for fun). In the case of extrinsic motivation the activity is just an instrument for achieving a certain desired outcome (e.g. acting for money or to avoid sanctions). (Thompson et al. 1999) showed

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that, in general, extrinsic motivation is generally stronger than intrinsic motivation concerning the use of Internet while (Brabham, 2008) showed that the possibility of earning money (extrinsic motivation) is the most dominant factor to participate in crowdsourcing platforms, followed by the generated fun (intrinsic motivation). On the other hand the research of (Kaufmann et al., 2011) showed that there are cases in crowdsourcing environments where many intrinsic factors seem to dominate the extrinsic ones. Finally (Rogstadius et al. 2011:321-328) presented a study in which the effect of extrinsic and intrinsic motivators on task performance was estimated. The study concluded that work accuracy can be improved significantly through intrinsic motivators, especially in cases where extrinsic motivation is low. In general, existing research point out the positive role that intrinsic and extrinsic motivation play in crowdsourced tasks. However, the question of how motivational aspects can be influenced or triggered by the design choices of the crowdsourcing requester i.e. how a task has to be designed so as to motivate only specific groups of workers, which can guarantee a desired level of quality of work, is not addressed.

3. MODELING FRAMEWORK

The goal of the research reported in this paper is to investigate the incentives that affect the quality of the results in crowdsourced tasks. Towards this, we have selected the form of the experiment to be related to the task of transcription. In particular, the experiment was designed to welcome answers from the participants for addressing the problem of Mondegreen (Wikipedia 2014). The term Mondegreens describes misperceptions as defined by "slips of the ear", denoting that an utterance is perceived differently to what has actually been said. In general, the analysis of these misperceptions permits a deeper insight into speech processing in the human brain (Meyer et al., 2011: 926-930). This phenomenon is very widespread in music, when a person mishears or misinterprets the lyrics of a song.

In particular, in the context of our research we tried to examine whether or not different incentives in crowdsourcing environments can affect the quality of results in transcription tasks. In addition, the research aims to identify factors that may increase or decrease the quality of crowdsourcing results in three different environments: i) in a controlled laboratory setting with university students, ii) on a popular social networking site (Facebook) and iii) on a crowdsourcing platform (microworkers.com) (Hossfeld et al. 2014: 541 –558). The experiment aims to investigate intrinsic as well as extrinsic motivations: while the experiment in the laboratory and on the microworkers.com environments are extrinsically motivated, the experiment on the social networking site Facebook is intrinsically motivated.

4. METHODOLOGY

In order to investigate better the factors that either raise or reduce the overall quality perception, we firstly outline the setup of the research (Brabham, 2008:75-90).

The first experiment was conducted in a controlled laboratory setting of 44 first year undergraduate students of the department of Economics at the University of Patras, which resulted in 44 distinct answers. At first, the students had to fill out a demographic survey which included also questions related to their personality. Subsequently, the students were allowed to listen to an unknown music sample having duration of 32 seconds. The music sample contained eight verses with a total of 42 English words. The students were asked to listen to the music sample as many times they wanted in a two hours period and

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write down the words they think they heard and were asked to submit their answers. In order to motivate participation, students were told that the quality of their work would be taken into consideration –as a weighted factor- for their final grade.

The same experiment was conducted in two more environments: on the social networking site Facebook and on the crowdsourcing platform Microworkers (microworkers.com) in which the experiment was conducted under two different settings: one setup which solicited contributions from workers from all over the world called "international setting" and one setup with a hired group of workers in which workers from certain eastern world countries were deliberately excluded, called the "western world setting". Eastern countries that were omitted, included Bangladesh, Pakistan, India, China, Egypt etc. The detailed lists of the workers' countries in both versions of the experiment are available in the appendix of this paper.

In each environment, workers participated in the same task with different incentives. While for students the incentive was the grade they receive (extrinsic motivation), on the crowdsourcing platform the incentive had the form of a monetary reward (extrinsic motivation). Participants in the experiment on the social networking site Facebook had no tangible reward (intrinsic motivation).

5. DATA ANALYSIS

5.1 Demographics

A total of 44 students participated in the laboratory setting of the experiment with the gender distribution shown in Table 1.

All participants were of Greek origin covering the age group 18-19. Likewise all had the same education level (all students had currently finished the first year of their undergraduate studies) and employment status (full-time students). In addition, each participant answered questions related to family monthly income, internet use, English language qualifications and their first contact with social networks. Participants were also asked questions about their personality using a standardized personality test. The following tables (Tables 2-7) summarize the data collected from the participating students in the laboratory setting.

With respect to questions related to their personality, these were based on the big five personality test principles (Extraversion, Emotional Stability, Agreeableness, Conscientiousness and Openness to Experience) (Linden et al. 2010:315-327).

Concerning the experiment conducted on the social networking site Facebook the total number of the participants was also 44 with the gender and age distribution shown in Tables 8 and 9.

On Facebook, all participants were also of Greek origin and employment status (full-time work) but differed in their education level as shown in table 10.

Table 1. Gender distribution of the laboratory experiment

Gender	Freq.	Percent	Cum.
Male	23	52.27	52.27
Female	21	47.73	100
Total	44	100	

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Table 2. Family Monthly Income of participating students

Monthly Income	Freq.	Percent	Cum.
Missing	18	40.91	40.91
<=750	2	4.55	45.45
751-1100 €	7	15.91	61.36
1101-1450 €	6	13.64	75
1451-1800 €	1	2.27	77.27
1801-2200 €	2	4.55	81.82
2201-2800 €	3	6.82	88.64
2801-3500 €	2	4.55	93.18
>=3501	3	6.82	100
Total	44	100	

Table 3. English qualification levels of participants

English diploma	Freq.	Percent	Cum.
Missing	3	6.82	6.82
No Degree	2	4.55	11.36
Competency	20	45.45	56.82
Advanced competency	3	6.82	63.64
Proficiency	16	36.36	100
Total	44	100	

Table 4. Home Internet access of participants

Home Internet Access	Freq.	Percent	Cum.
Yes	12	27.27	27.27
No	32	72.73	100
Total	44	100	

Table 5 Internet access in primary school of participants

Internet Access in primary school	Freq.	Percent	Cum.
Yes	15	34.09	34.09
No	29	65.91	100
Total	44	100	

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Table 6. Internet access in high school of participants

Internet Access in middle school	Freq.	Percent	Cum.
Yes	41	93.18	93.18
No	3	6.82	100
Total	44	100	

Table 7. Internet access in high school of each participant

Internet access in high school	Freq.	Percent	Cum.
Yes	43	97.73	97.73
No	1	2.27	100
Total	44	100	

Table 8. Gender of the Facebook participants

Gender	Freq.	Percent	Cum.
Male	17	38.64	38.64
Female	27	61.36	100
Total	44	100	

Table 9. Age distribution of the Facebook participants

Variable	Obs	Mean	Std. Dev.	Min	Max
Age	44	25.81	3.53	18	33

Table 10. Education level of Facebook participants

Education level	Freq.	Percent	Cum.
Certificate program	1	2.27	2.27
High School Degree	10	22.73	25
Education and Training Institute Degree	2	4.55	29.55
Technological Educational Institution Degree	7	15.91	45.45
University degree	8	18.18	63.64
Technical University	6	13.64	77.27
Master's Degree	9	20.45	97.73
Doctorate	1	2.27	100
Total	44	100	

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Regarding the experiment conducted on the crowdsourcing site microworkers.com we had some noteworthy differences in the gender, age and education level as shown in the following tables (Tables 11, 12 and 13).

The participants on the crowdsourcing site microworkers.com had to answer also a question about their education level. The following tables (Tables 14 and 15) show the received answers.

Table 11. Gender of the microworkers.com participants (International)

Gender World	Freq.	Percent	Cum.
Male	41	83.67	83.67
Female	8	16.33	100
Total	49	100	

Table 12. Gender of the microworkers.com participants (Western world)

Gender western World	Freq.	Percent	Cum.
Male	29	59.18	59.18
Female	20	40.82	100
Total	49	100	

Table 13. Ages of the microworkers.com participants (International)

Variable	Obs	Mean	Std. Dev.	Min	Max
Age (world)	49	26.63	5.99	18	49
Age (West)	49	30.02	8.46	20	59

Table 14. Education levels of microworkers.com participants (Intl)

Edulev World	Freq.	Percent	Cum.
No informations provided	2	4.08	4.08
No degree	1	2.04	6.12
High School degree	8	16.33	22.45
Junior college degree	2	4.08	26.53
Bachelor's degree	24	48.98	75.51
Some graduate school	4	8.16	83.67
Master's degree	7	14.29	97.96
Post doctorate program	1	2.04	100
Total	49	100	

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Table 15. Education levels of microworkers.com participants (Western)

Edulev World	Freq.	Percent	Cum.
No informations provided	1	2.04	2.04
No degree	2	4.08	6.12
High School degree	9	18.37	24.49
Junior college degree	4	8.16	32.65
Bachelor's degree	14	28.57	61.22
Some graduate school	2	4.08	65.31
Master's degree	7	14.29	79.59
Post doctorate program	10	20.41	100
Total	49	100	

A first look at the retrieved data reveals that participants in the international setting on the crowdsourcing website had a lower educational level (75.51% have a bachelor level degree) than the western only participants on the same website (61.22%).

One last variable which was examined was the number of times participant listened to the song ("Number of repeats") before entering their final answer in each of the four experiments (Table 16).

This factor is important in order to estimate the efforts of the participants in providing the lyrics. As can be noticed, the mean number of the repeats in the laboratory setting is the highest (on average 16.5 repeats) in relation to the other experiments conducted on Facebook and in both settings on the microworkers.com platform (on average 7.59, 6.45 and 5.76 repeats respectively).

5.2 Experiment Results

5.2.1. Initial Results

In the laboratory setting of the experiment, 44 participants provided 44 answers for a music sample with duration of 32 seconds. In general, the quality of results was satisfactory ($\bar{x}$ near to 0.7). More detailed descriptive statistics are presented on the following table (see Table 17, Figure 1).

In addition we examined possible correlations between the observed variables. The first results showed that the quality of results in the laboratory setting is positively correlated with the students' demographic and educational levels. For example the correlation between the students' results and the

Table 16. "Number of repeats" variable in each experiment

Number of Repeats	Obs.	Mean	Std. Dev.	Min	Max
Laboratory	44	16.5	10.56	2	50
Facebook	44	7.59	4.43	2	20
Microworkers International	49	6.45	5.90	1	23
Microworkers Western	49	5.76	3.89	1	16

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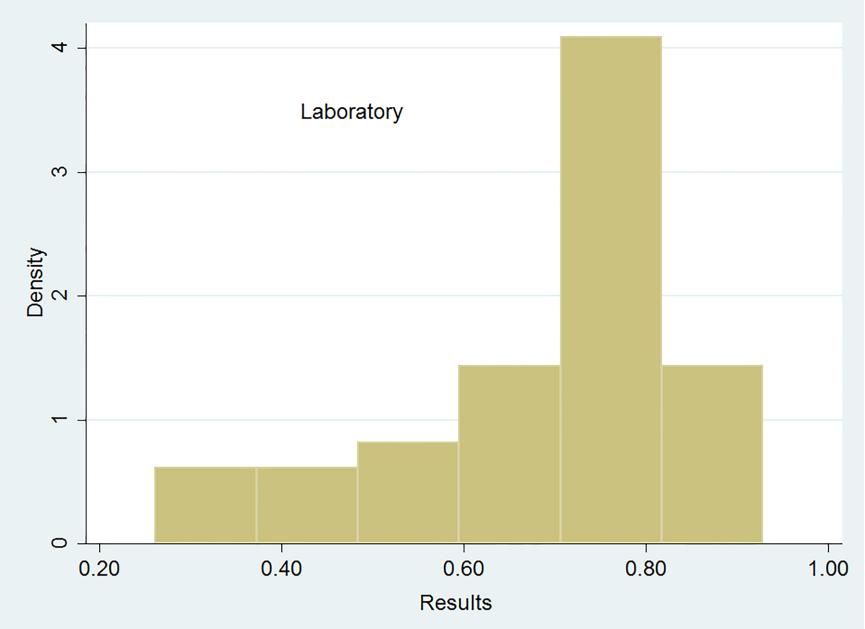
Table 17. Descriptive statistics of the provided answers. The minimum percent of lyrics correctly identified by the participants is 26% while the maximum is near to 93% on total of 44 observations

Variable	Obs	Mean	Std. Dev.	Min	Max
Results	44	0.69	0.16	0.26	0.93

Figure 1. Distribution of the success rate in the laboratory experiment



gender (male, female) was marginally statistically significant at the 5% level of significance (r= 0.095, p= .045). Moreover the correlation between the students' results and their qualifications in English (on the scale: No degree, competency in English, advanced competency in English, Proficiency in English) is very strong against the null hypothesis and the right hand variable is positively correlated to the left hand variable (r=0.033, p<.001).

In the social networking setting (Facebook) of the experiment, 44 participants provided 44 answers for the same music sample with duration of 32 seconds. The quality of results received was ($\bar{x}$ near to 0.75) as well as their volunteering will to participate. More detailed results are presented on the following table (see Table 18, Figure 2).

Table 18. Descriptive statistics of answers in the Facebook experiment. The minimum percent of lyrics correctly identified by the participants is 20% while the maximum is near to 95% on total of 44 observations

Variable	Obs	Mean	Std. Dev.	Min	Max
Results	44	0.75	0.18	0.20	0.95

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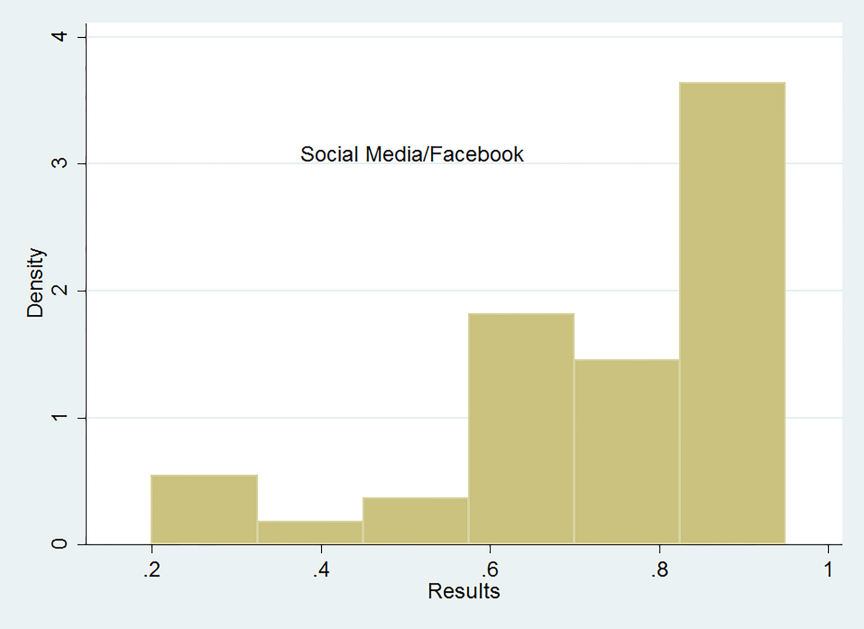
Figure 2. Distribution of the success rate on Facebook



The results showed that the answers provided by Facebook users had also a positive correlation with several variables. The correlation between the participants' results and the age variable (age<25) is marginally statistically significant at the 10% level of significance and the right hand variable is negatively related to the left hand variable (r= -0.106, p= .061). Moreover the correlation between participants' quality of results and their English qualifications (considering the levels competency and advanced competency in English) is strongly against null hypothesis differing in the sign of the coefficient (r= -0.128, p= .020 & r= 0.135, p<.001 respectively). Lastly but most importantly the data indicates that there is a statistical significance between the quality of results and the acquisition year of their English qualifications. More specifically in this context the results show that p<.090 (statistically significant at the 10% level of significance) and r= -0.156 indicating that the quality of results drop the longer participants are in possession of an English qualification degree.

The microworkers.com experiment was conducted under two different settings, based on the country of origin of participants.

In the first experiment setup, workers from all over the world were allowed to participate in the experiment. In this setting, a total of 49 participants (34 from eastern and 15 from western world countries) provided 49 answers for the same music sample with duration of 32 seconds. In general, the quality of results was not satisfactory ($\bar{x}$ near equal to 0.4). More detailed statistics are presented on the following table (see Table 19 and Figure 3).

This analysis showed that the quality of results in this setting is positively correlated to several variables. We constructed a new variable which contained the highly educated workers i.e. workers who have graduated from a certificate program. The correlation between the quality of results and the worker's education level (Table 15) was marginally statistically significant at the 10% level of significance and the right hand variable is positively correlated to the left hand variable (r= 0.115, p= .071). The analysis

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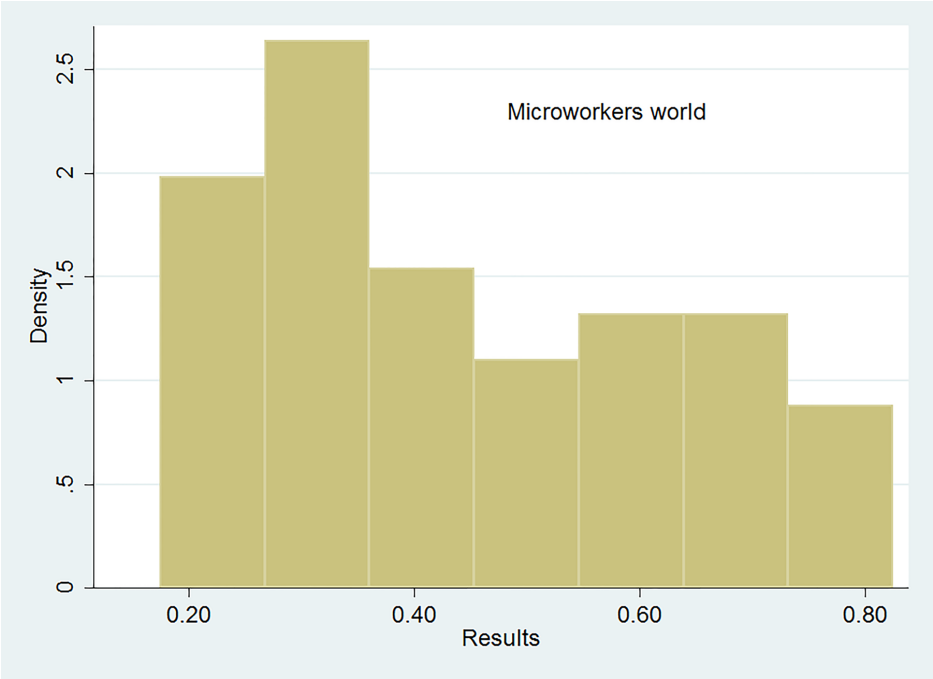
Table 19 Descriptive statistics of the provided answers in the international setting of the experiment on microworkers.com. The minimum percentage of lyrics correctly identified by the participants is 18% while the maximum percentage was 83% in a total of 49 observations

Variable	Obs	Mean	Std. Dev.	Min	Max
Results	49	0.44	0.19	0.18	0.83

Figure 3. Distribution of the success rate microworkers.com (International)



also shows that with respect to advanced competencies or proficiency in English of participants, the quality of results is statistically strongly correlated at the 5% level of significance (r= 0.002, p= .034). Moreover a correlation at the 10% significance level was observed with the computer literacy levels of workers (r= 0.126, p= .067). Finally, it was the only experiment in which revealed a marginally statistically significant at the 10% significance level between the quality of results and a factor from the Big Five Personality test (r= 0.005, p= .098). In particular, a marginally statistical significance was observed with the factor "plasticity" which encompasses extraversion and openness to experience and refers to the extent to which a person actively searches for new and rewarding experience, as it is the case in the conducted experiment. (DeYoung et al. 2002: 1138-1151)

In the second setup, we excluded workers from certain countries from participating in our experiment based on research that indicated that workers from eastern world countries (specially countries from Asia) are low- trained to crowdsourcing and provide low quality of services (Khanna et al. 2010) due to several factors related to their way of life (Gupta et al. 2014: 1-11). A total of 49 participants from western world countries provided 49 answers for the same music sample. The quality of results was satisfactory and in general better in comparison to the results received from workers in the international

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setting of the experiment ($\bar{x}$ near equal to 0.64). More detailed results are presented on the following table (Table 20, Figure 4).

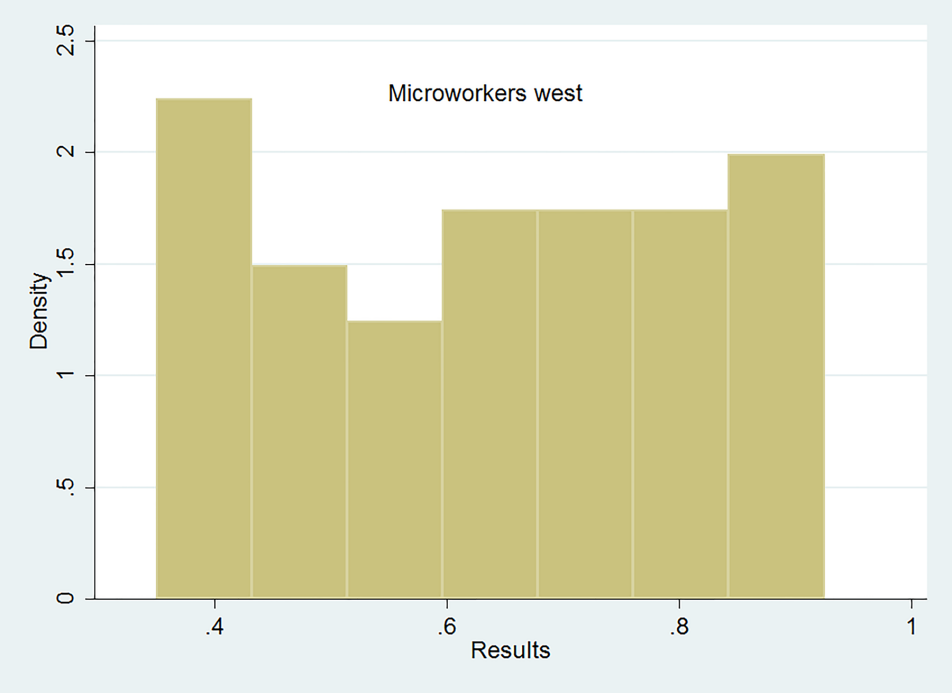
In this case of the experiment, we initially constructed additional variables in order to investigate correlations with combined effects. These variables included: "young participants", which are defined as participants less than 30 years of age, "young males" which captures males less than 30 years of age as well as a variable capturing participants with at least advanced competency level in English qualifications ("advanced competency in English"). The correlations observed between the quality of results and those constructed variables are shown below:

- With respect to the variable "young participants" (age<30), the quality of results was statistically significant at the 5% level of significance and the right hand variable was positively related to the left hand variable (r= 0.105, p= .037).

Table 20. Descriptive statistics of the provided answers in the western world setup of the microworkers.com experiment. The minimum percentage of lyrics correctly identified by the participants is 35% while the maximum percentage is 93%

Variable	Obs	Mean	Std. Dev.	Min	Max
Results	49	0.64	0.17	0.35	0.93

Figure 4. Distribution of the success rate on microworkers.com (Western world)



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- With respect to the variable "young male" (age<30 & male participants), the quality of results was statistically significant at the 5% level of significance and the right hand variable was positively related to the left hand variable (r= 0.116, p= .020).
- With respect to the variable "advanced competency in English", the quality of results was statistically strongly significant at the 5% level of significance and the right hand variable was positively related to the left hand variable (r= 0.159, p= .012).

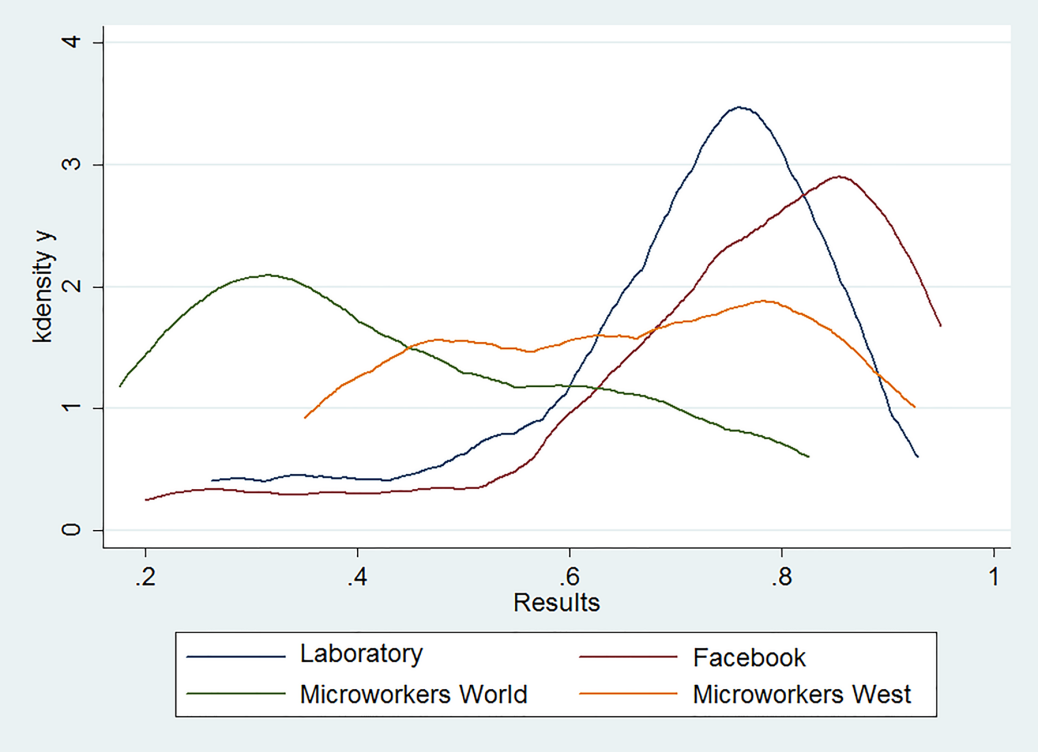
In this experiment the quality of results was not correlated with plasticity and the right hand variable was negatively related to the left hand variable (r= -001, p= .923).

5.2.2. Discussion

Figure 5 shows an overview of the quality of results obtained in each experiment presented previously.

As can be seen, the best results in terms of quality were achieved on Facebook (75% success rate on average) whose users are mainly motivated by volunteerism (Dolmaya 2011). In addition, the longest task completion time was also observed on Facebook (24 hours) as shown in Table 21. While this is an expected result, given the nature of the medium, it is noteworthy to point out that the task completion time on Facebook was comparable to the completion time on microworkers.com (22 hours), an environment dedicated to crowdsourcing tasks.

Figure 5. Overview of quality of results in all experiments



**For a more accurate representation see the electronic version.*

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Table 21. Overview data for each experiment

	Facebook	Laboratory	Microworkers (western world)	Microworkers (international)
Participants	Users	Students	Western world workers	International workers
Cost	None	None	41.06 $	41.06 $
Preparation time	Small	Considerable	Small	Small
Task completion time	24 hours	1 hour	10 hours	22 hours
Motivation	Fun, Contributing to research	Scaled-granting grade	Monetary reward	Monetary reward
Success rate	75%	69%	64%	44%

The study of motivation is primarily a behavioral science, the understanding of which depends on recognizing different motivational processes and how they operate (Reeve 2009). Reeve specifies four aspects through which human motivation is expressed (individual's behavior, engagement, physiology & self-report). In the context of our research, Facebook was studied on the basis of these aspects. However, the analysis of data did not reveal any correlation between the quality of results given by the participants and the big five personality test, a well-established tool for mapping the personality of the participants. In the conducted experiments, the quality of results was closely correlated with physiological aspects of participants -age and gender in particular - as well as their English language qualifications.

The experiment conducted in the controlled laboratory environment achieved 69% success rate on average with a maximum success rate of 93% which is the second best among the conducted experiments. When the participants came at the designated time, we first explained the tasks they needed to complete and were given one hour to accomplish the work. We answers received were highly correlated to gender and their English language qualifications. These outcomes show that besides extrinsic motives there are other factors at play that affect the quality result of a crowdsourced task. Hence, it is crucial to further investigate factors that influence the quality of results in crowdsourced tasks as proposed in (Shaw 2010).

The experiment conducted on the website microworkers.com exhibited a large deviation of results (success rate of 64% and 44% for western world and international participants respectively), which raised many questions with respect to the factors that affect the quality of results on such platforms. In the case of the experiment on microworkers.com in the international setting, the participation of workers from eastern countries such as India, Bangladesh, and Nepal etc. decreased the quality of the results by 20% compared with the experiment conducted with participants from the western world. It is already known that the purpose and motivation of workers in crowdsourcing websites differs, due to demographics and the conditions of living. (Ipeirotis 2010). The workers, which participate on crowdsourcing platforms, originating from western countries such as USA and Germany are mainly young and highly-educated females, with 40% earning more than $40,000 per year, while workers originating from countries such as India and Bangladesh are mostly middle-aged males with middle education level and an annual income less than $10,000 (Rose et al. 2010: 2863-2872). Such observations explain the different reasons these workers participate in crowdsourcing tasks: while the former participate on crowdsourcing platforms and respond to open calls for work in order to earn extra supplementary income, the latter workers participate to earn wages in order to make ends meet or even make a full-time living. (Gupta et al. 2014)

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Last but not least this deviation of successful results may be also explained by examining the English language qualifications. The nature of the posted crowdsourcing task is highly associated with a high competency in the English language. It is known that workers from western countries such as USA and European countries are in general competent in the English language (for some countries English is even the official language) while in the Eastern world the knowledge of the English language is rather limited (Gupta et al. 2014:1-11). This factor has consequences not only in carrying out certain requested tasks (such as transcription) but also in understanding the description of the submitted tasks. In general, western world workers have an advantage in understanding better the requirements and the work to be done compared to eastern workers, which may misunderstand or misinterpret the description of tasks.

6. CONCLUSION

Investigating the factors that contribute to the quality of results in crowdsourced work under different incentive schemes is today an important and still open issue. Towards addressing such questions, we conducted three experiments where the same task was submitted to three different environments featuring different incentives and assessed the quality of work received. The submitted task fell under the subject of Mondegreens.

The analysis of results revealed that some factors had great impact on the quality of results in all contexts, independently of incentives. This includes factors such as English language qualifications, where higher qualifications were associated with better quality of results. In general, formal foreign language certifications seem to be a good proxy for language knowledge indicating that they can be used as a mean to achieve good results in relevant tasks.

While such observation might sound rather straightforward and trivial some findings were rather unexpected. The obtained results indicate that under different incentives, different factors contribute to the quality of work in crowdsourcing tasks. In the laboratory setting of the experiment, gender seems to marginally correlate with the quality of results. On Facebook, high quality results were associated with young age (< 25), while in the international setting of the experiment on the microworkers.com website, high quality results were associated with higher level of education of participants and the plasticity factor of the Big Five personality test. Finally, in the western world setup of the microworkers.com experiment, correlations were observed with the age (<30) of participants.

The high quality results obtained on the social networking site Facebook, motives further questions related to how intrinsic motivations function and how these affect the quality of results. In addition, it raises questions related to whether or not social media sites in general can offer the appropriate context to conduct crowdsourcing tasks. While our results indicate that social media sites like Facebook can compete with -in terms of quality of work - or even outperform platforms offering crowdsourcing services, the question of their ability to cope with crowdsourcing sites and if so, under what circumstances, is still open.

Finally, the research presented highlights also the question why participants from certain countries achieve in general a low quality score, independently of the offered incentives. In particular, research should focus on how the conditions of work in these countries (in terms of culture, infrastructure, educations, cost of living, income etc.) affect the day-to-day engagement with crowdsourcing related tasks and how much impact such aspect have on the quality of the final work carried out.

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APPENDIX

Table 22. List of workers' countries in 'international setting'

Country of origin (international)	Freq.	Percent	Cum.
Canada	1	2.04	2.04
USA	4	8.16	10.2
Romania	4	8.16	18.37
Bulgaria	2	4.08	22.45
Serbia	2	4.08	26.53
Australia	1	2.04	28.57
Sri Lanka	2	4.08	32.65
Germany	1	2.04	34.69
Nepal	5	10.2	44.9
Bangladesh	20	40.82	85.71
India	7	14.29	100
Total	49	100	

Table 23. List of workers' countries in 'western world setting'

Country of origin (Western countries)	Freq.	Percent	Cum.
Canada	2	4.08	4.08
USA	9	18.37	22.45
Algeria	3	6.12	28.57
UK	4	8.16	36.73
FYROM	4	8.16	44.9
Romania	10	20.41	65.31
Bulgaria	2	4.08	69.39
Portugal	1	2.04	71.43
Belgium	1	2.04	73.47
Serbia	5	10.2	83.67
Croatia	1	2.04	85.71
Jamaica	1	2.04	87.76
Czech	1	2.04	89.8
Philippines	1	2.04	91.84
Maroco	1	2.04	93.88
Bosnia & Herzegovina	2	4.08	97.96
Hungary	1	2.04	100
Total	49	100	

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Chapter 75
Critical Success Factors in Enterprise 2.0:
The Importance of Business Performance

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ABSTRACT

While evangelists and enthusiasts of Enterprise 2.0 praise the benefits of the use of social software in the workplace, the sceptics are not that convinced and some draw attention to the failures of the Knowledge Management concept and tools that were trendy some years ago. In parallel, board members and top management question the true business benefits of Enterprise 2.0 and demand proof of the potential business value prior to giving a green light to this type of investment. If it is true that some of the benefits of Enterprise 2.0 are intangible and therefore harder to measure, the impact on business performance should be observable and consequently measurable. This chapter reflects on the importance of addressing the topic of business performance when it comes to social software in the enterprise. It also discusses the importance of integrating social software into the flow of work in order to drive adoption and sustained use.

INTRODUCTION

The enterprise of the 21st century will be a connected entity: one that leverages internal and external networks of people and knowledge to gain competitive advantage and face the increasing challenges of a highly mutable external environment.

The profound economy crisis, coupled with a deep social unease, has set the scenario for the rethinking, on a global scale, of the future of public and private institutions, of society as a whole and of work. Individuals and groups' opinions and actions are all being shared and amplified via a new generation of media—social media—that has given voice at a large scale to previously anonymous people. As authors Hagel, Brown and Davison (2010) recently said in their recent book The Power of Pull "each of us,

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individually and together, are now, for the first time in history, in a position to collaborate in a complete reimagination of our biggest private- and public-sector institutions that will eventually remake society as a whole" (p. 159).

Authors such as Don Tapscott and Gary Hamel have well described some of the key concepts that will influence the future of organizations and work: openness, connectedness, mass collaboration, agility, and transparency. And social tools are playing an important part in enabling this internal and external connectivity and collaboration in companies big and small. For both leaders and employees the construction of the new enterprise presents new opportunities, but also new challenges and new work concepts to grasp, creating a mixture of excitement and fear.

A key concept in the modernization and adaptation of the enterprise to the challenges it will increasingly face is that of Enterprise 2.0: the deployment of Web 2.0-style tools (social software) and practices with the purpose of fostering collaboration and collective intelligence inside organizations.

But while evangelists and overall enthusiasts of Enterprise 2.0 praise the benefits of the use of social software in the workplace, the sceptics are not that convinced and some draw attention to the failures of the Knowledge Management concept and tools so trendy some years ago. In parallel, board members and top management question the true business benefits of Enterprise 2.0 and demand proof of the potential business value prior to giving green light to this type of investment.

If it is true that some of the benefits of Enterprise 2.0 are intangible and therefore harder to measure, especially those related to employee satisfaction and engagement, the impact on business performance should be observable and consequently measurable, demonstrating to companies' executives the concrete value of Enterprise 2.0.

In this chapter, we look at the importance of tying Enterprise 2.0 projects to the topic of business performance, as a way of measuring value to the organization, and also the need for integrating social software in the flow of work, as a critical success factor when it comes to driving adoption.

ENTERPRISE 2.0: CURRENT CHALLENGES

Andrew McAfee (2009) wrote in his Enterprise 2.0 book about one of the big shifts witnessed from Web 1.0 to Web 2.0 which was "the realization that software could be social – that in addition to making individuals more productive and automating away their roles in a process, software could and should be used to let people find one another and form communities" (p. 139).

Several years before, in the spring of 2006, the same McAfee published in the MIT Sloan Management Review magazine an article entitled Enterprise 2.0: The Dawn of Emergent Collaboration. The article, taking on the example of the investment bank Dresdner Kleinwort Wasserstein (DrKW) to reflect on the use of Web 2.0 tools inside organizations, is generally viewed as the text that coined the Enterprise 2.0 expression. And it opened up with a question: "Do we finally have the right technologies for knowledge work?" (McAfee, 2006, p. 21). That article is said to be one of the first case studies that shows how the use of software—in the particular form of social software—could help an organization work and share knowledge in a more efficient and human way.

Several years have passed now but the concept, its frontiers, advantages and challenges are still being discussed and researched, as more and more companies use the so-called social tools internally and report their experience and results.

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And several years after that groundbreaking article the division persists: on one side the evangelists and overall enthusiasts of Enterprise 2.0 praise the benefits of the use of social software in the workplace, while on the other side the sceptics are less convinced and compare it to the promise, to many undelivered, of the Knowledge Management tools and practices some years ago.

Miller, Marks and DeCoulode (2011) from The Deloitte Center for the Edge state that Enterprise 2.0 is very different from traditional Knowledge Management methodologies and tools as the use of social software inside companies allows them to go one step further. With Enterprise 2.0 tools and methodologies, companies can actually create new knowledge whereas Knowledge Management was usually confined to the capture and sharing of existing knowledge.

But if it is true that Enterprise 2.0 draws on something that Knowledge Management seemed to miss – the importance of human-to-human interactions and conversations (thus the social component) in sharing tacit knowledge, the hardest form of knowledge to capture, and as well as in creating new knowledge – it is also true that some, if not most, of the social software experiences inside the enterprise are failing to deliver the expected adoption rates and return on investment (ROI).

Many Enterprise 2.0 projects are just pushed at executives, middle-managers and employees as Knowledge Management 2.0 projects or as a new way to communicate, with very little focus on performance improvement (Miller, Marks & DeCoulode, 2011).

In parallel, board members and top management usually question the true business benefits of Enterprise 2.0 and demand proof of the potential business value prior to supporting groundswell initiatives or to giving green light to investments in more customized and comprehensive (hence costly) platforms. As McKinsey stated in their late-2010 research on the use of social tools for business "management is trying to understand if they are a passing fad or an enduring trend that will underwrite a new era of better corporate performance" (Bughin & Chui, 2011, p. 2).

John Stepper, collaboration and social media evangelist at the Deutsch Bank, told the audience of the 2011 Enterprise 2.0 conference in Boston how his pitch for senior executives, asking for an investment sum for an enterprise platform and a small team, was received with the following reaction: "What problem are you trying to solve?" (Stepper, 2011, para. 11). This example helps to demonstrate the point of this chapter: the impact on business performance, including problem solving issues, should be considered from the outset when it comes to planning and implementing an Enterprise 2.0 project. And for that impact to be accomplished and noticeable, adoption of these social tools in the context of how work gets done is essential. For this matter, social software needs to be integrated into business processes and in the flow of work.

ENTERPRISE 2.0 AND BUSINESS PERFORMANCE

Current Challenges and Considerations in Enterprise 2.0 Implementation

As with any other concept or technology, implementation and adoption are two key issues when discussing Enterprise 2.0. The big questions of what (a single Enterprise 2.0 platform or several applications that can be integrated), how (bottom-up or top-down approach; led by managers or led by the IT department; starting with a small pilot project or going enterprise-wide) and when (advance now or wait until some applications and players mature) naturally emerge. But most importantly, organizations should start by defining why: what are the key goals of an Enterprise 2.0 project.

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Before diving into the topic of the why, the key focus of this chapter, let us explore briefly the topic of the what—the technology side of the Enterprise 2.0 project—leaving aside the how and when, less relevant for this particular discussion.

Understanding the different capabilities that social software enables, and in turn the impact of each technological functionality in enabling those capabilities, is very important when it comes to defining the technology focus of an Enterprise 2.0 project. Different authors look at these capabilities and tools from different perspectives, thus generating distinct frameworks.

Cook (2008) classified the different functionalities according to four Cs—communication, cooperation, collaboration, and connection—placing them on a matrix formed by two axes: the level of interaction enabled by a certain technology and the level of formality required by each technology. According to Cook, connection and collaboration require more formality than communication and cooperation mainly because they rely on people doing things in a more structured way. And collaboration and cooperation require higher levels of interaction because they have a higher focus on group than on individuals.

The two axes of interaction and formality, and the resulting four quadrants, thus serve as a guide for companies to prioritize the introduction of different forms of Enterprise 2.0 software (deciding where to focus their time and effort) into their organizations. For that, consider that interaction refers to the relations between different groups inside a company, and that formality looks at the organizational structure of that company. So, a company with predominantly formal organizational structures and a culture of group interaction will benefit most from software that enables collaboration. Similarly, an organization with an informal structure and a culture that rewards individual effort may prefer to invest in tools for communication purposes.

The framework by Miller et al. (2011) from The Deloitte Center for the Edge outlines five main capabilities: identifying expertise, facilitating cross-boundary communication & conversation, preserving institutional memory, harnessing distributed knowledge and discovering emerging opportunities. Each capability can then be more or less enabled depending on the technology functionalities employed. For example, social networking functionalities are very relevant for identifying internal expertise but not so much for preserving institutional memory. Wikis, on the other hand, are particularly relevant when it comes to preserving institutional memory but less adequate for facilitating cross-boundary communication & conversation.

So Miller et al. (2011) have also put together a matrix that combines the five main capabilities with the different categories of social technology (wikis, blogs, etc.), with an indication, using a relevance scale that goes from not applicable to high, of the fit between a certain capability and a certain tool. When compared to the framework proposed by Cook (2008), this matrix seems grounded on concepts that are more concrete, and therefore easier for executives to understand and use.

Nonetheless, whatever framework a company uses as a guide, it should first think about the objectives that an Enterprise 2.0 project will help enable and only then return to the chosen framework in order to understand the pieces of technology (blogs, wikis, etc.) that need to be deployed.

Coming back to the topic of the why, usually the main driver of an Enterprise 2.0 project, common to the vast majority of companies, will be to harness their internal collective intelligence, preparing the company for the connectedness demanded by the challenging environment of the 21st century, and trying to derive an important competitive advantage. Nevertheless, and in order to achieve this key long-term goal, an Enterprise 2.0 project will need to serve some smaller and short to medium-term objectives that help prepare for the future accomplishment of the greater strategy. No organization transforms itself overnight into a 21st century connected entity. Enterprise 2.0 is a road, not a destination. So companies

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usually set goals such as improving knowledge sharing and collaboration internally, breaking down departmental or geographical silos, and improving ideation and innovation processes. A new way of working, collaborating and sharing knowledge in the medium run is thus generally the overall aim.

But as Marks and Patel (2010) recently pointed out, using social software to help enable the values of transparency, openness, agility and collaboration, key factors of the future of work and businesses, whilst generating value to the business, together with managing the envisioned change in the way employees work and share knowledge, can be extremely challenging.

An Enterprise 2.0 project will have to solve specific business problems that are currently preventing an organization from reaping the benefits of their collective thinking: it will pave the road to guarantee a smooth ride. So companies should first start by identifying opportunities for improvement, or business problems that need to be addressed, and then evaluate how an Enterprise 2.0 project could help bridge the gaps. Only after defining the objectives can a company think about the how, what and when. But identifying the specific problems that these new social technologies will help solve, and defining the metrics and methods to measure the efficiency of these projects from a business perspective, are two key challenges often cited. So, where do companies start?

Current Research and the Importance of Business Performance

The topic of the use of social software inside companies and business performance has been address in one way or the other in recent research. At the beginning of 2011 Gartner's research of 200 successful social media implementations indicated that, when it came to the use of social tools inside organizations, "pursuing collective intelligence to achieve operational effectiveness is one of the most successful social media adoption trends" (Gartner, 2011, para. 6).

The consultancy company McKinsey has been doing some important, and pioneering, work in trying to sense and evaluate the impact of Web 2.0 in the enterprise, conducting an annual worldwide survey on the use of social tools for internal and external purposes (in this last case, connecting and collaborating with stakeholders such as customers or suppliers). In the 4th edition of their annual survey, McKinsey asked respondents to report measurable business benefits obtained from the use of these social tools for business. Amongst organizations using them for internal purposes, 40% reported a decrease in operational costs and 29% a reduced time to market for products and services (Bughin & Chui, 2010).

But why is it important to address the topic of business performance and operational efficiency when considering the use of social software inside the enterprise? Isn't business performance being accounted for by existing technologies? What could be the impact of these social tools in operational efficiency?

Marks and Patel (2010) pointed to something that helps frame the issue: when it comes to repeatable and clearly defined business processes, current technologies in place seem fairly capable of contributing to operational efficiency, aiding workers in their day-to-day tasks. But challenges arise when exceptions that disrupt the clearly defined processes emerge, calling for human intervention, brainstorming and collaboration, many times with the need to go beyond the boundaries of departments or business divisions to find the right solutions or internal expertise. This same view on the deficiencies of existing technologies to cope with the challenges of managing the 21st enterprise is shared in the research of Miller et al. (2011). And here is precisely where social software inside the enterprise can make a difference: it can help employees reach for valuable weak ties inside their organizations.

In the article "Managing the 21st Century Organization," Krebs (2007) demonstrated the value of using social network analysis inside companies to visualize the networked enterprise: the representation

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of how individuals and teams inside organizations are really connected and how knowledge is shared. In a nutshell, visualizing how work really gets done when we look beyond the hierarchical representation of a company. As Krebs (2007) noted, "an organization's knowledge sharing and learning are often informal processes dependent upon social ties for transmission" (p. 3), adding an important reminder that "better connections are those that provide you access to nodes that you currently do not have access to." (p. 4).

The importance of these so called weak ties has been stressed in the work of Granovetter (1973) that in his paper The Strength of Weak Ties concluded that "weak ties... are here seen as indispensable to individuals' opportunities and to their integration into communities." (p. 1378). The concept of strong and weak ties resurfaced in the context of social tools inside companies in McAfee's 2009 book Enterprise 2.0. There McAfee (2009) explained that "the ability to form, maintain, and exploit weak ties and the ability to convert potential ties into actual ones (either strong or weak) are both hugely valuable assets, both to individuals and to enterprises in which they work." (p. 88).

Social software is an important enabler of network connections inside an organization, especially amongst those colleagues that do not already form part of the same working groups or departments and thus rarely have the chance to connect (the weaker ties), this being particularly true in, but not exclusive of, large and geographically dispersed organizations. Truth is that many times the answer to an employee's business problem or the piece of information that she is looking for is already inside the organization, if only she knew who to contact. Reaching to a network of ties inside the company is especially valuable because an employee can speedily and in an agile way tap into those ties to get the answer she was looking for. And chances are that the answer is probably in a weak tie.

It is also true that we generally prefer to find and connect to another person when looking for help in addressing a certain problem or searching for a certain solution, more than just searching for and retrieving a document. The recommendation, help or knowledge of another colleague adds an important layer of context to a static piece of information. Semple (2007) emphasized the importance of context when in an article he wrote "having context in the question, context in the answer and the collective memory of your corporate meatspace, empowered by the mighty hyper-link, in between is hard to beat" (para. 5).

Coming back to the note made by Marks and Patel (2010) regarding how employees are dealing with exceptional situations that occur ever more frequently, meaning that they need to reach out to other colleagues in an agile and speedy way, and taking into consideration the importance of looking at the enterprise as a networked entity that needs tools to stimulate and enable that connectedness, we can see the important role that social tools can play inside companies. And, as we begin to understand, this important role of providing the connectivity tissue of an organization, giving context to information and strengthening social ties, can (and should) have an impact on business performance.

In 2011 the research from The Deloitte Center for the Edge explored the link between social software and business performance with greater detail, and the result can be summed up to this: "social software has the potential to address operational "pain points" and significantly enhance business performance in the short-term and transform it in the long-term" (Miller et al., 2011, p. 4). The *father* of the Enterprise 2.0 concept, Andrew McAfee, praised such a research for being "the first long-term, before-and-after data on Enterprise 2.0 that I'm aware of, and I'm grateful for the team's work" (McAfee, 2011a, para. 13).

The reason for focusing such a research on business performance is that The Deloitte Center for the Edge believes that if social software implementation does not impact business performance then it will fail to deliver concrete value to the organization. And if value cannot be achieved and measured, then the concept of Enterprise 2.0 will fall short of its promise. In other words, implementation of social software in the enterprise needs to go beyond the focus of what could be seen as vague goals (such as

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better collaboration and greater employee engagement), to more concrete objectives of improving business performance, especially in what concerns operational efficiency. And metrics need to go beyond adoption figures, like the number of users registered or the number of blog posts created, metrics that usually fail to capture frequency or sustained use, to metrics that show improved performance.

This is not to say that those adoption metrics, easier to track and share, are not valuable, nor that they should not be captured or shared. These adoption figures, together with small anecdotes derived from the first interaction of employees with the tools, form many times the first set of *success* stories told around the use of social software inside companies, acting as small *quick wins* to get other employees or departments to join the effort. They are many times the prime (and sometimes even the sole) material that internal evangelists can use to *spread the word*. But it should be noted that they shouldn't be the only set of metrics the company is tracking, or intends to track and measure, in order to understand the progress of the implementation of an Enterprise 2.0 project.

The focus on business performance is also important for another set of reasons. A research entitled Social Business Systems - success factors for Enterprise 2.0 applications, conducted in 2011 by the Association for Information and Image Management (AIIM), asked respondents what were the three biggest issues with Enterprise 2.0 applications in their respective organizations. Two of the three most cited issues were non-involvement of senior staff, referred by 36% of those surveyed, closely followed by too much social, not enough business, cited by almost 25% of respondents (AIIM, 2011). If senior staff fails to see the business value of these social tools in the enterprise, then they will surely not feel the appeal to participate. And they will also most certainly refrain from approving investments in this area, as the story shared by Stepper (2011) cited previously clearly showed.

But if the need to demonstrate business value is critical for getting the top management to approve investments in social tools, and also to guarantee their involvement and leadership by example when projects are implemented, employees too need to understand the value and impact that this new way of working will have in their daily work.

The top issue revealed from that same AIIM (2011) survey was the reluctance of staff to contribute. The reasoning here can be two-fold. First, the organization's culture—the beliefs, values, norms, and habits that embody the way things get done around here—may not be one that stimulates participation. Companies cannot expect to simply deploy the tools and have an army of employees eager to jump on board and share their knowledge (the build it and they will come belief has generally proven to be false).

Secondly, employees may not feel that contributing will help them in any way. In a time where they are expected to work under a more, better, faster motto, surrounded by an increasingly challenging competitive environment that demands them to be ever more agile and productive, the introduction of new tools that demand their attention, dedication and time without helping them improve their performance is doomed to fail. The new tools will become, sooner or later, just another component of an already complex landscape of enterprise applications, intranets and the like that seem to provide little real value when it comes to day-to-day tasks and problems. This topic will be addressed later in this chapter.

But if results from recent research point to the need of grounding Enterprise 2.0 projects to concrete business objectives, especially those related to business performance, how do companies determine exactly which objectives to tie in to the implementation of social tools? Again, the research of Miller et al. (2011) from The Deloitte Center for the Edge provides some important guidance. No one doubts that we currently face challenging times, with a fast pace of change that demands great adaptability and agility from organizations big or small. One of the consequences of this increasing pace of change, and the complexity it generates, is the growth in the number of exceptional situations that employees are

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faced with: situations that escape predefined and clearly mapped business procedures. Think of occurrences like a customer with a particular problem or requirement, demanding (or at least expecting) a speedy feedback and resolution.

These exception handling situations are increasingly frequent. Hagel and Brown co-authored an article for the Harvard Business Review Blog Network where they stated that "in our informal surveys, we have found that as much as two-thirds of headcount time in major enterprise functions like marketing, manufacturing and supply chain management is spent on exception handling" (Hagel & Brown, 2010, para. 12).

As had already been hinted in this chapter, this is one of the areas where social software brings great potential value to businesses by improving the access to people, data and knowledge not easily accessible in the context of clearly defined business processes. And it is, thus, a first and important lead of the linkage between social technologies inside the enterprise and business performance: improving agility and swiftness in problem solving when exceptions occur. In other words, improving speed and agility of response and therefore operational performance.

Miller et al. (2011) summed the importance of looking at this topic when they referred that "while social software can be applied against a variety of business challenges to yield performance improvement, exception handling offers one of the best opportunities to prove the concept and overcome skepticism" (p. 7). It is to say that the disruption and unbalance caused by the increase in exceptional situations impacting operational activities of organizations, consuming time and energy from employees that struggle to find the right resource or piece of information to deal with those exceptions, combined with the capabilities of social tools in solving those problems, set a powerful starting point when it comes to defining the purpose and key initial focus of an Enterprise 2.0 project.

So how would a framework for developing an Enterprise 2.0 project in light of the business performance focus look like? Companies should start by recognizing a situation (pain point) that could be addressed by social tools in the enterprise, identify the associated operating metric (and preferably also the related financial metrics), reflect on which social software capabilities are critical to help deal with that pain point, and only then think about the technology side of the equation. This is what Miller et al. (2011) call a focused implementation: one that starts by looking at a particular problem or difficulty, one that impacts business performance, and only then starts developing the basis for the Enterprise 2.0 project. "Clarity about goals brings clarity about means", wrote McAfee (2009) in his book on Enterprise 2.0 (p. 142).

The research by Miller et al. (2011) cites the example of OSIsoft, a US company developing enterprise software to manage real-time data and events, which used social software to improve an operating metric—average time to issue resolution—affected by the increasing difficulties of the customer support team in quickly providing accurate answers to customer questions. The company followed a focused implementation: identifying the capabilities that needed to be leveraged—identifying expertise, improving cross-boundary communication and conversation, preserving institutional memory, and harnessing distributed knowledge—and the corresponding social tools functionalities. The result? A 22% improvement in average issue resolution time and, according to that same research, "reductions in average time to issue resolution translated to cost savings and increased productivity" (Miller et al., 2011, p. 10), which means that the impact on an operational metric also derived benefits at the financial level.

Another starting point may be to begin looking for initiatives already underway in the company that can be substantially leveraged by the use of social software. Many companies, especially in manufacturing sectors, may already have internal communities of practice that get together to share and discuss best

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practices leading to overall operational improvements through cost savings or improved efficiency. These communities, especially in larger and geographically disperse organizations, can receive a significant boost in performance and agility with the use of social tools to facilitate contextual communication, discussion, and sharing. So an Enterprise 2.0 project should look internally for good examples of multi-disciplinary groups already working together towards performance improvement and collective problem solving and think: how can social software help gather momentum for these initiatives or make group discussions more nimble and rich?

Of course this approach needs to leave space for other important topics that are bound to be crucial in later stages of the project: scalability and emergence. There is the danger that an Enterprise 2.0 project that is too focused on the needs of certain areas of the company (in the case of a focused implementation as the one developed for OSIsoft those areas more closely related to customer service), will encounter difficulties when trying to scale to an enterprise-wide level.

Also, the 21st century enterprise, as an internal and externally connected entity, is one that evolves with the interaction of the different nodes and clusters in the network (Krebs, 2007). Think of life in perpetual beta but for organizations. This draws attention to the concept of emergence outlined by Hinchcliffe (2007) referring to a system that co-evolves with its users. In both cases the flexibility and adaptability of the chosen social tool is important and should also be considered from the outset of the project. Adapting a well-known mantra—start small, move fast, think big—we could think of Enterprise 2.0 as a start focused, move fast, think enterprise-wide project.

When it comes to measurement of results obtained, this is usually one of the most difficult items in many software projects, and an Enterprise 2.0 implementation, with the added complexity of being more than just a software project, is no exception. There is much discussion in the Enterprise 2.0 space around the topic of Return On Investment (ROI) and also around the lack of use cases that report more than just vague and cumulative adoption metrics such as the number of blog posts or entries to wikis. On this last issue some claim that if companies are deriving real competitive advantage from the internal use of social software then they may not be very open to publicly sharing their achievements, as author McAfee (2011a) emphasized.

Authors, such as Newman and Thomas (2009) sometimes distinguish between *soft* and *hard* benefits, the first set referring to metrics such as increased employees' productivity and satisfaction or better collaboration, usually captured via internal surveys or small anecdotes collected to help prove the validity and results obtained with the internal use of social tools. The second set usually includes benefits such as reduced email volume (communication moves from the inbox to the social tools), decrease in travel costs (as online collaboration improves) or increase in revenues from ideas generated using social software.

When it comes to measuring the impact on business performance, a focused implementation, starting with a clearly defined problem or pain point that has an associated operating indicator, gives a concrete indication on the key metric (or set of metrics) that should be tracked and evaluated. Of course one might question if concurring factors are easy to isolate. Was OSIsoft's performance improvement achieved only due to the use of social software? Could other factors be in fact contributing to this improvement? It is up to each company to try to isolate as much as possible the effects of the use of social tools from other also positive benefits.

A focused implementation seems to help address two key challenges discussed previously: the scepticism of executives regarding the benefits and impact of social software, and also the low level of participation by employees. As the research of Miller et al. (2011) indicated "showing how a social tool

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can improve an operational metric can prompt managers to use social software and to encourage their employees to use it as well" (p. 9).

But is employee adoption something that you dictate by mandate? If it is true that employees are likely to be more motivated to use a tool that directly addresses a problem (pain point) that they face in a certain business process, is this sufficient to encourage them to use it? This brings us to the topic of employee adoption.

Road to Adoption: Integrating Social Software Into the Flow of Work

The nature of the Enterprise 2.0 concept has always been grounded on principles of openness, emergence, willingness to participate and voluntary action. Social tools in the enterprise are usually non-obligatory, following an opt-in concept that accommodates for both the voluntary nature of the concept (people participate because they want to connect with colleagues, share their knowledge and expertises, and participate in online internal communities) and also for legal questions regarding individual privacy, especially in the European Union (Frappaolo, 2010).

Previously in this chapter we have seen how an AIIM (2011) survey pointed to the reluctance of staff to contribute as a top issue in what concerns Enterprise 2.0 adoption. The question is that an Enterprise 2.0 project that fails to reach, inside the organization, the equivalent of the Internet concept of critical mass, will hardly produce the expected results because it will be lacking a base of committed users that give life to a networked and user-generated ecosystem.

This means that adoption clearly matters. If so, how to drive adoption of social software inside an organization? Opinions diverge but overall there's a consensus that the strategy to get employees on board may be very different from one organization to another and, therefore, that no unique solution exists. Some companies, striving to break down information silos, may try to enforce the use of social tools as a substitute for email communications in the management of projects, for example, while others may opt for strategies of raising awareness to the benefits of the social tools vis-à-vis existing ones, though not enforcing them onto their workforce. Some companies may also tie some of the employees' incentives and rewards to their collaborative effort, measured through their contributions to the wikis, comments, and so forth.

But an important aspect needs to be taken into account: the company's culture may be one that does not stimulate employees' participation and therefore just throwing some technology at the problem will certainly not solve it. Some companies, understanding this, seem prepared to embark into a change management journey to adapt to a new way of working.

But another reason may help explain why many companies deploying social software internally usually report difficulties in adoption: in the words of Buczek (2011), a practitioner in the area of Enterprise 2.0, "the big failure of social business is a lack of integration of social tools into the collaborative workflow" (para. 3). This empirical view from someone responsible for leading an internal social collaboration effort for a large global enterprise is corroborated by the results of some research and by the opinions of many thought leaders in the field of Enterprise 2.0, such as Dion Hinchcliffe, Andrew McAfee, Bertrand Duperrin or Emanuele Quintarelli.

The motive seems quite straightforward: if social tools are yet another addition to the already complex puzzle of technology that employees have at work, usually consisting of a variety of systems, intranets and extranets with little integration between them, they will ask themselves how the new tools will improve their productivity and help them do their job. If they cannot find real value in them, the initial enthusiasm

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caused by the novelty of those social tools will quickly fade away as the normal rhythm of day-to-day tasks and challenges imposes itself. Sooner or later the project team of the Enterprise 2.0 project, in many cases stimulated by the initial uptake in the number of employees visiting or contributing to the internal digital social environment, will struggle to boost adoption rates or to maintain sustained rates of usage.

This argument was supported by the research done by the McKinsey Group in 2009 with their 3rd edition of the annual survey on the use of social tools for business. When reflecting on the results from that research, and on the conclusions they could draw on which were the key success factors for making social software work inside the enterprise, Chui, Miller, and Roberts (2009) clearly stated that "participatory technologies have the highest chance of success when incorporated into a user's daily workflow" (p. 4). In fact, 75% of respondents to McKinsey's survey that claimed to be observing measurable benefits from those technologies said that one of the most important practices for success of social tools for business was integrating the use of Web 2.0 into employees' day-to-day work activities (Bughin, Chui & Miller, 2009).

This conclusion was reinforced in the findings of the 4th edition of that same survey in 2010 when McKinsey's researchers, reflecting on the findings, suggested as a specific step: "integrate the use of Web 2.0 into employees' day-to-day work activities. This practice is the key success factor in all of our analyses, as well as other research we have done" (Bughin & Chui, 2011, p. 8).

The research from The Deloitte Center for the Edge, already cited in this chapter, studied social software adoption at Alcoa Fastening Systems, a global business unit of Alcoa that designs and manufactures fastening systems for the aerospace and industrial industries, and discovered that as employees realized that the use of the social tools helped them perform better at work, they integrated their use into the workflow (Miller et al., 2011). We shouldn't forget, however, that the project at Alcoa is an example of a focused implementation, with a clear emphasis on improving productivity and reducing exception handling, which could in fact favour employees' perception on the positive impact that the use of social tools could have in their daily work.

The research of AIIM (2011) pointed to the need of firmly embedding social tools in business processes and applications, as a means to guaranteeing adoption. Hinchcliffe (2011), reflecting on the integration and connection of social tools to the workflow, articulated that "the isolation of social business platforms from the key operational activities of the organization is increasingly understood as a root cause of slower adoption and lower relevance" (para. 4). These two authors take the concept of integration into the flow of work one step further, as embedding of social tools may imply the tight integration of a social dimension into existing processes and systems as Customer Relation Management (CRM), for example, giving rise to concepts such as social CRM that we will not explore in this chapter. This calls for a tighter connection between systems of records (tools such as Enterprise Resource Planning – ERP – or CRM where structured work gets done) and systems of engagement (social tools that strengthen ties and communication between employees).

McAfee (2011b) also explored the topic of the connection of what he called formal (structured and pre-defined) and informal (unstructured and emergent) work by claiming that "the digital environments that support the formal and informal work should also be very close to each other, either within the same application or across tightly integrated ones" (para. 5).

With more or less integration, it all boils down to demonstrating the value of social software in employees' productivity and problem-solving capabilities, and thus making sure that those social tools serve in fact as regular work tools. A focused implementation, with a key emphasis on improving busi-

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ness performance and satisfying business needs as in the case of Alcoa Fastening Systems mentioned earlier, will certainly be conductive to workers realizing the benefits of social tools for their productivity.

Besides that, companies too often presume that their workforce will know how to use that technology in the context of work, when most of them are only used to resorting to similar tools in the social Web to connect with family and friends. This means that, besides resorting to focused implementations and integrating social software into the flow of work, companies also need to educate their employees on how those tools can help them improve their productivity. Leading by example is important and thus management sponsorship and role model behaviour are also important success factors to driving adoption in a business context.

FUTURE RESEARCH DIRECTIONS

Following some maturity of the Enterprise 2.0 concept and practices, especially in the United States, and the outcomes from the initiatives of the early adopting companies, there has been one main discussion topic generating much debate when it comes to the topic of social in a business context. Some call it Social Business, others focus on specific business processes and speak of Social CRM or others, thus with an implied concept of socializing the value chain. Carter (2011) reflects on the distinction between social media and Social Business as she states that the later "expands the usage and efficiencies beyond "media and marketing" to all of a company's processes, both internal... and external" (p. 5). Quintarelli (2011) focused on the topic of socializing the extended value chain, reflecting on the challenges that companies currently face, how different social technology vendors are approaching these challenges, and thinking about a four steps approach to that topic.

No matter how wide or narrow the focus is, truth is that these concepts are still in their infancy and therefore more research is needed to study the challenges and results of companies that *went social*, both internally and externally, and tightly integrated these two dimensions as one single social enterprise. Furthermore, greater consensus on the definitions and frontiers of each concept—Enterprise 2.0, Social Business, etc.—would be greatly valuable to advance the discussion beyond the basics or the buzzwords. The road to prepare businesses for the 21st century is still being paved.

CONCLUSION

Many Enterprise 2.0 implementations are failing to produce the expected results and adoption levels, and several executives are still sceptic about the benefits of social software for business. To this reality surely contributed an excessive emphasis on vaguer concepts such as better collaboration or an empowered workforce, and a lack of focus on business performance. The problem is that if projects cannot impact business processes and performance then they will hardly impact business value.

The concept of focused implementation helps address this issue, looking at operational problems (*pain points*) and applying social software capabilities to help solve them. The emphasis is thus on business needs and problem solving, striving for a concrete and measurable impact on business performance, especially at the operational level. This also helps address the always cumbersome task of tracking the right metrics when it comes to measuring Enterprise 2.0 success: by focusing on clearly identified business problems and needs at the operating level, the identification of the correct metrics is facilitated.

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But adoption also needs to be stimulated to make sure that a threshold level of participation is attained in order to guarantee that network effects are facilitated. Too often the initial enthusiasm with social tools at the office soon fades away as the regular workload gets in the way. To overcome this, and really derive benefits from Enterprise 2.0 projects, social tools need to be integrated into the flow of work. Employees need to understand the benefits of social software to improve their productivity and problem solving skills, and should also be educated on the use of social tools in a work context.

The discussion on the use of social software for business is now heading for the bigger picture of the Social Business concept: the enterprise as an entity that embeds social into business processes, touching beyond its own borders to connect with external stakeholders. Further discussion is needed to reach consensus on the concept and future research needs to concentrate on the benefits and challenges that fully networked (both internally and externally) businesses are encountering.

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KEY TERMS AND DEFINITIONS

Adoption: Use of social software, whether by simply registering/creating an account (less participatory) or by actively participating through comment, discussing, etc.

Business Performance: Balance of the outcomes of a company in key areas, usually associated with business processes, against the goals initially defined.

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Business Processes: Set of activities and tasks associated with the completion of a certain output, be it a project or a product.

Collective Intelligence: Shared knowledge jointly constructed by a group of people through their collaboration and interactions.

Enterprise 2.0: Deployment of Web 2.0-style tools and practices inside organizations with the purpose of fostering collaboration and collective intelligence (employee-oriented).

Knowledge Management: The concept of capturing, retaining, and managing organizational knowledge, either tacit or explicit, with the purpose of guaranteeing that it can be kept and reused.

Social Business: A company that embeds social tools and practices both internally (employee-oriented) and externally (oriented to other stakeholders such as customers or other business partners) with an integrated approach.

Social CRM: The embedding of social tools and practices into the process of Customer Relationship Management with the purpose of better serving and understanding the market.

Social Software: Software inspired by the functionalities of Web 2.0 tools such as blogs, wikis, microblogging, social networks, and others.

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Chapter 76
Evaluating the Business Impacts of Social Media Use With System Dynamics and Agent-Based Modeling: A Literature Review

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ABSTRACT

Social media has been widely adopted as a useful business tool, especially in the domain of business to consumer marketing. However, the deployment of social media tools to business processes is hindered by the lack of concrete indicators of the effects its use has on the business process. Computer based modeling has been widely used to simulate and predict business effects in other streams of study, but relatively little in the evaluation of social media impacts. This paper argues that System Dynamics and Agent-Based Modeling have been and should be utilized in measuring social media and its impacts in business context in general, as well as in the context of business ecosystems. The authors review the current state of the use of these simulation methods in the evaluation of social media business impacts by conducting a systematic literature review.

INTRODUCTION

There is a body of existing scientific research on the effects of social media use in a business setting. For example, in marketing literature the biggest obstacle in deploying social media to business processes is often viewed to be the difficulty to demonstrate its effects and return on investment. According to

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Fisher (2009) the lack of indicators of potential benefits and expected return on investment slows down or hinders the adoption of social media as a part of a company's marketing strategy. In addition, the ability to show measurable effects in other business functions would be beneficial. According to Jussila et al. (2014), the adoption of social media in business-to-business companies is restricted by the difficulty to show and assess the business benefits. They state that effective means and models to measure and demonstrate the benefits of social media use would be beneficial. Also Aral, Dellarocas, and Godes (2013) emphasize in their framework for the research of social media that the measuring of the effects of social media use on the individual level, platform level and company level is ranked as one of the major goals for new social media research.

This paper aims to answer how system dynamics and agent-based modeling has been used in the past to measure the effects of social media use and what possibilities could it offer for measuring social media and effects of its use in business ecosystems. Of the possible modeling methods, agent-based modeling (ABM) and system dynamics modeling (SDM) have been chosen for this review, because they are especially well suited for modeling complex social systems, and are quite well established methods for research in the scientific community. By carrying out a systematic literature review on the subject, we aim to give a comprehensive picture of the current state of modeling applications that provide various solutions to the challenges posed by the measuring and demonstrating the business effects of social media use by traditional methods.

The main research problem of this review is "Do agent-based and system dynamics modeling offer useful ways to measure social media and effects of its use in a business context?". This paper aims to resolve this problem by answering these research questions:

- **RQ1:** In which ways have ABM and SDM been used to measure the impacts of social media use?
- **RQ2:** Why have ABM and SDM been used and why should they be used in the evaluation of social media impacts?
- **RQ3:** Based on found applications, what are the direct or indirect business implications of using ABM or SDM in measuring the impacts of social media?

SOCIAL MEDIA AND ITS BUSINESS USE

In order to define social media accurately, one has to define the terms "web 2.0" and" User Generated Content". Web 2.0 is a term first introduced by Tim O'Reilly in 2004 that describes the new approach of users and developers in using www-technology (O'Reilly, 2009). In the new approach the content and applications of the World Wide Web are no longer made only by individual developers. Instead, the content is constantly generated and modified communally by both the developers and users. (Kaplan & Haenlein, 2010) The term "web 2.0" includes open, interactive and communal applications that support the aforementioned communal nature of the World Wide Web. Web 2.0 applications support the formation of informal user communities and create a frame that allows the sharing of ideas and information by enabling effective creation, modification, spreading and sharing of informal information (Constantinides & Fountain, 2008).

User Generated Content (UGC) is the wide variety of publicly accessible information that exists on web 2.0 applications, and is generated by the users of that application (Kaplan & Haenlein, 2010). By

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combining the definitions of UGC and web 2.0, one can give a broader definition for the term "social media". Social Media is defined as internet-based applications that utilize web 2.0 technology and principles, and enable the creation and sharing of User Generated Content (Kaplan & Haenlein, 2010).

In spoken language the term social media is often affiliated only with social networking and micro blogging services, but in fact the term includes a broader set of application. Also, the terms "social media" and "web 2.0" are often used as synonyms, but in reality they mean different things. Social media is a very broad term that includes a wide variety of applications, in which the social interactions and user participation are key features.

Lietsala and Sirkkunen (2008) propose that social media should be used as an umbrella term, under which different practices and applications can be categorized. They state that established social media practices or application are, for example, blogging, social networking services and wikis. Kaplan and Haenlain (2010) similarly divide social media applications into six different categories according to the needed social presence and information richness. The categories are: blogs, social networking services, virtual social worlds and collaborative projects. These social media applications can be used to gain measurable business benefits, and develop social business ecosystems. For example, the social business ecosystem of a company can consist of open source communities, inter-organizational social networks, as well as customer and supplier communities. Using these aforementioned social media tools has been demonstrated to open new possibilities, because they enhance communication, interaction, learning and collaboration (Jussila, 2015). However, these novel tools and business ecosystems are often very abstract and complex social systems, and thus, their business effects and return on investment is hard to measure and demonstrate.

SYSTEM DYNAMICS AND AGENT-BASED MODELING

With agent-based modeling one can simulate social systems, which often are formed as a sum of complex social procedures and interactions (Bonabeau, 2002). On the other hand, system dynamics modeling offers a system level perspective on the behavior and forming of trends in the social system. Agent-based and system dynamics modeling also complement each other, because agent-based modeling offers a way to investigate individual actors in detail, whereas system dynamics offers a way to examine the system as a whole. (Wang & Moon, 2013)

Agent-Based Modeling

Agent based-modeling (ABM) is a modeling method that enables the simulation of complex systems that consists of autonomous agents that interact with each other. The interaction between agents is defined according to certain simple rules and procedures that are assigned to them. By simulating the individual actions of different agents one can model the complexity of a social system and the effect that the individual actions have on the system as a whole. (Macal & North, 2010; Janssen, 2005) At its simplest, an agent-based model consists of agents and relations between those agents. In more complex models one can include network and learning algorithms that more accurately describe the learning and unpredictable behavior of the agents. (Bonabeau, 2002)

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System Dynamics Modeling

System dynamics modeling (SDM) is a computer based modeling method that is based on a system dynamics view. The goal is to understand complex, non-linear, problems with the help of systems thinking. System dynamics models are based on the causal nature of the problems and on the wholesome effect that different factors have on the system as a whole. Modeling can be done in a qualitative or quantitative level. On the qualitative level one examines, for example, effect-tables or causal loops. On the quantitative level one examines, among others, stock-flow tables. (IGI Global Dictionary, 2014; Sterman, 2002; System Dynamics Society, 2014) The goal of system dynamics models is to create a model that holds equations that describe the system, and then understand the dynamic behavior of the system by simulating the working system with the model (Forrester, 1994).

RESEARCH APPROACH

The research method of this paper is a systematic literature review. The research material has been gathered by conducting an article search from the following international journal databases: Elsevier Science Direct, Scopus, EBSCOhost (Academic Search Elite & Business Source Complete), ABI Inform (Business Suite) – ProQuest, ACM Digital Library, IEEE Xplore Digital Library, Emerald Insight. The search parameter is constructed in a way that the results consist of the intersection of the social media topic set and modeling topic set. The search parameters were searched from the title, abstract and keywords of the database articles. Each result contains at least one search keyword from the social media topic set and one from the modeling topic set. Social media topic set keywords were: *social media, web 2.0, enterprise 2.0, online community, online social network, virtual world, crowdsourcing, social platform, social office tool, blog, microblog, online collaboration.* Modeling topic set keywords were: *agent-based modelling, agent based modelling, agent-based simulation, agent based simulation, system dynamic, system dynamics, system dynamic modelling, system dynamics modelling, system dynamic simulation, hybrid model, hybrid simulation model.*

The scope of the search is confined to include scientific journals and conference papers. Including conference papers is justified, because the most high-quality and novel research about the modeling topic is often published especially on modeling and simulation conferences. Conference papers also offer quite novel information due to their relatively short review and publishing cycle. The search is also confined to papers published after the year 2000. This is due to the fact that social media related research is unlikely to be found before the year 2005, when social media and web 2.0 became established, and first well known social media applications became common (Lietsala & Sirkkunen, 2008).

The backward and forward references of these articles were also examined with Scopus and Thomson Reuters Web of Science to find more relevant material on the subject. Based on this search, 2 additional articles were identified from backward references. The titles and abstracts of articles published after 2000 in the System Dynamics Review and Journal of Artificial Societies and Social Simulation were also examined. No additional material was found from these journals.

The identified material was narrowed down according to two exclusion/inclusion criteria:

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- **C1:** The article has to discuss the agent-based or system dynamics modeling of utilization of social media or the effects of using social media in general or the modeling of a specific social media application in a business setting or a setting that is applicable to business also. Furthermore, we included only papers that present a model created by authors, not e.g. generic examples of modeling or reviews of others' models.
- **C2:** The article must be a scientifically peer-reviewed publication.

The database searches of this research were carried out systematically from multiple databases with broad, non-restricting search parameters. The results yielded 101 publications that were narrowed down to 20 according to the inclusion/exclusion criteria C1 and C2. The distribution of these publications with respect to journal or conference is given in Table 1.

6 publications from the found publications were published in a scientific journal and the rest were published in conference proceedings or books edited from conference papers. Most of the found scientific journal articles have been published in a journal with Thompson Reuters Journal Impact Factor. All studied conference papers were published in conference proceedings that are organized by Institute of Electrical and Electronics Engineers (IEEE) or some other well-known and respected publications organizations.

Table 1. Distribution of publications

Journals	**Publications**
Government Information Quarterly	1
Journal of Advanced Computational Intelligence and Intelligent Informatics	1
System Dynamics Review	1
Computational Economics	1
Computational and Mathematical Organization Theory	1
European Journal of Operational Research	1
Conferences	**Publications**
World Congress on Social Simulation	1
IEEE/WIC/ACM International Joint Conference on Web Intelligence and Intelligent Agent Technology	4
Hawaii International Conference on System Science (HICSS)	1
Lecture Notes in Computer Science	3
Annual International Digital Government Research Conference	1
International Conference on Autonomous Agents and Multiagent Systems (AAMAS)	1
Emerging Intelligent Data and Web Technologies (EIDWT)	1
The International Conference on Social Computing, Behavioral-Cultural Modeling, and Prediction (SBP 2015) (published later in book / Springer International Publishing Switzerland)	1
IEEE/ACM International Conference on Advances in Social Networks Analysis and Mining	1

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RESULTS

In the systematic literature review, of the overall 20 articles found in the literature review, 10 described direct business implications and 10 entailed indirect or potential business implications of using ABM and SDM.

Altogether 9 different types of applications of ABM and SDM were identified from the publications discovered in the systematic literature review. The found applications range from modeling individual user behavior to examining network formation. The found applications are:

1. Examining effective ways to encourage the use of social network services (articles 4, 6 & 11)
2. Examining online community networks and collaboration (article 1)
3. Modeling online network formation (articles 17, 18 & 19)
4. Modeling of online social network dynamics (articles 20)
5. Modeling the diffusion of information in social media (articles 15 & 16)
6. Modeling the effects of online word of mouth to consumer behavior (articles 2 & 3)
7. Modeling opinion formation of stakeholders in social media to understand & predict social behavior. (article 14)
8. Examining social media to support decision making in policy making (5, 7, 12 & 13 articles)
9. Modeling future trends in social media conversations (article 10)

From the above applications one could underline two broad themes. Applications 1-4 deal with understanding online networks and dynamics that lie within them by, for example, modeling the drivers that affect user behavior in the social media service or tool in question. The general goal of these applications was to understand the internal mechanisms of the social media services or tools, and to identify ways that could enhance the use of these tools. By understanding, firstly, how online networks were formed and which factors increase cohesion in the online network or community (applications 3 & 4), and secondly, how agents interacted within that network (applications 1 & 2), the studies created useful insight and measured the effectiveness of online social networking tools in business use. In addition to measuring the effects of the tool, one could also test different scenarios and methods that aimed to encourage the use of these tools and make it more effective.

Applications 5-9 on the other hand deal with understanding how social media affects various types of information flow- related phenomena by, for example, examining how information was diffused in social media, and how that affected opinion formation or consumer behavior. The goal of these applications, in general, was to simulate social media phenomena in order to develop useful insights on how the social media information flows affected real world indicators and impacted, for example, decision making. Applications 5 & 6 deal with the diffusion of information in social media and its impacts in a business context and other societal contexts. Applications 7 & 9 deals with understanding and predicting social behavior, by modeling how opinions emerged, diffused and gained momentum. Application 8 (with 4 different articles) models the formation of opinions and opinion groups in social media to better understand how policy makers' decisions impact different stakeholders.

By analyzing these applications, several direct implications for business that were described in the articles were discovered. Also indirect business implications were discovered that weren't described directly in the articles, but were implied or deductible from the articles. Ten of the articles found in the systematic literature review described ABM or SDM applications that presented direct business impli-

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cations. The applications that had direct business implications and the different empirical data they rely on are presented in Table 2.

The underlying theme of all the direct business implications stated in table 2 was the examination and forecasting of human behavior in complex social and business ecosystems. Almost all of the described applications relied on empirical data and are implemented using ABM. The stated benefits of

Table 2. Applications of modeling and their direct business implications

Ref. #	Publication	Method	Application of modeling	Empirical data	Direct business implications described in the article
1	Otto, P., & Simon, M. (2008). Dynamic perspectives on social characteristics and sustainability in online community networks.	SDM	Examining online community networks and collaboration	User data from online encyclopedia Wikipedia.	Experimentation with simulations can provide useful insight to manage an online community network effectively.
2	Okada, I. (2012). Relationship between Online Word-of-Mouth Communication and Consumer Behavior.	ABM	Modeling the effects of online word of mouth to consumer behaviour	Nikkei Institute of Industries and Consumption (2000) - Data and Analysis from Consumers' Life Style and Buying Trends	Forecasting customer behaviour and markets by using an ABM and selecting most effective online WOM strategies
3	Okada, I. ., & Yamamoto, H. (2011). Effects of information diffusion in online word-of-mouth communication among consumers.	ABM	Modeling the effects of online word of mouth to consumer behaviour	Online WOM communication model, with parameters based on empirical data (AISAS model & Nikkei Institute of Industries and Consumption (2000) - Data from Consumers' Life Style and Buying Trends	Forecasting customer behaviour and markets by using an ABM and selecting most effective e-WOM strategies
4	Toriumi, F. ., Yamamoto, H. ., & Okada, I. (2013). Effects of controllable facilitators on social media: Simulation analysis using Generalized Metanorms Games.	ABM	Examining effective ways to encourage the use of social network services	-	Understanding ways to promote cooperation with ABM is beneficial when social media managers make SM policies and encourage the use of such media.
5	Sobkowicz, P., Kaschesky, M., & Bouchard, G. (2012 b). Opinion mining in social media: Modeling, simulating, and forecasting political opinions in the web.	ABM	Examining social media to support decision making in policy making	Social media content analysis of large set of online forums, blogs or other publicly available text streams (opinion detection & sentiment analysis)	Following and forecasting online opinion formation in real time on, for example, open source communities can offer useful insight into decision & policy making
6	Toriumi, F., & Ishii, K. (2010). Simulation of encouragement methods for sns based on user behavior model.	ABM	Examining effective ways to encourage the use of social network services	Based on examination of 1136 different SNS's (with 58410 users in total).	Understanding ways to promote cooperation and utilization of user-limited SNS with ABM can offer useful encouragement methods.
7	Kaschesky, M., Sobkowicz, P., & Bouchard, G. (2011). Opinion Mining in Social Media: Modeling, Simulating, and Visualizing Political Opinion Formation in the Web.	ABM	Examining social media to support decision making in government policy making	Content analysis of social media and sociophysical system modeling (natural language processing & semantic web approaches)	Following and forecasting online opinion formation in real time on, for example, open source communities can offer useful insight into decision & policy making
8	Jiang, G., Tadikamalla, P. R., Shang, J., & Zhao, L. (2016). Impacts of knowledge on online brand success: an agent-based model for online market share enhancement.	ABM	Examining evolution process of market share for multiple brands competing online	Market share of six brands from real-world data compared to market share of brands from simulation	Innovativeness, brand image, self-perceived utility and electronic word of mouth all have significant effect on on- line shoppers' decisions and on brands' market performance
9	Nararatwong, R., Legaspi, R., Okada, H., & Maruyama, H. (2015). A Novel Mental State Model of Social Perception of Brand Crisis from an Entertainment Perspective.	ABM	Modeling perception states and transitions in the event of brand crisis	-	Predicting social perception changes enables marketers to adjust their communication strategies to ensure positive perception at the end of brand crisis
10	Attema, T., van Maanen, P. P., & Meeuwissen, E. (2015). Development and Evaluation of Multi-Agent Models Predicting Twitter Trends in Multiple Domains	ABM	Modeling future trends in Twitter conversations (number of tweets and its set of subtopics)	31 134 bankin tweets and 13 124 universities tweets	Organizations can extend their social media monitoring capabilities and thus become more pro-active and less reactive

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using computer based simulation and modeling included the facilitated understanding and additional insight they brought to the comprehension of business ecosystems and the actions of their individual actors. By understanding and forecasting the inner systemic structure and operation of these ecosystems one could make more informed business decisions, as well as better understand and even forecast their short- and long-term impacts. Often the forecasts and analyses could also be made without having to extrapolate from actual history data. As seen in the found articles, the models could be calibrated with openly available empirical data, and this enabled to forecast ecosystem behavior without having to collect vast amounts of data first.

10 of the found articles had indirect or potential business implications that weren't addressed as such in the articles, but could be applied to modeling the complex systemic impacts of social media in a business context. The applications that had indirect or potential business implications are presented in table 3.

Most of the indirect or potential business implications stated in table 3 deal with the better understanding of complex social systems or business ecosystems. The recognized business implications included forecasting market reactions to public policy changes, understanding the mechanisms of information resonance in marketing strategy formation, as well as the understanding the information diffusion in social media communities for marketing purposes.

DISCUSSION AND CONCLUSION

The found applications give a good overall answer to the first research question (RQ1). The two major themes that are present in the found applications coincide well with the general qualities and benefits that are usually associated with ABM and SDM. Of the discovered articles, only 3 used SDM, all others utilized ABM. The fact that clear majority of the found applications utilizes ABM instead of SDM is not surprising if one considers that ABM is especially well suited to model complex social systems. The lack of SDM applications however is a noteworthy result, because it is the more established method of the two, and yet hasn't been utilized that much in social media research.

Regarding the differences of the modeling methods, Otto & Simon (2008) point out that system dynamics modeling can describe the properties of causal links and essential features of the whole system with a high level perspective. The difference between ABM and SDM is that SDM rarely includes modeling that takes into account the individual and random actions of every single agent in the system. Instead SDM explains the working of the network as a whole system. Most of the found ABM applications imply that the model gives a micro level perspective on the subject in addition to the macro level perspective that other more traditional empirical studies and models offer.

Regarding the second research question (RQ2), we were able to draw three major arguments why simulation approaches were used in studied articles and should be used in general.

First, the simulation approaches were found to take into account the dynamic nature of social interactions in the evaluation of social media impacts in various different ways that traditional approaches, such as survey-based statistical methods or case studies used in the impact evaluations do not enable. Traditional methods and related algorithms are not generally able to handle well the complex and sometimes chaotic behaviour that is derived from relatively simple interactions of individual agents (e.g. consumers). These interactions may lead to unexpected and often counter-intuitive impacts, realized over time, from e.g. social media marketing and word-of-mouth campaigns (e.g. Okada & Yamato 2011; Okada 2012),

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Table 3. Applications of modeling and their indirect / potential business implications

Ref. #	Publication	Method	Application of modeling	Empirical data	Indirect/potential business implications
11	Toriumi, F., Yamamoto, H., & Okada, I. (2012). Why Do People Use Social Media? Agent-Based Simulation and Population Dynamics Analysis of the Evolution of Cooperation in Social Media.	ABM	Examining effective ways to encourage the use of social network services	-	ABM can help to determine efficient ways to promote cooperation and content creation in enterprise SM use.
12	Boero, R. ., Ferro, E. ., Osella, M. ., Charalabidis, Y. ., & Loukis, E. (2012). Policy intelligence in the era of social computing: Towards a cross-policy decision support system.	SDM	Examining social media to support decision making in policy making	Engagement data collected from social media through public APIs and PADGETS system user inputs.	SDM can be used to simulate different market acceptance scenarios and their outcomes.
13	Charalabidis, Y. ., Gionis, G. ., Ferro, E. ., & Loukis, E. (2010). Towards a systematic exploitation of web 2.0 and simulation modeling tools in public policy process.	SDM	Examining social media to support decision making in policy making	Data collected from social media through public APIs	Simulations can be used to forecast different market reactions to policy changes.
14	Sobkowicz, P. ., Kaschesky, M. ., & Bouchard, G. (2012 a). Opinion formation in the social web: Agent-based simulations of opinion convergence and divergence.	ABM	Modelling opinion formation of stakeholders in social media to understand & predict social behavior.	-	ABM can help understand social behaviour and consensus formation in the social web, which has applications in commercial marketing applications
15	Ishikawa, T. (2012). The Mechanism of Information Resonance in Social Media.	ABM	Modeling the diffusion of information in social media	Adaptive Network Model based on empirical data of information resonance in Twitter about the 2009 post-election protests in Iran.	Understanding the mechanisms of information resonance in social media is beneficial for marketing strategy formation
16	Ishikawa, T. (2010). The Effect of Transitive Linking on Information Diffusion in Dynamic Acquaintance Networks.	ABM	Modeling the diffusion of information in social media	-	Understanding information diffusion in social media with ABM can offer insight into social media marketing applications.
17	Ackland, R., & Shorish, J. (2009). Network Formation in the Political Blogosphere: An Application of Agent Based Simulation and e-Research Tools.	ABM	Modeling online network formation	Public 1 day snapshot of 1500 political blogs and their hyperlinks. Private dataset of post made by 40 influential political bloggers.	Understanding and forecasting link formation in the blogosphere with ABM can offer insights into content marketing strategy making.
18	Abbas, S. M. A. (2013). An agent-based model of the development of friendship links within Facebook.	ABM	Modeling online network formation	Anonymous dataset of 769 Facebook users from Caltech University	Understanding network formation in OSNs with ABM can offer insights into the utilization of enterprise OSNs.
19	Abbas, S. M. A. (2013). Homophily, popularity and randomness: Modelling growth of online social network.	ABM	Modeling online network formation	Anonymous dataset of 6575 Facebook users from Princeton University	Understanding network formation in OSNs with ABM can offer insights into the utilization of enterprise OSNs.
20	Makinde, O. W. (2013). Social Network Message Credibility: An Agent-Based Modelling Approach.	ABM	Modeling of Online Social Network dynamics	-	Understanding peer behaviour in OSNs with ABM can offer insights into user actions and making an Enterprise OSN more secure and credible.

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which again, lead to consumer opinion formation about products and finally to purchasing decisions often in quite unexpected ways.

Second, traditional methods are considered ill-suited to capture changes over time and during measurement. For instance, with surveys the data is captured at fixed time intervals, often a single time interval, and they are unable to capture, for instance, how the purchasing behavior of agents (e.g. consumers) changes over time and is influenced by other agents (e.g. friends of the consumers). In comparison, in the analysed ABM simulation models, for example, new actors (agents) could be added during the simulation and the network and relationships linking the actors (individuals, organizations, etc.) could evolve over time, making use of different rules and patterns based on empirical data (e.g. Toriumi & Ishii 2010; Sobkowicz et al. 2012b) as well as theoretical models (e.g. Okada & Yamato 2011; Okada 2012).

Third, by making of use of the increased computational power of computers simulation models can be built and infused with empirical data collected from web and social media that make it fairly easy and cost effective to observe dynamic behavior, whereas with using traditional methods (e.g. surveys or interviews) the cost and difficulty of making large-scale observations of dynamic behavior would be enormous (Kaschesky et al. 2011).

The systematic literature review revealed both direct and indirect business implications of using ABM and SDM to model the use of social media. For answering the third research question (RQ3), these implications give a good overview of the business potential of the methods based on current literature.

On the basis of this study, it seems that the use of computer based modeling has significant potential in social media related business research and measuring the effects of social media use.

FUTURE RESEARCH AND LIMITATIONS

Further exploration and analyses of the discovered benefits of computer based modeling would be helpful in determining the best ways to utilize these novel methods and justify their use. As a result of this review, there are several issues that should be addressed in future research on the evaluation of social media impacts by simulation: overall, due to the provided benefits of ABM and SDM to better understanding of social media impacts, and the relatively small amount of existing found research, first, there is a clear need for more research on social media impacts in various business contexts using ABM or SDM. The possibilities of SDM use in this context are currently especially little researched and analysed. Second, in these studies, one should aim to create concrete measures and indicators for business impacts or benefits of social media use.

Considering the limitations of this study, we were not able to find, at the time of this review, yet, a very large number of applications of studied computer-based modeling approaches in the modeling of social media impacts for business. Thus, there might exist a broad variety of other application areas of modeling which have not been made use of. This issue should be revisited along with the increase of such research.

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Chapter 77
Creating Social Value in Societies

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ABSTRACT

This chapter critically examines social value creation in societies focusing on the "shared value" theory and stakeholders' "collective responsibility" hinged on social responsibility. The social value creation process is reviewed from the social entrepreneurship perspective considering the essential business/social inputs required to create social value for the business and the host society. The United Kingdom (UK) is used as a case study, depicting factors shaping the business environment. Other current meaningful developments, which include the Social Value Act 2012 that promotes social value creation in the country, are discussed. An analysis of the UK model of social value creation and why it will be difficult to implement in developing countries is also provided. Constraints such as poor infrastructure, corruption and other limiting factors are considered. Finally, social value creation is a sustainable process and every stakeholder benefits from its outcomes.

INTRODUCTION

Modern societies demand and expect high value from social entrepreneurial activities and business outcomes. Businesses exist because of societies and societal needs (Porter, Hills, Pfitzer, Patscheke, & Hawkins, 2012). In this regard, society dictates the business outcomes it values or to which it attaches significant importance (Porter & Kramer, 2006).

Creating social value is a dedicated conscious process incorporating all positive stakeholders commitment and decisions that create great and better societies (Auerswald, 2009; Porter & Kramer, 2011). Social value creation process contains both a tactical and a strategic operational focus, which confidently set in motion the development of desired societies from the present to the perceived future (Porter & Kramer, 2006). It is due to the decision to better societies and to improve business efficiencies that the need for partnership is advocated for in the social value creation process (Porter & Kramer, 2011).

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The concept of ''shared value'' that benefits all stakeholders is a great decision to be included in the creation of social value in societies (Porter & Kramer, 2011). The shared value concept is one that ensures business survival and also benefits society (Porter & Kramer, 2011). The creation process should include stakeholders' functions from the social entrepreneur's business model, to government involvement via policies and regulatory frameworks (Kirlin, 1996) and societal expectation and appreciation (Porter & Kramer, 2011). It is important to state that every business or firm has the capacity to be socially responsible (Baron, 2005) based on social capital (Bowles & Gintis, 2002; Russo & Perrini, 2010) or individual and community influences (Rossi, 2001). The current chapter focuses on social entrepreneurship as a valuable and effective tool in creating social value in societies due to social enterprises' unique platform and business model to solve societal problems profitably (Peredo & Mclean, 2006).

The United Kingdom is a reference point in terms of location showing developments and efforts in the social value creation process worth emulating.

The following are the objectives of this chapter:

1. To provide a comprehensive definition of social values incorporating key stakeholders' perspectives.
2. To identify and explain the forms and nature of social values.
3. To identify and state the processes and procedures involved in creating social value in societies by considering the inputs of social entrepreneurs or social enterprises (business and social), government regulatory framework/policies, timing, defined mediums and platforms, society's expectations and expected or actual social value outputs and performance measuring models.
4. To critically analyse the evolution of social value creation from a theoretical perspective.
5. To critically identify and analyse stakeholders' involvement in social value creation.
6. To provide a theoretical framework for the concepts "collective responsibility" and "shared value" in social value creation.
7. To provide solutions and recommendations to issues associated with the subject while also identifying future research directions.

Background

Social value characterises value that appeals to the social nature of man and society with the intent to better and to improve man's social standing. The nature of this value allows its impacts to have both a general appeal (societal approval) and also a specific appeal (individual stakeholder approval) (Auerswald, 2009).

It can be stated that social value originated from an aspect of social value orientation (cooperative orientation) as it provides value for all after due consideration of the key stakeholders' needs and assigned benefits (Balliet, Parks & Joireman, 2009). Some influences can be traced to government policies and regulations guiding human and business conduct within a defined society (Kirlin, 1996).

Increasingly, social value has become a concrete and measurable term (Wood & Leighton, 2010) which cuts across economic, environmental and social outcomes amongst other human-related matters. Social value is a dynamic concept. It can change across borders and regions due to cultural influences and social value orientations (Balliet, Parks & Joireman, 2009).

The development of societies is based on conscious consensus efforts. Stakeholders need to envision the society of their dream and team up to actualise it. In modern societies, the significance of social value cannot be over emphasised. When social value as a tool for development is properly utilised, it can

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be an integral part of communal and social culture where all communal and individual activities take place solely in the best interest of the society (Butler, 2014). The United Kingdom is a good example of a developed nation that still insists that social value has come to stay and will lead future developments (Butler, 2014).

The identified research gap indicated that little is known on how culture influences the creation of social value in different regions.

From the literature reviewed, the following sub-topics: case study background, the United Kingdom social value creation model, factors that can limit the replication of the UK model of social value creation in developing countries, understanding social value and its place in the society, the process of social value creation in today's dynamic societies, stakeholder functions and effects on social value creation, and social value creation and its impact on modern societies will lead the discussion for further insights.

Case Study Background: The United Kingdom (UK) Country Profile and External Business Environment Analysis (PESTEL)

The United Kingdom is a member of the European Union, and it is made up of England, Wales, Scotland and Northern Ireland (BBC, 2014). According to the BBC (2014), the United Kingdom is an English-speaking country and its main religion is Christianity. The United Kingdom occupies 242 514 km^2 (93 638 $miles^2$), an area with a population of about 63 million (BBC, 2014). It is among the first industrialised country in the world (BBC, 2014) and its main export includes manufactured goods, chemicals, foodstuffs among others (BBC, 2014). The United Kingdom's GNI (gross national income) per capita is US$38 370.00 (BBC, 2014). London is the capital of the United Kingdom (UK) and the UK can be described as a modern society.

The United Kingdom's business environment can be termed one of the most developed in the world due to its history of being the first industrialised country (BBC, 2014).It is important to state that certain factors contribute to the current state of the UK external business environment. These factors include political, economic, social, technological, environmental and legal factors (BBC News, 2014; Fisher & Phillips, 2013; Inman, 2014; United Kingdom Government, 2014; United States Department of State, 2013; Vaughan, 2013). These factors are prevalent and come into play as the businesses interact with its stakeholders and society.

Politically, the UK has one of the most stable political environments in the world (United States Department of State, 2013). According to the United Kingdom Government (2014), the Prime Minister leads the government and the cabinet and ministers perform their stated functions in support of the Prime Minister. The UK has a constitutional monarchy in place (The British Monarchy, 2014).

Factors such as taxation policy, trade regulations and government stability can influence the way businesses interact with the environment (Inman, 2014; UK Trade and Investment, 2012; Winnett, 2010). Government stability is experienced in the UK (Winnett, 2010). According to Winnett (2010), co-operation among politicians in the UK enables maintenance of stability in the business environment and the political space. The UK offers one of the most relaxed tax policies for businesses (Inman, 2014). According to Inman (2014), the UK is a corporate tax haven and this has made American firms to relocate some of their businesses to the UK.

Trade regulations have also affected the business environment positively (UK Trade and Investment, 2012). According to UK Trade and Investment (2012), the UK benefits from the World Trade Organization (WTO) as a major exporter of manufactured goods, chemicals, foodstuffs and other goods (BBC, 2014).

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It also benefits from the European Union (EU) as the EU service directive has removed a high number of barriers to service-oriented businesses to benefit from the EU (UK Trade and Investment, 2012).

Economically, the UK is very sound (BBC News, 2014). Key determinants of the economy continue to maintain a positive outlook in the business environment (BBC News, 2014). A typical example is the inflation rate, which is currently 1.2%, and which has been the lowest rate for five years now (BBC News, 2014). Growth in consumer spending is also on the increase and this has further led to the growth of the economy (BBC News, 2013). The European Commission has also confirmed the growth of the UK economy as the country continually experiences a high rate of consumer spending (Ryan, 2014). The UK is currently out of recession and is experiencing economic recovery that will eventually lead to an economic boom (Graham, 2014).

Social factors are very active in the UK business environment. According to the BBC (2014), the UK's main religion is Christianity and the country has always promoted religious tolerance. In terms of education, the UK can boast world-class institutions where quality teaching and learning take place (Adams, 2014).

Technologically, Information Technology plays a strategic role in the UK (Burn-Callander, 2014). It is an environment where e-commerce functions and delivers the necessary value for the government and citizens (Burn-Callander, 2014). The UK has of excellent high-speed internet access (Curtis, 2014) and this makes internet access very easy within the environment. The UK is also a leader in Europe in terms of social networking (Office of National Statistics, 2013b).

Technologically, the UK has witnessed 170 years of industrial change (Office of National Statistics, 2013a). The UK business environment has evolved technologically having witnessed several developments in technology, like the steam locomotive (Office of National Statistics, 2013a). It is also important to state that social factors have contributed to the rate of change of technology (Office of National Statistics, 2013a). Manufacturing has been around the UK since 1841 (Wallop, 2009; Office of National Statistics, 2013a) and this has led to the excellent manufacturing competencies being displayed in the business environment.

Environmentally, doing business in the UK is a rewarding experience due to the competitive advantage the business environment provides to firms within its diverse business sectors. According to Wilson (2014), the UK continually exports quality physical products and services and this is an excellent reflection of the country's quality business environment. According to Berry (2012), competitive advantage involves doing things better than competitors, and this can be achieved through quality personnel and processes.As part of its quality processes, the UK is leading in the recycling rates compared to other countries in the EU(Vaughan, 2013). According to Vaughan (2013), the UK is capable of meeting the EU target of recycling 50% of waste by around 2017.

Energy consumption is an important factor in the UK's business environment as energy plays a vital role in the day-to-day running of businesses (Anderson, 2013). According to Anderson (2013), energy consumption in the UK is currently less than consumption in 1970. This is so despite an increase in the population (Anderson, 2013).Energy efficiency offers opportunities for economic growth and a clean green environment. According to Neslen (2014), energy cuts can increase UK's gross domestic product (GDP) and also create new jobs for citizens.Energy is important in large scale manufacturing(Anderson, 2013) and increased energy cuts through efficient means yearly can increase the UK's GDP by £62 billion and create additional 40,000 jobs(Neslen, 2014).

Prevailing legal factors provide the legal guidance for business conduct (Department for Business, Innovation and Skills, 2013; European Agency for Safety and Health at Work 2014; Fisher & Phillips,

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2013). In the UK business environment, labour law plays a very pivotal role in determining the overall success of the economy in terms of regulating labour activities (Fisher & Phillips, 2013). The contents of the UK labour law includes employment contracts, minimum wages and hours of work, holiday entitlement, discrimination laws, maternity and paternity leave, terminations and redundancies (Fisher & Phillips, 2013). These contents adequately cater for the rights of potential employees and provide the necessary information for them to deliberate upon when accepting prospective offers (Fisher & Phillips, 2013). It also protects the rights of the hiring firm as it ensures that the firm has a legal document to enforce the expectations and rights of the business (Fisher & Phillips, 2013).

Health and safety laws are another important factor that ensures the overall safety of citizens (European Agency for Safety and Health at Work, 2014). According to the European Agency for Safety and Health at Work (2014), the UK has a long-standing record of health and safety since the 19th century. The Health and Safety at Work etc. Act 1974 is the guiding principle for health and safety activities in the UK (European Agency for Safety and Health at Work, 2014).

Product safety is a firm requirement in the UK (Department for Business, Innovation and Skills, 2012). As a member of the World Trade Organization (UK Trade and Investment, 2012) and the European Union, the UK has made it a point of duty to ensure continuously that products are manufactured to the highest standards (Department for Business, Innovation and Skills, 2012). According to the Department for Business, Innovation and Skills (2012), there is statutory guidance for manufacturers of products to ensure that products are continuously subjected to technical and legal requirements for safety, design, packaging and insurance. This is to ensure that products manufactured in the UK are not harmful and that they are fit for the purpose.

It is also necessary to add that the attractiveness of the business environment is made possible by government, businesses and residents overcoming everyday challenges experienced in the business environment.

The United Kingdom (UK) Social Value Creation Model

The UK model of social value creation hinges upon social responsibility. According to Rossi (2001), social responsibility allows individuals to carry out activities that are beneficial to society. It is also an obligatory and mandatory expectation of government, businesses and the citizens of a society that stakeholders should think of better and safer ways of contributing to the development of the environment, citizens/residents, businesses and society.

The business environment plays a key role in the social value creation process (Porter & Kramer, 2011). It is the origin, foundation and space where all interactions (business and social) occur (Porter & Kramer, 2011) and it is also the major recipient of the benefits and consequences that these interactions bring (Porter & Kramer 2011; Porter et al., 2012).

According to Worthington and Britton (2009), the business environment consists of both internal and external environments. The internal environment is limited to the organisation while the external environment refers to the host community or nation (Worthington & Britton, 2009). The external business environment is controlled by political, economic, social, technological, environmental and legal factors(BBC News, 2014;Fisher & Phillips, 2013;Inman, 2014;United Kingdom Government, 2014;United States Department of State, 2013;Vaughan, 2013). The UK business environment, which is well developed, has an effective regulatory framework, enforcement system, quality infrastructures, business support systems and political stability (BBC News, 2014; Fisher & Phillips, 2013; Inman, 2014; United

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Kingdom Government, 2014; United States Department of State, 2013; Vaughan, 2013). It is important to add that the business environment has been contributing immensely to the development of the country (BBC News, 2014; Inman, 2014; United Kingdom Government, 2014; United States Department of State, 2013; Vaughan, 2013).

The UK government has provided an enabling environment for social value creation using an organised regulatory framework (Smale, 2010). According to Smale (2010), the UK regulatory framework consists of policies that promote the encouragement and establishment of businesses.

This regulatory framework guides the conduct of government, businesses, citizens and society (Butler, 2014; Smale, 2010). According to Butler (2014), the UK government has mandated that social responsibility and accountability must be the watchword in business and in government interactions with society. It is important to state that in the social value creation model (see Figure 1 and Table 1), the UK government is saddled with the responsibility of creating a socially responsible society through its policies (Butler, 2014).

Social enterprises and other businesses also contribute positively to the social value creation model and processes (Frynas, 2007). According to Newell and Frynas (2007), policy and global decision-makers such as the World Bank and the United Nations recognise the contributions that businesses can make to society and the World Bank and the United Nations constantly ensure that an encouraging environment is provided to assist businesses. Social entrepreneurs and business owners play a key role by being socially responsible in their conduct and interactions with society (see Figure 1 and Table 1).

Social entrepreneurs are driven by their primary functions of transforming societies (Alvord, Brown, & Letts, 2004; Austin, Stevenson, & Wei-Skillern, 2006; Dacin, Dacin, & Matear, 2010) while other businesses contribute to the development of society through corporate social responsibility initiatives (Newell & Frynas, 2007). Social enterprises and other businesses are bounded by their own business forms, ethics and law to interact favourably with the host communities and to promote their development and sustainability (Butler, 2014).

Citizens and residents also play an important role in the UK social value creation model (see Figure 1 and Table 1). Citizens and residents are the driving force in a society as they occupy various positions of responsibilities within the government, businesses and other areas of occupation in the society. Citizens and residents must be law-abiding and do things in the interest and to the benefit of society (Rossi, 2001). It is the contributions of citizens and residents through their roles in government, businesses and other positions in society over the years that have greatly contributed to the overall development of the UK (Butler, 2014; Forestry Commission, 2014;The UK Legislation, 2012) and which have made its business environment very attractive for foreign direct investments (FDIs) (UK Trade and Investment, 2013).

Collective social responsibility refers to the combination of stakeholders' individual social responsibilities as mandated by law. This notion is based on the premise that the social entrepreneur plays a supportive role in the social value creation process and cannot undertake the sole responsibility of being the main stakeholder (Rohatynskyj, 2011). Austin et al. (2006) affirm that social value can be created by government, social entrepreneurs and businesses. It is a collaborative effort by all stakeholders to contribute effectively to the development of the environment, citizens and society(Austin et al., 2006). The co-operation between stakeholders (governments, social enterprises, other businesses and citizens) tends to create a pool of collective social responsibility with the expected social and shared value outcomes (see Figure 1 and Table 1).

The social value outcome can sometimes be measured and at other times be experienced in the form of improved services and a better standard of living (Auerswald, 2009; Wood & Leighton, 2010). Ac-

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Figure 1. The United Kingdom social value creation model

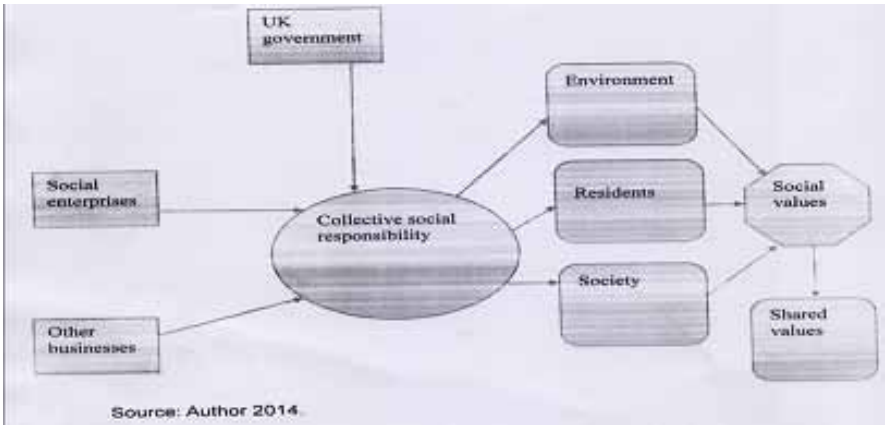

Table 1. Summary table of stakeholders' responsibility, collective social responsibilities and outcome

Item /Number	Stakeholders	Social responsibility	Collective social responsibility	Outcome
1	UK government	Provision of political stability, regulatory framework, quality infrastructures and conducive business environment	A highly responsive and responsible government	Shared value
2	Social entrepreneur	Sound business ethics, social innovations and social value	Law-abiding business	Shared value
3	Other business	Sound business ethics, quality products/services and corporate social responsibility	Law-abiding business	Shared value
4	Citizens /residents	Morally upright, law-abiding and very productive citizens/ residents	Patriotic and law-abiding citizens/ residents	Shared value

Source: Author 2014

cording to Auerswald (2009), social value can take the form of economic, environmental, social and technological gains. In more recent times, social value has become shared value (Porter & Kramer, 2011) and it enables the creator of value also to benefit from the value created.

Social value creation is actively promoted in the UK (Butler 2014; UK Civil Society, 2012). Below are some of the benefits (Butler, 2014; UK Civil Society, 2012; Porter & Kramer, 2011):

1. The UK model of social value creation is patriotic in nature.
2. It promotes individual and collective social responsibilities.
3. It allows for the preservation of society.
4. It assists in the development of stakeholders' competencies.
5. It promotes accountability.
6. It can easily be replicated.
7. It allows for proper planning for future generations.

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8. It promotes civil tolerance within society.
9. It reduces criminality in the society.
10. It creates economic prosperity.

Factors That Can Limit the Replication of the UK Model of Social Value Creation in Developing Countries

Social value creation in the UK can be viewed as a way of life due to historical and current quality regulatory frameworks that have been put in place to enforce it (Butler, 2014; Forest Commission, 2014; The UK Legislation, 2012). In the UK, the business environment is developed (BBC, 2014).

Business environments with political instability, poor infrastructure and a high degree of breakdown of law and order tend to hinder entrepreneurial activities and social value creation (Acs, Boardman, & McNeely, 2013; Baumol, 1990). Another factor that can hinder the replication of the UK model in developing countries is the inherent differences in public institutions, indigenous social and economic policies (Olson, 1996). Certain policies are indigenous in nature and are based on prevailing circumstances within the business environments (Olson, 1996).

A lack of basic infrastructure is a common feature in business environments of developing countries (Chowdhury, 2007). Chowdhury (2007) affirms that some developing countries have poor transportation facilities. Government will need to provide the necessary infrastructure to encourage smooth business activities that will encourage social value. The essence of social value creation is to ensure that citizens and society benefit from the everyday business and social interactions that occur within the business environment (Alvord, Brown & Letts 2014; Auerswald, 2009; Porter & Kramer, 2011). A lack of basic infrastructure can also hamper or disorganise the supply chain needed for the smooth creation and delivery of goods and services that will have positive effect on society (Dahan, Doh, Oetzel & Yaziyi, 2010). According to Dahan, Doh, Oetzel, and Yaziyi (2010), developing countries have issues with supply chains and access to local networks.

Inadequate regulatory framework is also a major issue in developing countries. According to Chowdhury (2007), developing countries experience poor government support and assistance in the regulation of the business environment to allow for meaningful development. Government plays a key role in providing an attractive and conducive business environment (Kirlin, 1996). A typical example of government support in the UK is the Social Value Act of 2012(Butler, 2014). This law enables citizens to be aware of the significance of social value in the society and encourages government, businesses and citizens to make it a priority when interacting in the society (The UK Legislation, 2012).

Limited knowledge of social value creation in developing countries is also a major factor that can affect the replication of the UK model of social value creation. According to Dahan, Doh, Oetzel & Yaziyi (2010), inadequate knowledge in essential and critical areas is a big issue in developing countries. Developing countries experience underdeveloped human capital (Dahan, Doh, Oetzel & Yaziyi, 2010). This may also have negative effect on the business environment as people play a key role in creating a competitive advantage in the business environment (Berry, 2012).

Corruption can be a major issue in developing countries. According to Chowdhury (2007), the lack of effective mechanisms to tackle corruption is a major problem in developing countries. This may also affect social value creation in developing countries.

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Technologically, developing countries are behind compared to the developed economies. According to Chowdhury (2007), developing countries experience the presence of obsolete technology. This is sometimes due to a lack of sufficient investment in research and development activities (Chowdhury, 2007).

Some developing countries sometimes have unstable business environments that experience frequent tensions in the form of strikes, disorderliness and other forms of criminal tendencies (Chowdhury, 2007). These tensions tend to discouragee the right kind of entrepreneurial activities that promote social value creation in a society (Acs, Boardman, & McNeely, 2013).

Understanding Social Value and Its Place in the Society

The nature of social value guarantees that societies benefit from business outcomes and other related outcomes (Alvord, Brown & Letts, 2004). According to Auerswald (2009), social value is an outcome of the proper utilisation of good governance to produce positive effects and to address social challenges. It is a concept that describes specific forms of standard outcomes and the nature of these that society accepts as positive effects and relies upon to build a social belief system and social value orientation(Butler, 2014;Porter & Kramer, 2011).

There are set standards of value that drive the society belief system. The belief system can be moulded by state laws (Kirlin, 1996) and religious inclinations (Pavlovich & Corner, 2014). For this chapter, the focus is on the prevailing social laws in the form of regulatory frameworks and policies that affect and guide both business and individual conduct within a defined society. Government plays a key role in this instance, by creating public policies and other regulatory frameworks to guide citizens, businesses and society interactions in stipulated functions. One such policy is the Social Value Act 2012 in the UK. The UK Legislation (2012) (Social Value Act Chapter 3) dictates that the economic, social and environmental wellbeing of the citizens and society must be considered in the awarding of public services contract. According to Butler (2014), the Social Value Act in the UK has the capacity to transform financial management practices within public services. This Act was enacted in 2012 by the UK Government in the United Kingdom and is tagged "Pubic Services (Social Value Act, 2012)" (Butler, 2014). Butler (2014) further adds that the social value act mandates public authorities to consider social and environmental concerns in their choice of suppliers rather than considering only cost. It is important to add here that the main focus of the Social Value Act is on local government, Whitehall and the National Health Service (NHS) (Butler, 2014). The Social Value Act simply encourages businesses with a social focus to benefit from government patronage while delivering excellent social value (Butler, 2014).

The UK is a unique modern and developed society (BBC, 2014). It operates within a well-defined public policy that guarantees social value (Butler, 2014). It is a very good example of how to create social value in a society using well-meaning public policies (Butler, 2014).

Social value has a priority position in the society. Its place in society is undeniable. Modern societies rely on it to correct social anomalies and transform societies (Alvord, Brown & Letts, 2004).The social entrepreneur's mindset on social value is to address social challenges constantly to make society a better place for all (Auerswald, 2009).

The Process of Social Value Creation in Today's Dynamic Societies

The process of social value creation is a predetermined act based on a firm's social responsibility (Rossi, 2001), social value orientations (Murphy, Ackermann, & Handgraaf, 2011), social capital (Bowles &

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Gintis, 2002; Russo & Perrini, 2010) and a shared value ideology (Porter & Kramer, 2011). The process consists of a series of inputs from the social entrepreneur within a defined business model to achieve set organisational goals and targets. Auerswald (2009) affirms that private value and social value can be a business outcome as entrepreneurs engage with society and carry out their specific legal business functions. He further observes that a strategic business plan adopted by an enterprise could enable the enterprise to remain financially viable and create the necessary social influence.

The key components of the social value creation process are summarised below. These serve as general information as specifics will depend on the social entrepreneur, region, and social problem, among other specific considerations.

Summary of key components and stakeholders (social value creation process):

1. Social entrepreneur: provides initiative, business model (shared value and collective responsibility ideology), utilises local content (contractors and resources), socially responsible, social capital, takes risk, etc (Auerswald, 2009;Peredo & Mclean, 2006; Porter & Kramer 2011).
2. Government: provides enabling environment, socially responsible, provides regulatory framework and policies (e.g. Social Value Act 2012)(Butler, 2014;Kirlin, 1996).
3. Society: provides business patronage and are the main beneficiaries of the social value and social solution being created (Alvord, Brown & Letts, 2004).
4. Inputs: these may include a business model with a social focus. It also involves the role of the social entrepreneur as stated above (Peredo & Mclean, 2006; Porter & Kramer, 2011).
5. Timing: very important as proper utilization of transaction time allows the social entrepreneur to achieve more at a reduced cost (Porter & Kramer, 2011).
6. Mediums/Platforms: these will depend on the sector and the nature of the problem or issue to be addressed. It can be social, economic and environmental (Butler 2014; Forestry Commission, 2014).
7. Society's expectation/actual social value outputs (forms and nature): social value or social solution with profitability while addressing the social problems, e.g. economic outcomes (employment, etc.), environmental outcomes (avoiding the destruction of the ecosystem) and social outcomes (improved standard of living, social developments, etc.)(Porter & Kramer, 2011) .
8. Location: it varies and depends on the social entrepreneur, government and society. It can be in the local government area or at a national level (Butler, 2014). This is found in developing countries and also in the developed countries.
9. Social value measurement system: This should be based on stakeholder feedback in the form of social accounting (this is a system that generates data from stakeholders for the organisation) and social auditing (this is a system that confirms the data) which reflects in the reduction in magnitude of the social issue being solved ((Wood & Leighton, 2010).

Stakeholder Function and Effects on Social Value Creation

Stakeholders play a significant role in the social value creation process and they are the driving force behind business formations and business conduct (Donaldson & Preston, 1995). According to Donaldson and Preston (1995), stakeholders are the key parties who inform and affect key business decisions and business outcomes.

In this chapter, the focus is on the three major stakeholders in the social value creation process, namely the social entrepreneur, government and the society (citizens). The stakeholders have assigned

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responsibilities and functions (Donaldson & Preston, 1995). It is important to note that they are socially responsible for the development and advancement of the society. According to Rossi (2001), social responsibility is an ethical theory and concept guiding individual or organisational conduct and activities. This is done in the interest and benefit of society (Rossi, 2001).

In order to discuss the stakeholders' functions and their influence on the social value creation in the society critically, each stakeholder role is analysed and discussed below:

1. **Social Entrepreneur:** This is the business head and initiator of a social value business model who has the responsibility to deliver profitable business outcomes while addressing social challenges in the business environment (Peredo & Mclean, 2006). Russo and Perrini (2010) observe that social capital plays a distinct role in small and medium enterprises (SMEs) while carrying out Corporate Social Responsibility (CSR) activities or creating social value. The social entrepreneur has a lot to do in the business environment in terms of creating value in society (Auerswald, 2009). The challenges in a defined society can include economic, environmental and social problems occurring at the same time. The social entrepreneur will need to see the opportunities in solving these societal challenges profitably and transforming the society (Auerswald, 2009; Alvord, Brown & Letts, 2004).
2. **Government:** Governments all over the world have a significant role to play as a major stakeholder in the business environment and the larger society. According to Kirlin (1996), government involvement can be felt strongly in their regulations in diverse sectors and policies dictating how business and society should relate. Their ability and capacity to provide policies and regulations in society make them very powerful in championing the social value policy in the society. The enactment of the Social Value Act 2012 in the UK is an example of government taking the initiative to drive the social value orientation for both businesses and the citizenry (Butler, 2014). Beyond the public policies and regulations, governments can also produce role models to mentor individuals and businesses to promote the social value policy (UK Civil Society, 2012). The appointment of Chris White who is a Member of Parliament (MP) by the UK government as its first social value ambassador is a sterling example (UK Civil Society, 2012), while strong targets in the reduction of carbon emissions by 2050 (Forestry Commission, 2014) is another good example of creating social value to protect the environment.
3. **Citizens (Society):** Society is another major stakeholder worthy of note (Porter & Kramer, 2011). Society includes the business environment, national environment and residents who play active roles in the social value creation process (Kirlin, 1996; Porter & Kramer, 2011). Citizens are also beneficiaries of the social value created in society through the shared value concept (Porter & Kramer, 2011). They are all expected to be socially responsible (Rossi, 2001) and develop significant social capital (Russo & Perrini, 2010) to advance social value creation in society. Collectively, the stakeholders can direct society and also create mutually beneficially outcomes. An opportunity for that is the utilisation of the shared value concept and the collective responsibility approach while being socially responsible in making society a better place (Rossi, 2001). According to Porter et al. (2012), the shared value concept promotes the creation of profitable business outcomes that produce concrete social benefits while Chant (2014) affirms that collective responsibility provides a structure in which every stakeholder in a group is held accountable to the fortunes of the group regardless of individual stakeholder roles.

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Social Value Creation and Its Effect on Modern Societies

Social value creation is a good development that can accelerate the progress of a society. As a way of life, social value creation makes businesses, governments and citizens to be socially responsible (Rossi, 2001). The social value creation processes also helps stakeholders to cooperate and generate meaningful social capital that allows citizens and businesses to meet collective or individual goals (Bowles & Gintis, 2002; Russo & Perrini, 2010).

Environmentally, social value creation can help to protect the environment and promote sustainability of the earth's resources (Dresner, 2002; Kates, Parris & Leiserowitz, 2005) through government interventions such as in the case study where the UK government has set achievable targets for carbon emission reduction (Forestry Commission, 2014).

FUTURE RESEARCH DIRECTIONS

The concept of shared value creation is a welcome development (Porter & Kramer, 2011). Existing literature has moved towards providing a strategy for the adoption of a business model that benefits both the social entrepreneur and society (Porter &Kramer, 2011; Porter et al., 2012). The presence of social factors such as social responsibility (Rossi, 2001), social value orientations (Balliet et al., 2009) and social capital (Bowles & Gintis, 2002; Russo & Perrini, 2010) indicate that other social factors such as culture, education and political system could also play a major role in influencing social value creation. This is so because the society and environment normally influences the type of value to be created or the social problems to solve. Based on this logic, subsequent studies can consider how culture can shape social value creation. Other prospective research efforts may study the effect of social value decisions in certain regions to provide an impact analysis, while other studies could focus on how/why social entrepreneurs identify and select certain social challenges to solve.

CONCLUSION

The modern-day approach to social value creation in societies hinges on collective responsibility and shared value. Stakeholders in the social value creation process must be alive to their duties and social responsibilities to achieve the desired society and preserve future societies (Porter & Kramer, 2011). The social entrepreneur, government and society have been strategically identified as the main drivers of social value creation in their own right and must constantly improve upon their positions on shared value, collective responsibility; social value orientations, social capital and social responsibilities, and they should work closely together in meeting set business and social targets.

Finally, in creating social value, the shared value concept is a recommended guide and approach focusing on stakeholder participation and collective responsibility for societal good and progress (Porter & Kramer, 2011).

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KEY TERMS AND DEFINITIONS

Collective Responsibility: This is an implied or written agreement by a group to accept success or failure as an outcome in an endeavour, regardless of individual contributions/performances.

Shared Value: This is a concept which allows society and business stakeholders to share in the business successes or in the value created by the business.

Social Capital: This is a unique resource developed via social affiliations to meet individual or team aspirations.

Social Enterprise: This is a business set up to solve societal challenges while carrying out its business functions.

Social Entrepreneurship: This is a business concept where a firm is set up to address society's problems using business processes.

Social Responsibility: This refers to the obligation an individual or firm has towards society. It is usually for the benefit of society.

Stakeholders: These are active participants bounded by common goals or who have certain rights and obligations in a collective project.

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Chapter 78
Framing Sustainable Practices: Middle Managers and Social Intrapreneurial Championing

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ABSTRACT

This paper develops and clarifies social intrapreneurship theory by examining the "how" of effective intrapreneurial championing. More specifically, the authors consider the following research question: How does the manner in which middle managers frame sustainable practices influence successful championing outcomes? The authors integrate the natural-resource-based view of the firm with research on middle management championing behaviors and issue-contingent models of ethical decision making to propose a model of sustainability championing for social intrapreneurs. To that end, propositions are developed concerning the relationship between the types of sustainable practice championed, how the argument for a given practice is framed, and successful championing outcomes. This paper contributes to a growing body of literature on social intrapreneurship, providing insight into how intrapreneurial championing can be more effective and building a foundation for future research.

INTRODUCTION

Increasingly, large businesses claim that they are committed to solving social and environmental concerns (Massetti et al., 2016). These claims have spawned a range of productive literature streams, including scholarship on the triple bottom line of sustainability, i.e., measuring social and environmental impacts, in addition to financial results, and how it can be implemented in firms. Despite this focus, it continues to be unclear whether this professed concern is a matter of marketing or mission, which has obvious

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implications for corporate commitment to social and environmental sustainability (Massetti et al., 2016). In this paper, the authors suggest that to understand whether triple bottom line measures have become integral to the firm's strategy, we need to examine the firm's strategy process.

Strategy guides the firm's decisions about investing in internal resources to better fit its industry environment (Barney, 1991; Venkatraman, 1989). Strategy process is concerned with how these decisions are made (Floyd & Wooldridge, 2000). A firm that has decided that its strategic fit does not depend upon triple bottom line factors may hold only a limited commitment to social and environmental concerns, viewing sustainability more as marketing than strategy (Massetti et al., 2016). Before a business will commit to transfer sufficient resources to address triple bottom line concerns, top managers must believe that addressing those concerns will support the business's strategy moving forward. But how do top managers come to be convinced in the strategic importance of sustainability?

It is this process of "convincing" that is the focus of this paper. More specifically, the authors address the following research question: How does the manner in which middle managers frame sustainable practices influence successful championing outcomes? Championing constitutes a tool used by middle managers to affect change in their firm's strategy (Burgelman, 2016; Dutton & Ashford, 1993; Floyd & Wooldridge, 1992). Middle management championing is critical for successful strategic adaptation (Heyden et al., 2015; Rouleau, 2005, Wooldridge et al., 2008). For businesses to make substantive triple bottom line progress, middle managers must learn to champion triple bottom line improvements as a critical part of organizational strategy. In brief, for firms to commit to sustainability, middle manager "social intrapreneurs" (Mair & Marti, 2006) must use the levers and routines of the firm's strategy process, including framing, to champion improvement.

This paper makes two important contributions. First, the authors develop and clarify theory about social intrapreneurship by suggesting that middle management championing is critical for increasing resource allocation towards positive social and environmental change (Floyd & Wooldridge, 2000). Second, the paper adds nuance to our understanding of middle manager championing processes by utilizing triple bottom line measures as a context to break down the nature of and activities involved in championing. Strategy process in general, and championing in particular, is critical to understanding how firms come to commit resources to social and environmental considerations. Social intrapreneurs "persistently champion a vision of change" (SustainAbility, 2008, p. 5), and by combining elements from the sustainability and social intrapreneurship literature with the literature on championing, the authors add useful insight into how social intrapreneurship championing can be more effective.

In developing a conceptual model linking the type of sustainability initiative and championing mode to successful strategic change, the authors draw on Hart's natural-resource-based view of the firm (Hart, 1995; Hart & Dowell, 2011). This work identifies four categories of organizational actions that improve both the environmental and social dimensions of firms' triple bottom line: pollution prevention, product stewardship, clean technology, and base of the pyramid strategies. The natural-resource-based-view has yielded significant interest among scholars and practitioners (Hart & Dowell, 2011). While alternative categorizations of sustainable business strategies have been offered in subsequent years (e.g., Orsato, 2006), the natural-resource-based view has gained widespread credibility in scholarly research (e.g., Dowell & Muthulingam, 2017; Russo & Fouts, 1997; Sharma & Vredenburg, 1998), and offers a helpful means through which to explore the championing of triple bottom line improvement. Importantly, the framework's two dimensions – timeframe and internal vs. external focus – provide a useful foundation on which to explore championing behaviors.

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Integrating the natural-resource-based view with issue-contingent models of ethical decision making (Jones, 1991), the authors propose a model of sustainability championing (Andersson & Bateman, 2000) as part of strategy processes. Theories of ethical decision making inform research on environmentally ethical behavior (Flannery & May, 2000), and are thus relevant to the paper's research question. Using these lenses, the paper develops propositions linking the type of sustainable practice championed, the manner of framing (Dutton & Ashford, 1993), and successful championing outcomes. By better understanding these relationships, the authors hope to provide insight into how social intrapreneurs influence more successful championing outcomes and advance social and environmental sustainability within their organizations.

THEORY AND PROPOSITIONS

The concept of social entrepreneurship refers to innovative activity that creates social value (Austin et al., 2006). The forging of new combinations of resources, central to Schumpeter's notion of entrepreneurship, is fundamental to the realization of this innovative activity (Rahdari et al., 2016; Swedberg, 2006). Applying Schumpeter's ideas to social entrepreneurship, Swedberg (2006) argues that significant resistance to social entrepreneurship can be expected. Indeed, to the degree that championing sustainability measures may threaten long-standing arrangements within an existing organization, resistance to social intrapreneurship – social entrepreneurship that occurs within established organizations (Mair & Marti, 2006) – may also be expected. It is perhaps not surprising, then, that the extent to which social intrapreneurs have successfully created social value, as measured by the triple bottom line, remains unclear. Firms may view their sustainability efforts as solely a public relations exercise, and research indicates that corporate actions to create social value have not significantly increased in recent years (Massetti et al., 2016). Firms that embed the creation of social value in their strategy process, however, can enable social intrapreneurship to realize its potential to address triple bottom line concerns by fostering strategic change.

Middle managers are critical to the implementation of strategic change (Burgelman, 2016), and thus potentially to the enhancement of the triple bottom line. Our understanding of how middle managers can act as social intrapreneurs to effectively champion the triple bottom line, however, is limited. To shed light on this topic, this paper draws on established theory on the natural-resource-based view of the firm (Hart, 1995) and issue-contingent models of ethical decision making (Jones, 1991).

The Natural-Resource-Based View

The natural-resource-based view of the firm identifies four types of sustainable business practices that differ across two dimensions: organizational focus (internal or external) and time horizon (current or future) (Hart & Dowell, 2011). Pollution prevention (current horizon) and clean technology (future horizon) involve an internal focus, while product stewardship (current) and base of the pyramid strategies (future) utilize an external focus. Pollution prevention and clean technology are considered to involve an internal focus because they can be advanced largely through internal capability development and internal operational improvements. Product stewardship and base of the pyramid strategies require engagement with external stakeholders and consideration of currently unmet needs, particularly in emerging econo-

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mies. Further, clean technology and base of the pyramid strategies focus largely on the technologies and needs of the future, while pollution prevention and product stewardship emphasize current needs. Each of the four categories is further defined, below, and presented in Figure 1.

Pollution prevention seeks to reduce or end the generation of toxic waste as the byproduct of processes (Hart, 1997). Initial efforts at pollution prevention may reveal opportunities for emissions reduction with minimal investment, but continuing efforts may involve more substantive investment or process changes. As waste represents inefficiency, pollution prevention holds the potential to increase productivity. Operational costs and compliance costs, in addition to pollution itself, can thereby be reduced (Chen et al., 2016; Hart, 1997; Hart & Milstein, 2003).

Product stewardship involves a high degree of external engagement, necessitating collaboration with a range of stakeholders to build a comprehensive understanding of products' impact (Hart, 1997; Roscoe et al., 2016). The mitigation of negative environmental impacts at each stage of the product's life cycle often requires substantial design changes. By minimizing the use of raw materials in production, product stewardship, like pollution prevention, may benefit firms through cost reduction. Additional benefits that may accrue to firms pursuing product stewardship strategies include the enhanced legitimacy and reputation that arises from the integration of stakeholder concerns (Hart, 1997; Hart & Milstein, 2003).

Clean technology entails a longer-term focus than either pollution prevention or product stewardship (Hart, 1997). Given research and development requirements, the development of clean technologies may not provide the immediate financial benefits of other strategies. The creation of products powered by renewable sources of energy is illustrative of a clean technology strategy. The benefits of this strategy for the firm also include the development of organizational innovation capabilities (Hart, 1997; Hart & Milstein, 2003).

Figure 1. Sustainability strategies (adapted from Hart (1995, 1997), Hart and Dowell (2011))

<table>
<tr><th colspan="4">Organizational Focus</th></tr>
<tr><th colspan="3">Internal</th><th>External</th></tr>
<tr><td rowspan="2">Time Horizon</td><td>Future</td><td>Clean Technology</td><td>Base of the Pyramid</td></tr>
<tr><td>Current</td><td>Pollution Prevention</td><td>Product Stewardship</td></tr>
</table>

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Finally, a firm embracing base of the pyramid strategies seeks to determine which needs among the world's very poor are not being addressed, and to develop solutions to address those needs (Hart & Dowell, 2011). Importantly, the base of the pyramid strategies require that sustainability's social dimension be addressed in concert with the environmental dimension, and improvement in the triple social dimension must not be garnered through deterioration of the environmental component (Duke, 2016; Meyer & Gauthier, 2013). The benefits to firms pursuing base of the pyramid strategies include the potential for increased revenue growth arising from customers at the base of the pyramid (Hart, 1997; Hart & Milstein, 2003).

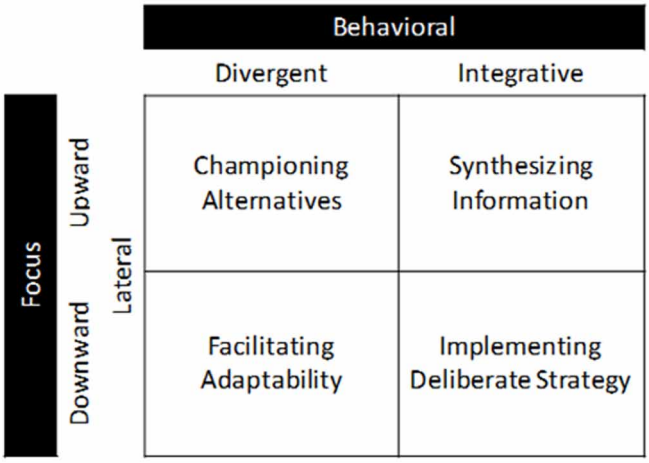
Thus, the natural-resource-based view presents a range of organizational actions that firms may implement to promote the environmental and social dimensions of sustainability. As shown, each category of actions is associated with a particular focus and time horizon, and each category carries different types of organizational benefits.

Such organizational actions will only be carried out because of the strategies, actions, and behaviors of the various individuals that constitute the organization. Examinations of such actions and behaviors have contributed greatly to our understanding of organizational effectiveness in social intrapreneurship (Cordano & Frieze, 2000; Egri & Herman, 2000; Inoue & Alfaro-Barrantes, 2015). Exploring this topic further, the following section links the natural-resource-based view with scholarship on middle management strategic processes, championing, and issue-contingent models of ethical decision making.

Middle Manager Strategic Processes

Floyd & Wooldridge (1992) identified four types of middle management strategic involvement, based upon whether the middle manager is working up or down the organizational hierarchy and whether he or she is working integratively with existing strategy or divergently. The Championing Alternatives mode involves managers working up the organizational hierarchy, seeking to enact divergent strategies (see Figure 2). It is this championing mode that is the focus of this paper.

Figure 2. A typology of middle management involvement in strategy (adapted from Floyd & Wooldridge, 1992)



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Upward divergent strategic involvement is inherently problematic for middle managers. Championing threatens existing organizational strategy, and thus poses an inherent danger. Organizations perform better with a coherent strategy legitimized by top management, suitable for the organization's particular environment and carried out cohesively across functions (Floyd & Wooldridge, 1992). Championing can threaten this cohesiveness. Middle managers may lack a comprehensive understanding of strategy across the organization, with the risk that what they perceive as an opportunity for the organization, within their field of view, might pose a threat to the organization overall.

These risks are further complicated when the strategies being championed involve non-financial social objectives. Managing socially focused organizations across multiple dimensions poses considerable challenges for managers (Meyer & Gauthier, 2013), and managing across multiple dimensions in commercial organizations would be expected to present further challenges.

Championing has the potential, however, to pull organizational strategy towards better performance on important metrics. While middle managers might lack a coherent overview of overall strategy, they may have a better view than do top managers of important portions of the firm's internal resources and local environment, and thus can see incremental opportunities for improvement; this is one of the key benefits of a strategy process that includes divergent middle managers (Wooldridge et al., 2008). If their knowledge points to the need to change strategy, either to capitalize on an opportunity or to avoid a threat, the organization can ill afford to ignore that need. A well-run organization must allow for the possibility of middle-manager-led upward divergent strategic change.

Championing

Champions are "individuals who, through formal organizational roles and/or personal activism, attempt to introduce or create change in a product, process, or method within an organization" (Andersson & Bateman, 2000, p. 549). In the context of social intrapreneurship, champions may be considered to function as change agents, drawing on motivations associated with different types: experts, facilitators, catalysts, and activists (Visser, 2011). Champions, acting as change agents, can come from any part of the organization. However, for the sake of legitimacy and effectiveness, they typically arise from middle management, top management, or some other position of influence. Their effectiveness depends, at least in part, on their familiarity with and adherence to the norms of the organization, including the way in which strategic decisions are made (Blomfield et al., 2016).

Traditional, top-down conceptions of organizational management and strategy enactment would consider only executives, founders, etc., to be noteworthy champions. However, as scholars and practitioners recognize the value of more broadly enacted strategy (e.g., Burgelman, 1991), this has changed. In addition, contemporary organizational forms generally involve distributed autonomy and a devolving of power to lower levels of the organization (Meyer et al., 2017), increasing the relative power of middle managers.

Championing activities themselves can be sorted into three major categories: issue identification, issue packaging, and the issue selling process itself (Andersson & Bateman, 2000). The focus of this paper's model is issue framing, a part of issue packaging (Dutton & Ashford, 1993). Issue framing is an area with significant implications for the ability of firms to effectively and successfully carry out actions supportive of triple bottom line considerations (Andersson & Bateman, 2000).

Issue framing refers to choices in substance and attributes that champions may either emphasize or de-emphasize (Dutton & Ashford, 1993). Framing "becomes the lens through which people view and

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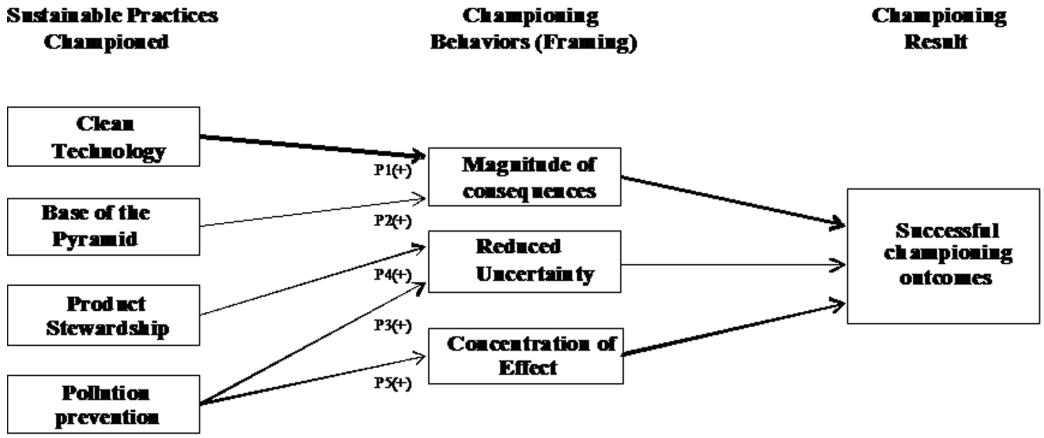
think about the issue" (Butterfield et al., 2000, p. 988). Framing is a particularly appropriate process for the upward, divergent segment of Floyd & Wooldridge's (1992) typology – middle managers are unable to force top managers to adopt a particular course of action. Framing a strategic change to upper management is a matter of presenting information and strategic ideas in a way that is both sufficiently respectful and politically expedient. 'Selling,' per se, is not necessarily appropriate. Framing – creating a new lens, as described by Butterfield and colleagues (2000) – aptly describes the process of putting forth information in a subtly persuasive manner. It is a critical process for middle managers to utilize when they wish to see top managers adopt a strategic change.

Framing is particularly relevant for championing triple bottom line issues because of the nature of the strategic change involved. Any sustainability initiative runs the risk of being seen as counter to the financial interests of the firm. Thus, by definition, an emphasis on environmental and social issues will require a change in thinking from a traditional commercially driven approach. Conceptual frames provide the foundations of individuals' perceptions (Goffman, 1974), and managers' persistent mindsets regarding the need to adhere to commercially driven approaches serve as barriers to consideration of triple bottom line issues. Triple bottom line objectives are fundamentally a different lens through which to view the firm's work, and new lenses require framing.

This importance has been echoed in scholarship. Researching environmental champions, Andersson and Bateman (2000) found, for example, that framing an issue as urgent and as having local impact increased the likelihood of successful championing outcomes. Champions should further recognize that the relationship between the category of sustainable practices championed and positive outcomes will be mediated by the framing employed by champions.

To complete the model, shown in Figure 3, the authors draw on issue-contingent models of ethical decision making (Jones, 1991). There are a range of lenses that have informed understanding of ethical decision making, such as social contracts (Donaldson & Dunfee, 1994) and social network analysis (Brass et al., 1998). This paper utilizes Jones's (1991) framework, as it suggests three categories of championing behaviors relevant to the framing of environmental sustainability issues. These categories are the magnitude of consequences, reduced uncertainty (influencing immediacy), and concentration of effect.

Figure 3. Conceptual model of sustainability championing



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Magnitude of Consequences

Jones (1991) proposes that issues of higher moral intensity will be associated with ethical decision making and behavior. To the extent that responsible environmental and social practices represent ethical behaviors, the concept of moral intensity can be applied to questions of sustainability championing. Jones's underlying argument is that characteristics of issues themselves will affect individuals' ethical decision making.

Jones (1991) argues that magnitude of consequences – the amount of harm or benefit accruing to victims or beneficiaries of a decision – is an underlying component of moral intensity. When a manager is confronted with a decision whose consequences are severe rather than one whose consequences are less impactful, the manager is more likely to behave ethically in his or her decision (Fritzsche & Becker, 1983). Empirical research has validated the applicability of the magnitude of consequences concept to ethical behaviors in general (Singer & Singer, 1997; Weber, 1996; Marshall & Dewe, 1997; Morris & McDonald, 1995) and to environmentally ethical decision making in particular (Flannery & May, 2000). Champions hold a critical role in the ethical decision-making processes of the firm's decision makers, given their ability to frame issues in manners that underscore the magnitude of the issues' consequences.

Of the four categories of sustainable business practices outlined in the natural-resource-based view, clean technology and base of the pyramid strategies are likely to be perceived as having the greatest magnitude of consequences. While pollution prevention and product stewardship are restricted to the pollution emitted and products currently produced by the individual firm, clean technology and base of the pyramid strategies are much broader in scope. The development of clean technologies holds the potential to drastically reduce greenhouse gas emissions and mitigate climate change; as such, the magnitude of consequences is dramatic. Similarly, a base of the pyramid strategy that seeks to meet the unmet needs of the world's poorest citizens in an environmentally responsible manner is particularly consequential.

Taken together, these arguments suggest a mediated relationship between the championing of clean technology and base of the pyramid strategies and positive outcomes. Championing behaviors that emphasize magnitude of consequences would be expected to be most successful in the pursuit of clean technology and base of the pyramid strategies. Each of these categories of sustainable practices can be expected to resonate with organizational decision makers as especially consequential, suggesting the following:

Proposition 1: High-magnitude consequence framing will mediate the relationship between clean technology championing and successful championing outcomes.

Proposition 2: High-magnitude consequence framing will mediate the relationship between base of the pyramid championing and successful championing outcomes.

Reduced Uncertainty

Additional components of moral intensity include social consensus, probability of effect, temporal immediacy, and proximity (Jones, 1991). Reduced uncertainty links each of these components, serving to heighten moral intensity for decision makers.

Social consensus's power derives from reducing uncertainty. Significant consensus exerts influence on decision makers, clarifying the propriety or impropriety of potential decisions. The link between

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consensus and immediacy rests in legitimacy; to the extent that a particular course of action is broadly seen as legitimate, a greater sense of urgency to follow this course of action arises.

Given the strength of organizational desires for legitimacy (Suchman, 1995), we can expect that an organization's decision makers will act in concert with societal expectations in decisions of high social consensus; such consensus constitutes a significant factor in determining moral judgment (Morris & McDonald, 1995). In addition, instrumental stakeholder theory (Jones, 1995) argues that financial value can accrue to following socially beneficial policies wherein there is broad social consensus.

Among the four categories of sustainable business practices, those with the highest degree of social consensus are pollution prevention and product stewardship. While clean technology and base of the pyramid strategies are also desirable, intuitively, we would expect consensus to be relatively stronger that companies should reduce pollution emissions and integrate stakeholder concerns into existing production. This reasoning is consistent with the stakeholder salience framework (Mitchell et al., 1997), which suggests that the perceived legitimacy of stakeholder groups, defined in part as the extent to which there is social consensus regarding their concerns, influences organizational responsiveness to stakeholder issues.

In summary, sustainability championing behaviors stressing social consensus can be expected to result in the most positive outcomes for pollution prevention and product stewardship. This success would be expected to result from perceptions of high consensus in these areas.

Probability of Effect

Moral intensity is also affected by probability of effect – the likelihood that an act will cause a corresponding benefit or harm (Jones, 1991). Decision makers will feel greater pressure to adopt decisions that maximize benefit or minimize harm when confronted with a high probability of effect.

Within the natural-resource-based view, probability of effect corresponds roughly to time horizon. The two categories associated with current time horizons, pollution prevention and product stewardship, would be expected to have a higher probability of effect. If an organization decides to continue pollution at current levels, the negative impacts of that decision can be measured with a fair degree of certainty. In fact, the U.S. Environmental Protection Agency requires industrial facilities to measure and report their releases of toxic chemicals (Heller, 1997; Karp & Gaulding, 1995). Similarly, the negative environmental ramifications connected to a product's life cycle can also be assessed with a degree of certainty. This certainty or likelihood is reduced, however, as organizations consider more future-oriented actions such as clean technology and base of the pyramid strategies. As such, decision makers will likely conclude that significant changes in pollution prevention and product stewardship will be likely to have a positive environmental impact.

Framing issues as having a high probability of effect would, therefore, be expected to result in the most positive outcomes in the areas of pollution prevention and product stewardship.

Temporal Immediacy

The duration between a decision and the ramifications of that decision constitute temporal immediacy (Jones, 1991). The tendency of individuals to discount future events suggests that decision makers will be more sensitive to more immediate issues.

Temporal immediacy's implications for the natural-resource-based view are best considered through the dimension of time horizon and, commensurately, with reduced uncertainty. By Hart's definition,

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pollution prevention and product stewardship are associated with a current time horizon and, therefore, higher immediacy. An additional component of the stakeholder salience framework, urgency (Mitchell et al., 1997), offers support for the importance of immediacy. Organizations have been found to be more responsive to urgent environmental issues, defined in part through their time-sensitive nature (Eesley & Lenox, 2006).

The implications of these arguments are that sustainability champions framing issues as temporally immediate will meet with the highest levels of success in pollution prevention and product stewardship.

Proximity

An issue is seen as proximate if the decision makers feel a sense of nearness with those affected by a corresponding decision (Jones, 1991). Individuals care more about people who are close than those who are distant. A sense of geographic proximity informs the circumstances in which decision makers are more likely to adopt sustainable business practices.

Pollution prevention and product stewardship are particularly relevant for proximity. The potential impacts of clean technology and base of the pyramid strategies are more widely dispersed than the impacts of pollution prevention and product stewardship. Although all pollution has global ramifications, the effects of pollution are most acute for local populations suffering degraded water supplies and air quality. By similar logic, adverse product life cycle consequences – including the need for communities to dispose of the toxic wastes products may yield – accrue to local communities that purchase the products. And emphasis on local impact in framing has been found to be positively associated with successful environmental championing (Andersson & Bateman, 2000).

Ultimately, we would expect that champions who accentuate proximity will have the highest probability of successful outcomes when championing pollution prevention and product stewardship practices.

Social consensus, probability of effect, temporal immediacy, and proximity have each been suggested to influence ethical decision making (Jones, 1991). Given that these four components are linked by a sense of lower uncertainty and, along with it, urgency, and given the arguments presented in this section, we would anticipate that championing behaviors that emphasize lower uncertainty would mediate the relationship between pollution prevention and successful results, and between product stewardship and successful results. These arguments suggest the following propositions:

Proposition 3: Low uncertainty framing will mediate the relationship between pollution prevention championing and successful championing outcomes.

Proposition 4: Low uncertainty framing will mediate the relationship between product stewardship championing and successful championing outcomes.

Concentration of Effect

Individuals tend to consider actions to be immoral when they result in highly concentrated negative effects (Jones, 1991). Ethical decision makers will seek to avoid decisions whose adverse impacts are seen as highly concentrated. Further, from a purely functionalist viewpoint, a concentrated effect is less likely to go unnoticed; concentrated negative social or environmental effects are more likely to yield negative publicity and other tangible, negative outcomes for firms. Consequently, a concentrated effect commands attention.

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The effects of emitting continued pollution levels can be highly concentrated. Among chemical firms, for example, the worst effects typically accrue to communities within a close radius of facilities generating toxic emissions, even for airborne toxins. This concentrated negative effect is more pronounced in pollution prevention than in other areas of triple bottom line considerations.

Conversely, base of the pyramid issues are typically widely dispersed across large populations, or in populations with less access to media and other tools that can create attention and a sense of urgency. Base of the pyramid issues, additionally, are often longstanding and less dynamic than many pollution related issues, which are manifest as changes from extant environmental and health conditions.

Green technologies and product stewardship generally lack effects that are readily identifiable with regard to certain groups, also leading to less concentrated effects. Proper framing needs to be conducted to counteract the appeal of short-term financial benefits from avoiding pollution prevention investments. And to the degree that a decision maker understands that his or her failure to adopt pollution prevention strategies may serve to maintain an undesirable level of concentrated negative effects, the probability of pollution prevention adoption increases. Thus, the authors suggest the following mediated relationship:

Proposition 5: Concentrated effect framing will mediate the relationship between pollution prevention championing and successful championing outcomes.

CONCLUSION

Unless and until triple bottom line considerations become central to organizational strategy, commitment to sustainability will be seen by top managers as secondary to financial performance. Middle management change agents who wish to champion upwardly directed, divergent sustainability initiatives can effectively use the firm's strategy process to do so through appropriate framing. By so doing, middle managers can serve an important role in championing the triple bottom line of sustainability within their organizations. In this paper, the authors examined this role by addressing the following research question: How does the manner in which middle managers frame sustainable practices influence successful championing outcomes? The authors' model proposes that the relationship between the types of sustainable practices championed and successful outcomes would be mediated by the manner in which champions frame the issues connected to those practices, adding granularity and nuance to our understanding of middle manager championing in social intrapreneurship.

In examining how middle managers can use the levers of strategy process to affect strategic change in their organizations, this paper contributes to a growing literature on the "how" of social intrapreneurship arising from a number of theoretical lenses. Blomfield, Troth and Jordan (2016) theorized that change agents attempting to further a sustainability initiative must match their apparent emotion to the level acceptable within their organization. Alt and Craig (2016) discuss how social intrapreneurs use the meaning systems of their organizations and targets. The present research adopts a different perspective that underscores strategy process, drawing on the natural-resource-based view and issue-contingent models of ethical decision making to develop a model of sustainability championing. Future research affords the opportunity to integrate these different perspectives to enable a more comprehensive understanding of social intrapreneurship processes.

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It is worth noting that the articles discussed above, as well as this paper, are conceptual rather than empirical. Social intrapreneurship theory is arguably in its infancy, in need of further development and strong connections to our existing theories of the firm. Scholars interested in how and why agents of change can successfully urge new sustainability initiatives must work inductively to integrate current theory (Salomone, 1993). The range of theories brought to bear on social intrapreneurship (entrepreneurship theory, theories of emotion in the workplace, sensemaking, issue selling, etc.), suggests that social intrapreneurship may not yet be ready for the "compartmentalizing and operationalization required for empirical work" (Meyer et al., 2017, p. 536).

For practitioners, this research suggests optimal framings that social intrapreneurs may employ to maximize the likelihood of successful outcomes. Pollution prevention actions have the widest range of potential framings: the model suggests that emphasizing low uncertainty and concentrated effects should be useful. For product stewardship, framing as lower uncertainty should be productive. With respect to clean technology and base of the pyramid strategies, an emphasis on high-magnitude consequences would be expected to improve the probability of successful championing results.

The challenge of championing clean technology and base of the pyramid strategies is heightened by an ambiguous link to competitive advantage. While prior research on environmental sustainability suggests that firms may realize cost benefits through pollution prevention (Hart & Ahuja, 1996; King & Lenox, 2002) and may adopt actions consistent with product stewardship in the hopes of securing legitimacy (Bansal & Roth, 2000), there is no such evidence for the relatively future-oriented dimensions of the natural-resource-based view.

For scholars, the application of framing under the guidelines of Jones's (1991) ethical decision making to Hart's (1995) natural-resource-based view suggests avenues for additional research into framing by middle managers in general. Other issues outside of the social and environmental arenas may involve, for example, issues with varying magnitudes of consequences, varying proximity, etc., where this paper can inform how middle managers can increase the effectiveness of their strategic advocacy to top management.

Future research might also examine how additional variables might, in concert with framing, influence the probability of successful championing outcomes. Drawing on prior research on change agents (Visser, 2011), for example, scholars might seek to better understand how specific framing choices enhance or diminish the likelihood of successful outcomes among different types of agents: experts, facilitators, catalysts, and activists. Additionally, scholars might examine how varying aspects of the firm's competitive environment, including the pace of technological change in the industry, might impact the success of different framing strategies. These areas merit exploration in future research.

Advancement of the triple bottom line is accomplished through the behaviors of individuals within organizations. Middle managers, acting as social intrapreneurs, can advance the process of triple bottom line improvement through careful consideration of the championing behaviors most likely to resonate with the organization's decision makers. The authors hope that this paper offers insights for both scholars and practitioners seeking to aid the effectiveness of these efforts.

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Chapter 79
Animal Spirits or Engaging Spirits?
The Importance of the Not-for-Profit Economy – Coopetitiveness and Grant-Making Foundations

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ABSTRACT

After having discussed the contemporary importance of the not-for-profit and social economy, the chapter builds on a cluster analysis of performances and roles of grant-making foundations, who are the essential node of the cooperation and coopetitiveness, today. This chapter aims to present worldwide grant-making foundations for their performances and profiling according to the latest accounting data and mission reports, which collect results of their projects according to the classification of pure grant-making, networking, leadership, partnership and pooling. With this in mind, the chapter adopts a typical approach of cluster analysis of industrial organization. The cluster analysis emphasizes the profiling of the sample and it allows to separate groups with significant features. The main focus remains on the issues of the finance of the social economy, when the Public Welfare State is too much indebted. Complementary and substitute roles of the Private Welfare State can emerge for the support the not-for-profit economy.

INTRODUCTION

Not-for-profit organizations are significant players of the economy today (Caroli, 2015; Bode 2006, Dart 2004, Weisbord 1998) and they are confronted with very similar challenges to for-profit organizations as concerns resource allocation, entrepreneurship, social accountability, sustainability and cooperation (Daub, Scherrer and Verkuil 2014; Grassi, 2012; Bacq and Janssen, 2011; Zahra, Rawhouser, Bhawe, Neubaum and Shulman, 2009; Martin and Osberg, 2007). These are only some examples of contemporary issues in the so-called not-for-profit or social economy.

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Social economy and the not-for-profit, they are not only a theoretical revolution in economics and industrial organization, but they are also evidence of dramatic and challenging times, when the market, the hierarchy and the for-profit are discussed and traditional theories are not more useful to understand and foresee.

With the crisis as a significant contingency, the entrepreneur cannot more behave according to animal spirits. Very scarce resources, collapsing markets, the growth of intangible (and online) transactions and '0' marginal costs (Rifkin, 2014), growing inclinations for altruism, voluntarism and cooperation, they are only some evidence of what is revolutionizing economies. Standards and traditional approaches cannot more be useful to understand what is going on in the *real economy*.

Traditional macroeconomic and microeconomic models have shown their multiple weaknesses for decades and the latest crisis has emphasized these weaknesses (Stiglitz, 2011). There is a growing overlap between the stylized phenomena addressed by traditional economic theories and the emerging relevance of beliefs, the importance of institutions (like not-for-profits) governing behaviors (Coricelli and Dosi, 1998). Behavioral economics has been a theoretical revolution that has obliged economists to investigate implications of motivations, beliefs, aptitudes, irrationality, altruism, regret and the individual dimension not simply isolated but also in relation with communities, society and, above all, with needs of the society (Bleichrodt and Wakker 2015, Kahneman and Krueger, 2006; Kahneman and Tversky, 1979).

According to behavioral economics, implications of individual aptitudes, actions, and behaviors cannot more be neglected and the own ambition and goals, they are not as relevant as other people's goal. *Animal spirits* are vanishing in front of the common and social good, *engaging spirits* are involved in.

Altruism and cooperation, they both become focus of the today' economy. Resource allocation and sustainability, they now derive of coopetition and coopetitiveness.

This revolution has obliged to consider that, next to resources like nature, capital and human capital, the social capital of human relations is essential to growth, welfare and happiness (Santos, 2012; Di Tella and MacCulloch, 2006; Routledge and Von Amsberg, 2003; Easterlin 1995 and 2001). The social capital has emerged as the appraisal of connections, networks, relations and, above all, altruism. The social capital is growing in a society where markets and the willingness-to-pay, they are not the exclusive way of transactions (Ahn and Ostrom, 2009; Manski, 2000; Della Giusta, 1999; Coleman, 1998; Knack and Keefer, 1997).

Coopetition is the cooperation for resource allocation in the for-profit economy, *coopetitiveness* is here meant as the inclination, intensity and framework of the not-for-profit economy, where the empathy and social goals are leading every organization to support the creation and growth of social capital. Organizations of the not-for-profit economy are, first of all, not-for-profit organizations. Nevertheless, it is not excluded that the not-for-profit and the for-profit cooperate for the growth of social capital. This is coopetitiveness, too.

This chapter aims to present the framework of coopetitiveness in the not-for-profit economy. The not-for-profit economy is the Private Welfare State of several grant-makers who are subsidiary to and complementary with the Public Welfare State. Among these grant-makers, worldwide grant-making foundations will be here deeply investigated for their performances and profiling according to the latest available accounting data and mission reports. The aim is the classification of pure grant-making, networking, leadership, partnership and pooling roles of these foundations who *coopete* with other stakeholders for the social capital. Today, they coopete more than in the past. In the past, they simply supplied money for merit causes.

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According to the rich database and multiple rankings of the Foundation Center and Guidestar, a sample will be investigated for financial performances and strategies. The latest and comparable accounting refers to 990 Forms ending 31st December 2013.

With this in mind, the chapter adopts a typical approach of ranking and classification of industrial organization and applied economics, in order to investigate economic performances of the sample and in order to focus on the philanthropy thanks to networks and partnerships these foundations enable.

The cluster analysis (hierarchical and then, k-means) emphasizes the profiling of the sample and it allows separate groups with significant features.

The main focus remains on issues of the social economy, when the Public Welfare State is too much indebted and not-for-profit organizations are competing for resources of the Private Welfare State. Complementary and substitute roles can emerge.

As a consequence, the chapter focuses on the most important Private Welfare State affecting the growth and evolution with and within local, regional and national economies thanks to coopetitiveness.

SOCIAL AND NOT-FOR-PROFIT ENTREPRENEUR, COOPETITION, AND COOPETITIVENESS

Social capital is not only the evidence of a new resource. It is also a drastic change in the vision and strategy. Animal spirits are not more leading. Spirits are led by cooperation, instead. Who is playing coopetitiveness, who is combining competition with cooperation according opportunity costs, this is a new actor. This is the evolution from animal to *engaging and cooperating spirits*. These spirits are, first of all, in the not-for-profit and social entrepreneur

Who is the not-for-profit and social entrepreneur or stakeholder whose main aim is not profit but the not-for-profit share of common goods?

Dees (1998) focused on the not-for-profit as an "innovative activity with a social purpose in either the private or nonprofit sector, or across both." In his opinion, boundaries between the market and the community were vanishing: individual goals had to be confronted with superior goals of communities and the society.

Others have offered conceptual upgrading of this definition for the integration of business into social aims, for the ability of networking with other stakeholders, local and national communities, for innovative and disruptive strategies like crowd-funding, for ethics, for values more than brands (…). In these refinements, for-profits can still prevail, but they have to consider the importance and key-goals of social needs and relations (Caroli, 2015; Birchall 2013; Grassi, 2012; Bacq and Janssen, 2011; Borzaga et al. 2011, Borzaga 2010).

The not-for-profit or social entrepreneur has usually been meant as an alternative to the for-profit. For-profits were in the origin led by their animal spirits. Next to the urgent need of anybody supplying public goods, the inefficiency of for-profits, of their spirits and their market failures gave support to an alternative provision of private and public goods, the not-for-profit economy (Weerawardena, McDonald, Mort, 2010; McDonald, 2007; Powell, 1987).

Coopetitiveness is the key frame of relationships between not-for-profit organizations in the not-for-profit economy. It can also be meant as collaboration between the for-profit and the not-for-profit when they share the goal of the growth of the social capital.

Coopetition is the most common 'label of cooperation' in manufacturing and for-profit economies.

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Firms need to cooperate with each other in order to create value, even if they operate in competitive landscapes with competing goals (Dyer, Singh and Kale, 2008).

Coopetition encompasses several complex phenomena. According to the approach of game theory, coopetition reduces costs thanks to information sharing, so that knowledge development can be attained (Hong and Snell, 2015; Brandenburger and Nalebuff, 2011; Okura, 2007). Thanks to coopetition firms are able to achieve superior performances than through collaboration or competition alone (Lado, Boyd, Hanlon, 1997). Complementarity and synergy of resources they are drivers of coopetition according to resource-based view of firms (Brakman and Dean, 2014; Robert, Marques, Le Roy, 2009; Bonel, Pellizzari, Rocco, 2008). With the meaning of cooperation, coopetition has been investigated in industrial organization, management and marketing of small and medium sized firms, service and other industries for more than two decades. The focus has been both on advantages and disadvantages, added values, internationalization, globalization of cooperation and poles between the desire to combine and co-create and the emergence of opportunism and unfair appropriation of benefits, innovative frameworks and approaches (Beamish, Lupton, 2016; Bouncken, Gast, Kraus, Bogers, 2015; Ritala, Tidstroem, 2014; Bouncken and Kreis, 2013).

For the interdependence of services and destination managers, coopetition has been recently investigated in the tourism industry, too (Czernek, Czakon, 2016; Wang, 2008).

If competitiveness is the intensity of competition and coopetition refers to cooperation in the for-profit economy, coopetitiveness is here meant as empathy, altruism and intensity of coopetition in the not-for-profit economy.

Coopetitiveness is cooperation between the not-for-profit for the growth of human relations, social capital and welfare.

Coopetitiveness can refer to not-for-profit and for-profit cooperation, too. Not-for-profits can be next to for-profits for objectives of the social economy. They can work in parallel and they can be complementary. For example, the for-profit hospital and the not-for-profit one, they both supply the same core business though strategies and performances can be differently meant and some literature is focused on differences and phenomena separation (Grassi, 2012; Bacq and Janssen, 2011). Social economies confront both enterprises and organizations with comparable challenges, although their precise forms may, in some cases, differ significantly: associations, cooperatives, companies, trusts, NGOs (Non Governmental Organizations), public administrations and foundations. Pronounced similarities can be evident in the employment market, in which both focus intensively on the recruitment of specialists (financial analyst and fundraiser) and in which they frequently compete.

The main difference and the key-feature is nonprofit or not-for-profit where 'not-for' is much more significant than 'non'. Profit is not neglected. Nevertheless, profit must be reinvested 'for' the merit cause, for the common good and for the social capital. Social capital and social economy are meant for the collective benefit.

Competition and aptitude for cooperation, they have always been present in the not-for-profit economy. The competition among not-for-profit firms, the for-profit and the government has always been tempered by intrasectoral cooperation (Steinberg, 1993 and 1987).

In this environment the for-profit organization is not excluded, if the entrepreneur has social goals next to profit-maximization. Entering the market for services and merit goods previously supplied only by for-profits, not-for-profits must demonstrate to achieve multiple goals, provided they exploit the potential for success according not exclusively to financial performances and with the burden of common and social challenges. Literature on these two poles, their separation and their neighborhood is fragmented,

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because research is conducted under a multitude of similar, yet distinct, concepts (e.g., commercialization, professionalization, mixture and symbiosis, cooperation and hybridization). On one hand, management and organization approaches play a decisive role for the adoption of business-like approaches. On the other hand, researchers criticize paradigm shifts and loss of idealism (Maier, Meyer and Steinbereithner 2014, Kreutzer and Jaeger 2011, Hwang and Powell 2009). According to goals, processes and practices, the not-for-profit look at for-profit benchmarks. Nevertheless, for-profits *use the same mirror* when they have to compete and *coopete* in the same arena. Double benchmarks are frequent: the not-for-profit look at the not-for-profit and the for-profit of the same industry. The for-profits they do the same. Hybrids can arise in order to rationalize the best of both. Social entrepreneurship means hybrids, too (Battilana and Lee, 2014; Grassi, 2012; Halme, Lindeman and Linna, 2012).

The literature soon recognized that not-for-profits and for-profits are not more thinking of themselves as poles.

Coopetitiveness is the latest strategic trend between not-for-profit organizations and between the not-for-profit and the for-profit. With ongoing scarcity of resources, coopetitiveness is the target for both the not-for-profit and the for-profits. Thanks to coopetition, the for-profit maximize profits in manufacturing industry and the service industry like tourism. Thanks to coopetitiveness, the not-for-profit and the for-profit together, they maximize the social capital and the welfare with resources and contributions, they collected from different stakeholders.

Coopetitiveness is, first of all, the response to a volatile and unstable market. With this meaning, coopetition is naturally emerging at crisis times, when the structural, strategic and performance uncertainty obliges to abandon animal spirits. Individual resources are of strategic importance, when are valuable, rare and difficult to imitate and efficiently organized. Individual resources become more valuable, when they are matched with others' as it is in the not-for-profit market, in order to adapt to unstable and changing environments.

Coopetitiveness does not exclude competition. The instability and volatility, they both oblige entrepreneurs to the competition versus coo-petition choice. In order to avoid conflict, the not-for-profit and the for-profit will concentrate on increase of resources base, tools for setting primary objectives, from spot to stable agreements and the interdependence coordination. Clear goals and standards of coordination become salient. In case of long-term or renewable relations, the exchange of acquired resources enables to reduce the conflict, and sometimes leads to the synergy effect, where the use of the knowledge of one party and other resources of the second party is beneficial for all participants of the relation and furthermore it may contribute to increase of the Pareto-superior character of intrasectoral and intersectoral coopetitiveness.

With attention to the not-for-profit and when splitting the universe into operating and grant-making, the coo-petition is assured by both the operating not-for-profit and the grant-making one.

Foundations result as the copious grant-maker and the main node of networks and partnerships in the not-for-profit and social economy worldwide. Thanks to coopetitiveness, the not-for-profit and the for-profit together, they maximize the social capital and the welfare thanks to contributions collected by foundations and networks, foundations are leading. Foundations are the main link in the generous society, where coopetitiveness is intense.

Foundations are no the exclusive providers of resources to the social economy. The Public Welfare State plays a key-role, too. The following paragraph concerns the triad of the not-for-profit, the for-profit and the State.

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Third Wheel or Parallel Engine? Public and Private Welfare States

The main background of the not-for-profit literature regards the issue that the for-profit are not enough for the welfare and social economy (Steinberg, 1993; Ben-Ner and Van Hoomissen, 1991; Powell, 1987). As developed in the previous paragraph, for-profit and not-for-profit organizations simultaneously display competitive and collaborative behaviors.

The State is another player of the cooperative game, if we recall that most often public services do not have a market. They are not sold but rather provided either for free or at heavily subsidized fares (Patrizii, Resce, 2015). Benefits to the community are made by cooperation among administrations, the not-for-profit and the for-profit. Public administrations solve for market failures in collaboration with the not-for- and the for-profit.

The social economy is, as a consequence, the intersection of not-for-profit organizations, public administrations, for-profit corporations, when they are mixing and balancing their operating and grant-making roles for the benefit of the whole society (Eggers and Macmillan, 2013; Hansmann 2013, Defourny and Nyssens, 2010; Mair and Marti, 2006; Austin, 2006).

Coopetition is, first of all, a strategy for firms (the for-profit) who innovate and it is well studied in industrial organization and management literature. Coopetitiveness is the ultimate trend of the not-for-profit, public administrations and the for-profit who collaborate in order to enhance the general welfare.

Coopetitiveness is not only 'sense and sensibility' of collaboration between the not-for-profit and the for-profit, but also inside of the not-for-profit and social economy, when not-for-profit organizations specialize with the separation of operating and grant-making roles and they collaborate.

Operating and grant-making are not always poles. The operating role cannot survive without the grant-making role and both roles can be found in the same organization. This organization supplies grants to social causes and at the same time, the organization leads social projects. Some of not-for-profit organizations specialize in the grant-making role, especially, foundations (corporate, community and independent). Different types of the not-for-profit, as a consequence, develop complementary roles next to and with the support of public administrations for common goals and projects, especially at the regional level (Birch and Whittam, 2008).

Public administrations are, therefore, present in this arena.

Public administrations are the core of the so-called Public Welfare State who is originally conceptualized in order to solve for market failures.

The Public Welfare State was meant to grant public goods, solutions to market failures, externalities, imperfect and asymmetric information (Barr 1993). Public goods refer to goods and merit causes, which the for-profit firm does not provide, as they are very costly and, at the same time, indivisible and not excludable. Negative externalities refer to damages (pollution, for example) nobody is paying for. Imperfect and asymmetric information refers to frauds, unbalance between supply and demand, when consumers and suppliers do not have the same quality and quantity of information for effective and efficient transactions.

Parallel to the Public Welfare State, the not-for-profit organization can emerge with same goals.

In some industries the triad of the State, the not-for-profit and the profit organizations can match their resources and businesses. This is the case of the health industry with public, for-profit and not-for-profit

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hospitals. This is also the case of creative industries where theatre, movie and other entertainment can be public and private organizations, profit and not-for-profit entrepreneurs.

The Public Welfare State can be a solution till crisis times. When the real and financial crisis negatively affects public administrations, the Public Welfare State decides to reduce public expenditures. *Deleveraging* and spending review are still ongoing.

At crisis times the triad and coopetitiveness of the not-for-profit, public administrations and the for-profit can either collapse or get stronger for the best resource allocation. Complementary roles can become subsidiary roles, especially for private grant-makers and sponsors who replace the State and public administrations. The balance of roles and powers can move from the Public Welfare State to intermediate and hybrid organizations, whose strategies are a *bricolage* and hybrids of grant-making, leadership, partnership, networking and pooling of resources (Caroli, 2015; Battilana and Lee, 2014; Grassi, 2012; Halme, Lindeman and Linna, 2012; Kickul, Griffiths and Gundry, 2010).

At hard times with collapsing resources, the operating non-profit and social economy relies, as a consequence, on the philanthropy of the Welfare State of private grant-makers, as the Public Welfare State is affected by high debts and, as a consequence, concentrated on deleveraging and spending review. The Private Welfare State can be the grant-making foundation whose role is not concentrated only on grant-making, today more than in the past.

Grant-making foundations have been important partners of the social economy for more than two decades and their philanthropic role has gained a very significant importance since the latest crisis. In the above-mentioned triad, they are changing their roles from pure grant-makers into leaders, partners, networkers and collectors of pools of resources.

At crisis times, they are developing some brico-roles that innovate the traditional grant-making profile. These brico-roles are summing up profiles like the project manager, the project leader, the network leader, the fundraiser and also the collector of multiple resources, from money to in-kind. As they have important knowledge and forecasting visions of economies, including focus on critical problems, on priorities both surface-level and more deep-rooted, on the various organizations that can match their resources to address those problems, and on the underlying political and inter-organizational dynamics and contingencies, they can be project leaders.

The ability and strategy of foundations to connect to small and large communities, for their grant-making role and also for their partnering with different stakeholders, it could not be affordable if resources were not enough and connected with financial markets. Strong of their financial performances, the creation of networks, partnerships, pooling of resources and leaderships has become their best practices next to or with the Public Welfare State of central, regional and local administrations.

If the ability of the Public Welfare State has reduced, not-for-profit organizations disproportionately deliver essential services that typically fall to governments, while contemporary crisis times show some structural and strategic weaknesses. Foundations are important partners o these operating not-for-profit organizations.

The following cluster analysis will profile a sample of grant-making foundations according to their performances and it will show some main roles as for welfare issues with and next to (*bricolage* of roles) other Welfare States.

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PROFILING OF GRANT-MAKING BIGGEST FOUNDATIONS: A CLUSTER ANALYSIS

Several empirical reports are available for the USA not-for-profit economy. Approximately 1.44 million nonprofits were registered with the Internal Revenue Service (IRS) in 2012, an increase of 8.6 percent from 2002 (McKeever and Pettijohn, 2014). The not-for-profit or social sector contributed an estimated $887.3 billion to the US economy in 2012, composing 5.4 percent of the country's gross domestic product. In 2013, total private giving from individuals, foundations, and businesses totalled $335.17 billion, an increase of just over 4 percent from 2012 after adjusting for inflation. According to Giving USA, total charitable giving rose for the fourth consecutive year in 2013 (Giving USA Foundation 2014). However, after adjusting for inflation, giving is still lower than at its pre-recession peak in 2007 ($348.03 billion in 2013 dollars). With more than 3 trillion of assets, in 2013, USA public charities reported over $1.74 trillion in total revenues and $1.63 trillion in total expenses. Of the revenue: 21% came from contributions, gifts and government grants, 72% came from program service revenues, which include government fees and contracts, 7% came from 'other' sources including dues, rental income, special event income, and gains or losses from goods sold.

In 2014 USA giving topped $358.38 billion, more than total giving before the Great Recession. Foundations represented 15% of contributions the USA social (not-for-profit) economy was able to collect. Thanks to this philanthropy this economy is going to reach more than 7% of the country's domestic product (Gross Domestic Product, GDP). While the private social spending amounts to almost 11% of USA GDP, it is on average 2.6% across OECD. If the public social spending is 20% in USA, the average public social expenditure is 23% in OECD. USA is top ranked for the private spending in comparison with other OECD countries, with the leading roles of individuals and foundations as grant-makers. Private and public spending summed together, USA total social spending is the second highest in the world (OECD, 2014).

Eurostat regularly supplies data on the EU not-for-profit economy when the household consumption is disaggregated in significant components.

The largest component, household final consumption, represented 56.5% of GDP in 2011. When adding final consumption of non-profit institutions serving households or (1.5% of GDP) and 'individual' government expenditure such as public education and public healthcare (13.6% of GDP), the result is households' actual individual consumption (71.4% of GDP). After adding 'collective' government consumption (8.2% of GDP), covering items as administration, justice, defence or the police, the result is total final consumption expenditure, which accounted for 79.7% of EU-27 GDP in 2011. (Gerstberger and Yaneva, 2013).

In 2014 the public social expenditure is 22% of the EU GDP and the total final consumption expenditure of the not-for-profit economy was more than 80 percent (OECD, 2014)

The here investigated sample includes 100 biggest foundations, most of them USA and with reference to worldwide rankings like www.foundationcenter.org. According to their reports at own websites and 990 Forms available at www.guidestar.org, main performances of this sample are calculated for year 2013. This is the latest year, reports are available with the same and comparable accounting standard, the 990 Form.

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Guidestar collects IRS (Internal Revenue Service) 990 Forms of the USA not-for-profit economy. The 990 Form includes the Statement of Revenues ad Expenses and the Financial Statement. Accounting data are recorded according to IRS standards. Total Revenues are the Income: money that the organization has received from contributions, grants, the performance of services, etc. Guidestar takes this figure from line 12 (Total revenue) of IRS Form 990.

The latest available 990 Forms and Reports of this sample are investigated for the following accounting lines for fiscal year 2013: investments, total assets, net assets, contributions, financial revenue or investment income, total revenues, grants paid, total expenses, gain or loss. Seven ratios are then calculated: investment/total assets, as signal of the composition of their assets; net assets/total assets, as signal of solvency; contributions/total revenues; as signal of their fundraising in the community and relations with their stakeholders; investment income/total revenues, as signal of profitability of their investment strategy and relations with financial investors; net gain or loss/total revenues, as signal of their profitability; grants paid/total expenses as signal of their today's fundgiving; grants paid/total revenues as signal of the sustainability of their tomorrow's fundgiving and the weight of residual administrative costs.

Hierarchical clustering is applied to seven ratios.

Hierarchical clustering is a process that classifies items of the same sample for similar features. It starts with each point in its own cluster. At each step, the two clusters that are closest together are combined into a single cluster. This process continues until there is only one cluster containing all the points. The plot of dendrogram shows the aggregation of clusters.

A hierarchical clustering with the average method shows two main clusters (Figure 1) whose performances can be read in the Table 1.

The ■ cluster includes 30 foundations and the × cluster is the most crowded one with 50 foundations.

Both clusters show a very high solvency and most of their assets are investments, though the × cluster shows a higher percentage for 94.19 percent, investments.

The main difference refers, first of all, to contributions. They are 69.57 percent for the ■ cluster and only 1.61 percent for the × cluster. The range of stakeholders is, as a consequence, very different: for the ■ cluster, fundraising is a leading strategy, especially, within the territory, community and not only financial markets. USA community foundations are here included and it is the mission of community foundations to collect and connect within communities. Coopetitiveness is here mostly developed both with the other not-for-profit and with the for-profit. Deep in the society, these foundations look for resources, networks and partners in order to maximize the growth of social capital in several projects. They sometimes lead initiatives; they sometimes pool resources for programs that are launched by local

Table 1. Average performances of ■ cluster and × cluster (percentages, 2013)

	Investments/ Total Assets	Net Assets/ Total Assets	Contributions/Total Revenues	Investment Income/Total Revenues	Net gain or Loss/Total Revenues	Grants Paid/Total Expenses	Grants Paid/Total Revenues
■ Cluster	88.60	94.97	69.57	27.41	39.17	85.60	51.90
× Cluster	94.19	96.30	1.61	79.52	4.35	78.77	77.30

Source: Own elaboration with Jump Statistics.

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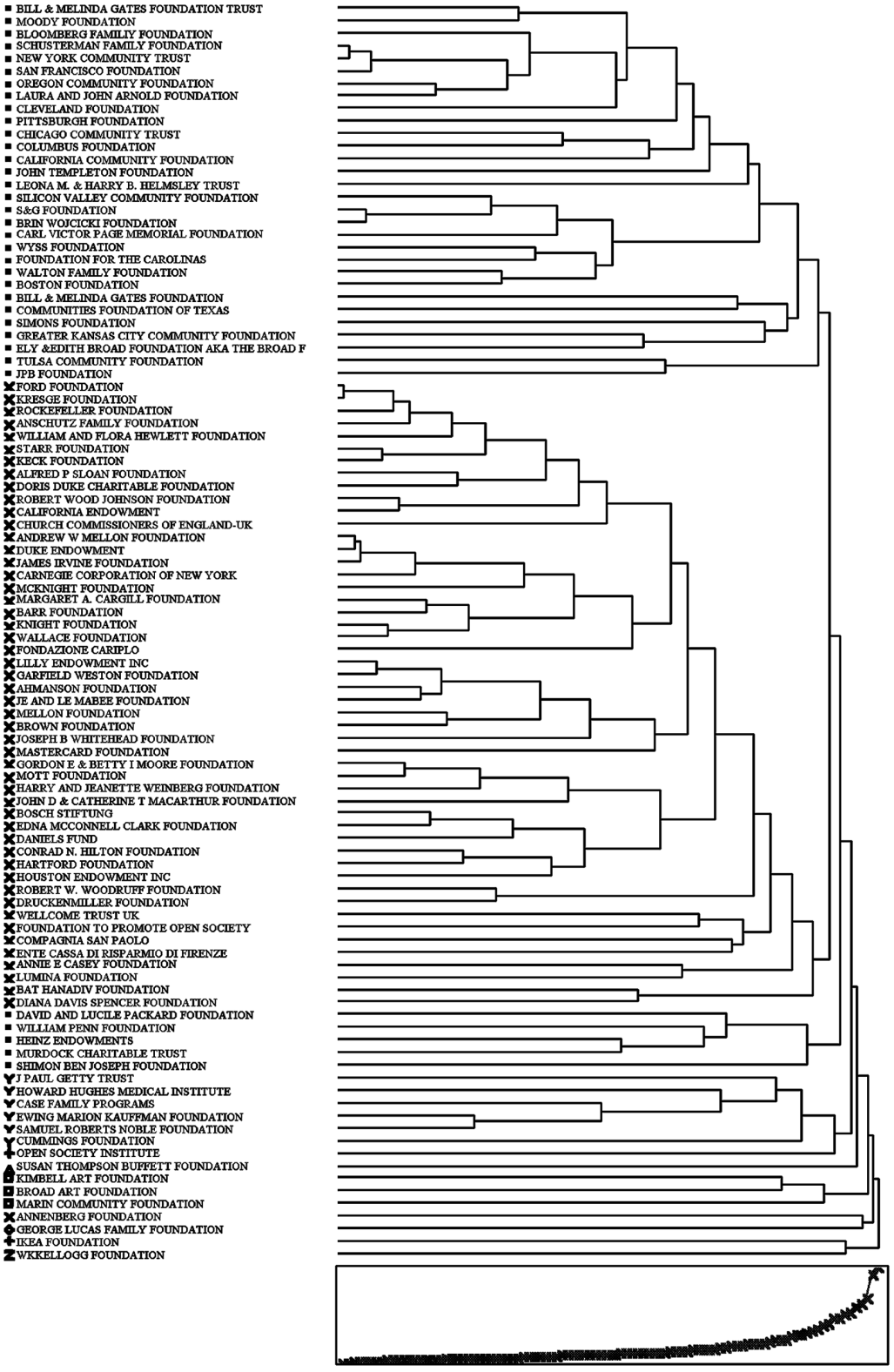
Figure 1. The dendrogram of 100 biggest foundations according to their average performances (2013)



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authorities (schooling programs, social housing, employment, etc.), which are clustering with associations, other foundations, philanthropists and any other leader of the not-for-profit and the for-profit economy. Foundations also invest in initiatives through the vehicles of intermediaries and anchor institutions such as trusts, funds, universities and hospitals they target copious grants to. They can develop new solutions (venture capital, crowdfunding, etc.) together with other stakeholders like the for-profit hospital or education provider, they innovate program models, they create ad hoc organizations in order to cope with urgent priorities (for climatic disasters, too), they advocate for changes in public policies, norms and philanthropic standards. Their philanthropy is motivated to catalyze public- and private-sector investment. To sum up, a hybrid role that is subsidiary of decreasing efforts and resources of traditional administrations, not-for-profit and for-profit economy.

The × cluster is an investor profile, instead. With 94.19 percent of investments and 79.52 percent of investment income, financial relations are leading their financing. Investments are here the priority in order to pool and maximize resources. Investments can refer to ancillary start-ups, trusts and funds they commit to in order to increase budgets and sustainability of projects. Permanent charitable funds, trusts and partner foundations are helpful intermediaries, in order to enable donors to maximize their charitable giving and support the work of dozens of local organizations. Partner foundations have a volunteer advisory board comprising local leaders, from the not-for-profit local leader to the for-profit corporation that is leading the national, regional or local economy. Through their association with the Greater Foundation, partner foundations are able to focus their efforts on local and small projects, while the Foundation provides administrative support and investment expertise both at local and regional (or national) level.

Ancillary start-ups can also correspond to for-profit firms, who generate program service revenues, which are modest and anyway, performance of their revenue diversification. This is the kind of coopetitiveness with the for-profit. This is for this cluster as for the ■ cluster.

Profitability is higher in the ■ cluster than in the × cluster. Above all, the grants paid ratio is higher for the ■ cluster (85.60 percent) and the sustainability of fund-giving is higher in the × cluster (77.30 percent), instead.

The grants paid ratio is significant as concerns the range of costs of these foundations, too. If most of costs refer to grants, residual expenses are administrative ones. For this sample, only one fifth of resources refer to administration.

At crisis times, the commitment to financial markets can compromise the profitability of the × cluster (4.35 percent). Anyway, the willingness-to-donate of × cluster is higher than in the ■ cluster.

These profiles are main poles of a philanthropy either who is integrated in the community (■ cluster) or who relies on investments (× cluster). These poles can also be aimed at the maintenance of the *impartial role*, without implications either with financial markets or the community philanthropy.

In conclusion, coopetitiveness is the leading strategy of the ■ cluster. This cluster is pooling resources thanks to networks within society and with multiple stakeholders. Profitability is higher in this cluster than in × cluster and connections with a wider range of community and local stakeholders can be significant for this performance. Nevertheless, the sustainability of future philanthropy is granted by investments (94.97 percent), too.

This analysis gives evidence to two poles of the same universe with different strategies, the same goal and solid performances for both.

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THE ISSUE OF SEPARATING AND MIXING PROFILES: SOLUTIONS, RECOMMENDATIONS, DIRECTIONS

The previous analysis gave evidence of two poles. Nevertheless, connections with multiple stakeholders, the priority of social capital and the growth of collaboration, networks and partnerships, they can profile these foundations further for more than two groups.

Profiles can be different and much more interesting for gain and grant ratios than significant clusters of the previous analysis. This is, if the clustering method is meant to separate and focus on differences. K-means clustering was, secondly, applied in order to focus on differences and the following empirical investigation results as a refinement of the previous one.

The *k*-means approach to clustering performs an iterative alternating fitting process to form the number of specified clusters. The *k*-means method first selects a set *n* points called *cluster seeds* as a first guess of the means of the clusters. Each observation is assigned to the nearest seed to form a set of temporary clusters. The seeds are then replaced by the cluster means, the points are reassigned, and the process continues until no further changes occur in the clusters. When the clustering process is finished, tables show average performances of separated clusters.

In Tables 2, 3 and 4 average performances of 8 clusters are shown. The most crowded four clusters will be here investigated in details.

Table 2. Final cluster centers: average performances of 8 clusters (ratios, 2013)

	1	2	3	4	5	6	7	8
Investments/total assets	.44	.85	.84	.86	1.00	.80	.95	.91
Net assets/total assets	1.00	.89	.96	.94	.84	.84	1.00	.97
Contributions/total revenues	.00	.00	**.73**	.03	.91	**.61**	.00	.03
Financial revenues/Total revenues	.97	.39	.25	**.80**	.08	.24	.96	**.92**
Gain or loss/total revenues	-4.05	-6.73	.66	.37	-2.04	.06	-1.97	-.23
Grants paid/total expenses	.44	.99	**.82**	**.60**	.99	**.79**	.65	**.83**
Grants paid/total revenues	2.21	7.63	.28	.36	3.01	.74	1.92	**1.03**

Table 3. ANOVA (Analysis Of Variance)

	Square Mean	df	Square Mean	df	F	Sig.
Investments/total assets	.052	7	.039	.233	1.358	.233
Net assets/total assets	.032	7	.011	.010	2.854	.010
Contributions/total revenues	1.443	7	.027	.000	53.437	.000
Financial revenues/Total revenues	1.286	7	.035	.000	36.473	.000
Gain or loss/total revenues	12.566	7	.056	.000	226.073	.000
Grants paid/total expenses	.184	7	.049	.001	3.758	.001
Grants paid/total revenues	9.822	7	.055	.000	179.103	.000

Source: own elaboration with SPSS Software.

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Table 4. Composition of the four most crowded clusters: cluster number, number of foundations, membership

Cluster 3	19	BLOOMBERG FAMILIY FOUNDATION, SILICON VALLEY COMMUNITY FOUNDATION, TULSA COMMUNITY FOUNDATION, JOHN TEMPLETON FOUNDATION, JPB FOUNDATION, SCHUSTERMAN FAMILY FOUNDATION, GREATER KANSAS CITY COMMUNITY FOUNDATION, WYSS FOUNDATION, CHICAGO COMMUNITY TRUST, OREGON COMMUNITY FOUNDATION, WALTON FAMILY FOUNDATION, NEW YORK COMMUNITY TRUST, LAURA AND JOHN ARNOLD FOUNDATION, FOUNDATION FOR THE CAROLINAS, CARL VICTOR PAGE MEMORIAL FOUNDATION, S&G FOUNDATION, PITTSBURGH FOUNDATION, BRIN WOJCICKI FOUNDATION, BROAD ART FOUNDATION
Cluster 4	34	GORDON E & BETTY I MOORE FOUNDATION, JOHN D & CATHERINE T MACARTHUR FOUNDATION, ANDREW W MELLON FOUNDATION, MASTERCARD FOUNDATION, COMPAGNIA SAN PAOLO, ENTE CASSA DI RISPARMIO DI FIRENZE, FONDAZIONE CARIPLO, DUKE ENDOWMENT, MARGARET A. CARGILL FOUNDATION, CONRAD N. HILTON FOUNDATION, MELLON FOUNDATION, KNIGHT FOUNDATION, WILLIAM PENN FOUNDATION, J PAUL GETTY TRUST, KIMBELL ART FOUNDATION, CASE FAMILY PROGRAMS, MCKNIGHT FOUNDATION, EWING MARION KAUFFMAN FOUNDATION, JAMES IRVINE FOUNDATION, HOUSTON ENDOWMENT INC, CARNEGIE CORPORATION OF NEW YORK, ANNIE E CASEY FOUNDATION, MOTT FOUNDATION, OPEN SOCIETY INSTITUTE, HEINZ ENDOWMENTS, BARR FOUNDATION, WELLCOME TRUST UK, WALLACE FOUNDATION, BROWN FOUNDATION, SAMUEL ROBERTS NOBLE FOUNDATION, HOWARD HUGHES MEDICAL INSTITUTE, CUMMINGS FOUNDATION, MURDOCK CHARITABLE TRUST, HARTFORD FOUNDATION
Cluster 6	16	BILL & MELINDA GATES FOUNDATION TRUST, BOSTON FOUNDATION, WKKELLOGG FOUNDATION, BILL & MELINDA GATES FOUNDATION, SIMONS FOUNDATION, CLEVELAND FOUNDATION, ELY &EDITH BROAD FOUNDATION AKA THE BROAD F, IKEA FOUNDATION, MOODY FOUNDATION, COLUMBUS FOUNDATION, CALIFORNIA COMMUNITY FOUNDATION, MARIN COMMUNITY FOUNDATION, LUMINA FOUNDATION, SAN FRANCISCO FOUNDATION, SHIMON BEN JOSEPH FOUNDATION, COMMUNITIES FOUNDATION OF TEXAS
Cluster 8	26	WILLIAM AND FLORA HEWLETT FOUNDATION, LILLY ENDOWMENT INC, DAVID AND LUCILE PACKARD FOUNDATION, BOSCH STIFTUNG, GARFIELD WESTON FOUNDATION LEONA M. & HARRY B. HELMSLEY TRUST, ROCKEFELLER FOUNDATION, CALIFORNIA ENDOWMENT, KRESGE FOUNDATION, FORD FOUNDATION, FOUNDATION TO PROMOTE OPEN SOCIETY, ROBERT W. WOODRUFF FOUNDATION, HARRY AND JEANETTE WEINBERG FOUNDATION, ROBERT WOOD JOHNSON FOUNDATION, ALFRED P SLOAN FOUNDATION, DORIS DUKE CHARITABLE FOUNDATION, JOSEPH B WHITEHEAD FOUNDATION, DANIELS FUND, STARR FOUNDATION, KECK FOUNDATION, ANSCHUTZ FAMILY FOUNDATION, DRUCKENMILLER FOUNDATION, AHMANSON FOUNDATION, CHURCH COMMISSIONERS OF ENGLAND-UK, EDNA, MCCONNELL CLARK FOUNDATION, JE AND LE MABEE FOUNDATION

Source: Own elaboration with SPSS Software.

The most significant clusters are 3, 4, 6 and 8. Investment ratio and Net Assets one, they are not significant according to ANOVA Analysis, as this sample is solvent and focused on investments without separating features. Profiles are different for the revenue diversification: financial revenues are much more significant for two profiles (clusters 4 and 8) than for other two (clusters 3 and 6), whose contribution ratio is never less than 61 percent.

Two profiles with prevailing financial revenues are less profitable than profiles with prevailing contributions.

Clusters 4 and 8 are particularly connected with financial stakeholders and these connections generate financial revenues for 80 percent (cluster 4) and 92 percent (cluster 8). The exposure to financial markets is, nevertheless, not profitable for cluster 8 whose gain ratio is negative. It must be considered that cluster 8 shows the highest today' philanthropy ratio (83 percent of grants paid/total expenses) and tomorrow's (potential) philanthropy ratio (1.03 for grants paid/total revenues). Though affected by a loss, this is the most proactive in philanthropy.

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Clusters 3 and 6 show connections with communities more than with financial investors and contribution ratios are prevailing. Both of them are profitable and the today's philanthropy ratio is the second highest for cluster 3 in comparison with the whole sample.

If the membership of clusters can be appreciated in Table 4, the most crowded cluster (cluster 4) collects international giants, inclusive of Italian ones (Fondazione Cariplo, Ente Cassa di Risparmio di Firenze, Compagnia San Paolo). Cluster 8, which is the second most crowded, includes USA foundations whose range of missions, projects and visions is not only American, in any case.

Considering both clustering methods and applications, philanthropy is maximized when contributions are maximized.

This solution means that coopetiveness with several stakeholders is leading to better performances. Raising of contributions, networking, pooling of resources and partnerships with the other not-for-profit and with the for-profit, they are all providing philanthropy and sustainability of projects, today and tomorrow.

Taking into consideration these solutions, recommendations about profiling of the universe and the here mentioned-sample should be recalled.

First of all, the crisis is exogenously impacting on performances, above all, foundations that are mostly connected with financial markets. Though performances can be affected by trends of financial markets, philanthropy is a priority for this sample with the support of their multiple stakeholders today and tomorrow. In fact, communities, donors, philanthropists, sponsors and any other grant-maker have experienced mature commitments with these foundations and their projects for the growth of the social capital since the beginning of the crisis.

For grant ratios of these foundations, policies should further stimulate their role of Private Welfare State at different latitudes, mixing their roles with public administrations for an efficient *bricolage*. Among these policies, rules against free-riding should be enacted so that resources are targeted to the best projects and frauds are limited.

Operating not-for-profits, who want to impact the social capital, cannot be myopic in front of this Welfare State and managerial implications should imply the optimization of networking, matching grants, pooling of resources and leadership.

The strategy to be recommended can include an extended initiative in which foundations take a lead or supportive role. On one side, they work to simplify the charitable giving of their donors. For example, a donor-advised fund for simple execution and documentation of tax-deductible gifts; competitive reinvestment of accumulated funds; and simple and prompt handling of grant recommendations. On the other side, foundations provide philanthropic benchmarks. Having important knowledge of economies, they connect to various organizations that are in a position to face problems, and the underlying political and inter-organizational dynamics in order to improve the social capital. These factors enable the not-for-profit economy to 'enlarge' their mission, visions, stakeholders and networks.

New directions can be shown in the trend of philanthropy, from pure grant-making to coopetitiveness in Figure 2. The trend develops from pure grant-makers to coopetitors, who provide grants to the not-for-profit economy, pool resources from different stakeholders, build a network and lead in order to maximize performances of philanthropy.

At the beginning foundations were only grant-makers. They were alone in their grant-making. They were considered as provider of money, with ancillary and external roles in projects they financed. Today they support coopetitiveness with the not-for-profit and the for-profit: they create networks with other stakeholders, they pool resources from money to in-kind and they can create partnerships with distribu-

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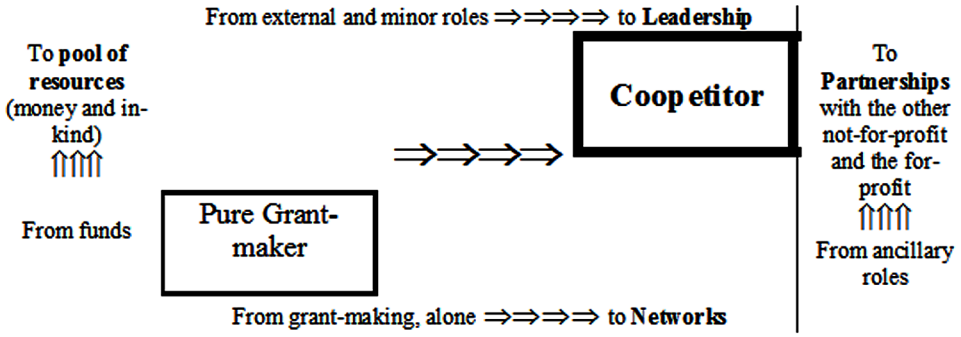
Figure 2. Directions of foundation philanthropy for the growth of social capital
Source: Own elaboration.



tion of roles and, above all, leading roles. Roles can range from grant-making to operating in different supply chains, from the education industry to the health industry, from research to social housing, from environmentalism to unemployment compensations, etc. Roles benefit human relations, the welfare mix with definition of public priorities together with administrations and the social capital. In this cooperative game *engaging spirits* attract each other thanks to coopetitivenes in order to enhance performances of all of them. In the following paragraph the next evolution of their project management will be discussed, with focus on the role of policies.

CONCLUSION

When the Public Welfare State is too much indebted and not-for-profit organizations are competing for resources of the Private Welfare State, complementary and substitute roles can emerge.

The social capital of human relations, welfare and merit goals can be accrued by coopetitiveness. Foundations are playing the main role.

Taking into consideration the growth of social capital, coopetitiveness is the priority in a civil society where not-for-profit goals are not more negligible. Collaboration is a must for not-for-profits, for-profits and the State, between and among them.

Ward and K-means Clustering gave evidence to two and four clusters, their performances and their merit roles, for a sample of the biggest foundations all over the world. If efficiency in the not-for-profit does not firstly concern gains, performances confirmed high net assets and high philanthropy ratios, both today and tomorrow. The profiling emphasized coopetitiveness as concerns grant-making, networking, partnerships, leaderships and the importance of pooling resources around common goals. Online reports of these foundations gave information about social benefits generated by foundations. Strong of deep relations within societies and communities they work in, these foundations connect stakeholders with social aims in not-for-profit industries like education, human services, health, environment, arts, culture and humanities.

Some implications for their management, for policies and benchmarking at different latitudes should be considered. These implications are useful for project managers who work in the not-for-profit economy, if they look for strategic benchmarks.

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Project management of foundations is now evolving into a mature *planned giving*. Planned giving refers to the philanthropy when grants are supplied with monitoring of intermediate results, so that the social aim is targeted with cautious attention to interim and final results. These steps include:

1. Community empowerment, which implies focus on problems and ranking of them.
2. After having selected priorities and merit-causes, stimulation of matching grants of other stakeholders, from the for-profit to the State.
3. Selection of financing methods and instruments so that multiple resources are pooled thanks to networks and partnerships with the intermediate calculus of economic and social impacts.
4. Monitoring of intermediate results, also thanks to story-telling of social media, and editing of intermediate reports, whose performances are communicated to all stakeholders in order to verify the growing impact on the *social capital*.
5. Post-selection, with focus on excellent projects, whose best practices and performances should be considered as a benchmark for their future grant-making.

The observation of these best practices can benefit small and big not-for-profit organizations, whose project managers look for inclusion of stakeholders, money and in-kind.

Next to the optimization of project management, foundations constantly take a judicious and visionary discernment of their goals and what they try to achieve. Scarcity of visions is a limitation for all stakeholders. With this in mind, collaboration is continually growing and boundaries of targets are bigger and bigger.

Not-for-profit project managers should, in this case, look for this *visioning approach*, too, so that they do not overestimate or underestimate their major and minor goals.

Exogenous conditions matter and from standards to regulatory frameworks, from ratings (or rankings) to policies, a lot of work can be done in order to optimize strategies, performances and impacts. Politicians and public administrations should pay attention to frameworks and they should affect them by enacting laws.

In a better regulatory and international framework, with a robust charitable registration process, 'charities rankings' should be further implemented both offline and online, in order to signal who is the best grant-maker and the best benchmark for all other philanthropists. These foundations as well as the other not-for-profit organizations, they can further grow if laws and competition change, thanks to rules against frauds and misuse of resources, too.

Next to this, industry analysis in order to evaluate competition, microeconomic and macroeconomic trends of rapidly changing economies and in order to asses how to impact social issues, they should be further implemented in order signal and reward the Best Private Welfare State, with fiscal incentives and *social reputation*, too.

The fundraising arena is turbulent, unstable and in need for funds for multiple and several good-causes. Long-term sustainability implies planning, project management, economic and social accountability according to common managerial standards. Associations, consortia and representative of not-for-profit organizations should lobby for screening schemes of the best projects, so that free-riding is prevented.

At the different latitude of USA and not-USA, the ongoing debate refers to similar issues with emphasis on the priority of rankings and fiscal stimulation. Diversity of clusters can be further stressed, while upgrading with other clustering and analysis. Nevertheless, the comparative research with larger

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samples, longer time-series and the consideration of different labels like independent, corporate, family and community foundations, they all should be further implemented in order to focus on suggestions for managerial implications and policies. Animal spirits are today vanishing out of the competitive scenario and *engaging spirits* are not playing ancillary roles.

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KEY TERMS AND DEFINITIONS

Coopetitiveness: Intensity of coopetition in the not-for-profit economy, between not-for-profit organizations. Between the not-for-profit, public administrations and the for-profit, too.

Foundation: This is an organization with assets to social goals. Their role classification is into operating and grant-making. Mixing roles is possible (*bricolage*).

Leadership: Who is governing and playing the main managing role in a project.

Network: Relationship with multiple stakeholders.

Not-for-Profit: This organization supplies goods and services without the commitment to profit maximization.

Partnership: Relationship with multiple stakeholders with distribution of roles: from grant-making to operating.

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Pool of Resources: Aggregation of different resources, from money to in-kind for the comprehensive financing of a project.

Social Capital: The cluster of human relations that enable welfare, happiness and growth.

Welfare State: Who is providing resources for welfare. Private Welfare State includes foundations and other not-for-profits. Public Welfare State includes the State and public administrations.

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Chapter 80
Sustainability and Competitive Advantage:
A Case of Patagonia's Sustainability-Driven Innovation and Shared Value

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ABSTRACT

Sustainability and Corporate Social Responsibility have been perceived for many years by companies only as an annoyance, involving regulations and extra cost. The recent economic downturn and increasing stakeholder pressure have forced businesses to embrace the complexity and interdependencies between shareholder value and sustainable value. Sustainability-driven innovation is the key to overcoming the old conflict between economic and social objectives and, as in the case of Patagonia Inc., is paying off for a growing number of companies as it generates a sustainable competitive advantage. This chapter explores ways in which corporations can pursue economic, social, and environmental objectives simultaneously while creating shared values. It also looks into the very complex issue of measuring both the business and social impacts of shared-value strategies.

INTRODUCTION

The recent economic downturn, coupled with two of the worst ever environmental disasters and some highly questionable corporate practices, revived the long-standing debate about the role of business in society and is raising important questions about the ways in which businesses can pursue their objectives (being profitable), whilst generating positive value not only for themselves but also for the stakeholders involved in their activities – their investors, their employees, their suppliers, the communities where they operate and the natural environment (Kanter, 2011).

Modern communications systems, such as social networks – Facebook and Twitter – and on-line media offer people the opportunity to have access to more information faster than they did in the past.

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Companies, therefore, cannot hide their activities anymore and, for this reason, over the last 15 years an incredible number of disasters and unauthorized activities have come to public light, mostly caused by the unethical behavior of business organizations. Here are some dramatic examples:

- Top managers of Bear Stearns and Lehman Brothers earned a shocking $1.4 billion and $1 billion in emoluments and bonuses respectively in the eight years preceding the bankruptcy of their companies (Bebchuk, Cohen, & Spamann, 2009). Were they maximizing value for their shareholders or for their own personal interests?
- In China 14 workers making Apple products committed suicide. As a consequence, instead of increasing the quality of working conditions, Cupertino's company obliged their subcontractors to make their employees sign a pledge to not commit suicide (Chamberlain, 2011).
- According to a survey conducted by Trucost on behalf of the United Nations, in 2008 the world's biggest companies polluted or caused damage to the environment amounting to $2.2 trillion (Young, 2010).
- On April 20, 2010, an explosion destroyed the Deepwater Horizon causing the death of eleven workers and the release of 4,9 millions of barrels of oil into the Gulf of Mexico. The well was eventually capped on July 15. The total damages to BP, the environment and the U.S. Gulf Coast economy are estimated to be $36.9 billion (Smith et al., 2011).
- On March 2011 a huge earthquake and tsunami struck the Fukushima Daiichi nuclear power station. The nuclear bars in the reactors' cores overheated causing the explosion in the reactors. "Radioactive material released into the atmosphere produced extremely high radiation dose rates near the plant and left large areas of land uninhabitable, especially to the northwest of the plant. Contaminated water from the plant was discharged into the sea, creating international controversy" (Holt, Campbell & Nikitin, 2012).

All of this has been creating a growing mood of protest among ordinary citizens. Many non-governmental organizations (NGO) are actively lobbying governments to increase the level of environmental accountability for business organizations and national and local governments are also trying to carry out a difficult mediation between business organizations and communities. The promoters of these protest movements, among them the famous "We are the 99%", maintain that the world of business and finance are only interested in short-term profits, while completely neglecting problems regarding the environment and sustainability.

The moral case for social responsibility boils down to a simple concept: It's the right thing to do. Until recently, business organizations have been asked to change their economic policies by leveraging themes such as "responsibility", "ethics" and "environment". Needless to say, these requests have mostly been ignored, as shown in the previous examples. Companies often only partially recognized the benefits that these changes could bring with them. However, a business case for social responsibility is slowly but steadily taking shape showing that it is more and more in the enlightened self-interest of companies to be good citizens and devote some of their energies and resources to the betterment of such stakeholders as employees, the communities in which they operate, and society in general (Kakabadse, Rozuel, & Lee-Davies, 2005). Public pressure has also dramatically increased, leading companies to start integrating sustainability into their way of doing business.

In 2010 United Nations Global Compact and Accenture carried out an important study on sustainability during which more than 750 CEOs and about 200 entrepreneurs, company directors and political

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leaders were interviewed (Lacy et al., 2010). This opinion poll was very useful for understanding what managers think about sustainability today. Firstly and most importantly, more than 93% of the 750 CEOs surveyed believed that "sustainability issues will be critical to the success of their business" and 95% believed that in the future sustainability will be "fully integrated into the strategy and operations of a company" (three years before it was 72%). Secondly, when asked how long it will take, 10% of those CEOs forecast that it will take within 5 years to fully implement sustainability, 54% within 10 years, 80% within 15 years. Only 3% of them believe that it will never be reached (Lacy et al., 2010).

It is interesting to see how, counter-intuitively, CEOs believe that the economic crisis has not slowed progress towards sustainability but, on the contrary, 80% of them believe that it "has raised the importance of sustainability as an issue for top management". As a consequence 91% of them stated that their companies "will employ new technologies to address sustainability issues over the next five years". Over and above this, 72% of the interviewees feel that brand, trust and reputation are the most influential factors in taking action on issues regarding sustainability, which is a sign in itself of the changing times.

To fully understand the scope of this change, it must be remembered that William Ruckelshaus, the first Administrator of the US Environmental Protection Agency, declared that "Sustainability is as foreign a concept to managers in capitalist societies as profits are to managers in the former Soviet Union" (Hart & Milstein, 2003). Things are finally changing and western companies have come to understand that to perpetuate last century's economic success they must re-invent themselves by embracing a new paradigm that adds the sustainability of their strategic choices to the profit equation, at the risk of declining in favor of emerging economies.

Since 2008-2009 leading multinational firms have been experimenting with their business models in order to move from a philanthropic vision of sustainability, where economic objectives are separated from social and environmental ones, to more integrated strategies (Pies, Beckmann, & Hielscher, 2010; Ciravegna, 2012). The lack of links between the business model and strategy of a firm and its sustainability initiatives entails the latter risk becoming little more than marketing exercises aimed at improving corporate image, which raises a doubt with regards to the utility of having self-standing "Corporate Social Responsibility" (CSR) divisions and managers (Rattalino, 2014). If true impact on stakeholders is limited, CSR activities risk further alienating the stakeholders that firms intends to benefit, which are likely, in the medium and long term, to realize the gap between declared objectives and outcomes. In contrast to this, firms that do integrate their sustainability activities in their business model and core strategy formulation can truly have an impact, thereby ensuring that their investments are not pure philanthropy or marketing, but part of a new way of doing business, whereby cooperation and synergies lead to superior value creation (Porter and Kramer, 2011).

Nowadays sustainable strategies and business ethic are becoming pivotal in determining the success or failure of an organization (Jamali, 2008). They affect a company's reputation and help to define a business model that will thrive even in adversity (Amit & Zott, 2012). Many leading companies realize that an innovative sustainability strategy, aligned with goals and resources, delivers a competitive edge (Berns, Townend, Khayat, Balagopal, Reeves, Hopkins, & Kruschwitz, 2009). This competitive edge allows these companies to increase their profits and take advantage of opportunities in new markets (Khavul & Bruton, 2010).

Corporate managers are concluding that sustainability initiatives help cut costs and save money, particularly in environmental programs; drive innovation of new products and business models; and help to future-proof overall corporate strategy (Barton and Wiseman, 2014). Sustainability demands a broad view of issues and impacts, as well as a working understanding of what the company does and

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how (Nidumolu, Prahalad, & Rangaswami, 2009). However, not considering the most advanced companies, a great portion of business organizations seem not to have the experience and expertise required to quickly and effectively develop frameworks to overcome the conflicts that naturally emerge among economic, social and environmental objectives - the so-called triple bottom line (Elkington, 1994). As a confirmation, the difficulty of implementation is mentioned by 49% of CEOs from United Nation's survey stating "complexity of implementation across functions as the most significant barrier to implementing an integrated companywide approach to sustainability" (Lacy et al., 2010).

Together with the difficulty of implementation, comes the need to overcome the old way of assessing corporate performance (profit as the only credo) and to find a new framework that can allow managers to clearly measure corporate performance along all the three relevant dimensions of sustainability. "CEOs believe that the new era of sustainability will bring with it a new way of assessing corporate performance. This will be characterized by a shift away from focusing solely on financial profit and loss to a broader, long term understanding of value creation that acknowledges every business action has an impact on society and the environment" (Lacy et al., 2010). The CEO of Alcatel-Lucent said that "We need more from business than just profit", while another CEO said that "A truly socially responsible company will not only have to serve shareholder and analysts but all stakeholders and society more widely" (Lacy et al., 2010).

SUSTAINABILITY THROUGHOUT HISTORY

The topic of exploitation of the environment by humans isn't new, it can be said that it is as old as the world itself, but only during the first industrial revolution did it reach paroxystic levels. In 1792 William Blake wrote "London", in which he described a society vituperated by social problems such as pollution, child labor, and abuse of women. Over 200 years later, child labor has not been eradicated, pollution has increased exponentially and women haven't achieved de facto equality with men, at least in the business world.

For a long time sustainability was not a major concern and only came back in vogue in 1972 when Meadows et al. published the book "*The Limits to Growth*", a research commissioned by the Club of Rome to the Massachusetts Institute of Technology (MIT) based on a system dynamics computer model to simulate the interactions of five global economic subsystems such as population, food production, industrial production, pollution and consumption of non-renewable natural resources. Essentially, the message that came across from The Limits to Growth modeling was that continued growth in the global economy would certainly lead to the exceeding of planetary limits at some point in the 21st century, resulting in the collapse of the population and economic system. However, according to the Club of Rome, that collapse could be avoided with a combination of early changes in behavior, policy and technology. The results of this study have been supported by the following researches based on data covering the period between 1970 and 2000 (Turner, 2008).

Today any attempt to define sustainability must start from the one given in the report compiled by the Brundtland Commission in 1987, which stated: "Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs". It contains within it two key concepts (Turner, 2008):

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- The concept of 'needs', in particular the essential needs of the world's poor, the so-called base of the pyramid;
- The limits imposed by technology and social organization on the environment's ability to meet present and future needs.

Besides the above definition, sustainability in business terms is very often referred to as the "triple bottom line", a definition first coined in 1994 by John Elkington. His argument was that companies should be preparing three different and separate accounts, thus bottom lines. The first is the traditional measure of corporate profit - the "bottom line" of the profit and loss account. The second is the bottom line of a company's "people account" - a measure of how socially responsible an organization has been in its operations. The third is the bottom line of the company's "planet" account - a measure of how environmentally responsible it has been. It can be said the triple bottom line (TBL) consists of three Ps: Profit, People and Planet. It aims to measure the financial, social and environmental performance of the corporation over a period of time, in order to take into account the full cost involved in doing business.

Although it may be true that there is a general consensus regarding the topic of sustainability, this is not the case when it comes to understanding how to pursue it (and measure it). In fact, since the definition of sustainable development was first posed there has been an ongoing debate about the right way to realize the claim for "inter- and intra-generational fairness" (Brundtland, 1987). There have been many attempts to operationalize this rather elusive goal, but without doubt the preservation of the ecological system played, and still plays, a major role (Daly, 1996).

Politicians tried all kinds of environmental policy instruments, ranging from regulations and international agreements over taxes or transferable permits to subsidies that might help guide the economy to a more sustainable path. However, many of the actual attempts, like the European CO_2 trading scheme, did not achieve the predicted and desired results. One obvious reason may be a flawed implementation of the environmental policy, but not all shortfalls can be explained thereby. A far neglected issue may be the reliance on theoretical predictions of the instrument´s effects which are just not correct. This inadequacy of prediction results primarily from the underestimated complexity of the ecological and the economic system as well as the connection between the two.

Pursuing sustainability means facing the great challenge of transforming the systemic problems that afflict capitalism into real opportunities, and thus guaranteeing a sustainable growth to humankind. Business organizations should have taken this paradigm shift upon themselves, but apart from a few isolated cases, the declarations of intent were not followed up by concrete action. That is why almost all governments in the world (with various levels of enthusiasm and energy) have tried to address the problem and set rules to make businesses more sustainable. Up to now these ventures have not encountered much success, particularly because they are often perceived by the companies as outside interference, aimed more at undermining their global competitiveness than strengthening their competitive advantage. But in recent years consumer concerns and employee interests have changed drastically, forcing companies to put sustainability on the top of their list of priorities: "business leaders face a choice: they can reform the system, or watch as the government exerts control" (Barton, 2011).

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SUSTAINABILITY AS A BUSINESS OPPORTUNITY

Until recently the concept of sustainability has been aimed at meeting citizens' needs rather than those of the business world. In particular, sustainability is seen as the right to live in a clean world and the duty to preserve it for future generations. But that is not how business organizations should look at the problem: "managers can no longer afford to ignore sustainability as a central factor in their companies' long term competitiveness" (Lubin & Esty, 2010). Companies that fail to acknowledge this will end up losing both competitiveness and market position. There are two main reasons for this: firstly, the forthcoming depletion of natural resources is a fact, therefore finding different supplies for business means beating competition in the race to grab those scarce and expensive resources; secondly, sustainability simply means extending a strategy's time horizon, and anticipating competitors through continuous innovation that, by definition, must represent a benefit.

A study by Goldman Sachs in 2007 clearly shows that 72% of companies committed to overcoming environmental, social and governance issues outperformed their peers over the same period (Ling et al., 2007). A similar study carried out by MIT Sloan Management Review and The Boston consulting Group five years later clearly confirm that sustainability is paying off for a growing number of companies and generates sustainable competitive advantage firmly rooted on innovation (Kiron, D. et al, 2013). It is not a coincidence, in fact, that there are many success stories of companies that benefitted from the implementation of policies for sustainability.

In 2012 3M, for example, declared that its program for the reduction of pollution helped the company to save about 1.4 billion dollars in 35 years, as well as avoiding the emission of 1.5 million tons of gas, mostly generated by solvents and paper waste (3M, 2012). It would have been interesting to know what their competitors thought at the time they implemented the program in 1975, and what they think of these figures today. Another example comes from Singapore. Although it had obtained its independence from Malaysia, Singapore had not solved one of its biggest problems: its totally unsustainable need to get water piped from Malaysia. Hyflux had developed water treatment programs and after having helped Singapore to sort out its water scarcity problem, went public and became a big international company (Grayson et al., 2008).

The growing concerns regarding sustainability are influencing workers in their choice of employers, who now take into serious consideration the reputation of the company when seeking employment. The importance of human capital in today's economy accentuates this trend and obliges companies to implement necessary changes so as to avoid losing the best resources on the market (Grayson et al., 2008).

Given that sustainability is a central factor for the success of businesses, which elements have hindered its spread? There are two main reasons for which CEOs have had a hard time putting this issue at the center of their strategies:

- **Market Impatience:** All too often the attention of managers is on areas of business that directly concern stock value, especially in the short and medium term. Although focusing solely on the shareholder value is a very important aspect, today it isn't enough anymore, as it overlooks a series of problems and opportunities (Grayson et al., 2008). Unfortunately though stock analysts do not rate positively companies that do not optimize their immediate profits, and for this reason the attention of top managers is strongly focused on short-term profits. Consequently attempts at innovation in the long term are simply put aside because they do not help generate short term profits (Di Giuli & Kostovetsky, 2014).

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- **Difficulty of Implementation:** Businesses can reap the benefit of sustainability only with real innovation in management practices, business models and market infrastructure. As Dana Bena, PepsiCo's senior director of sustainable development, says: "These are clearly within the bull's-eye of sustainable development (Kiron, D. et al., 2013). Of course real innovation is difficult to achieve and implement and the complexity is also increased by the fact that "sustainability will touch every function, every business line and every employee" (Lubin & Esty, 2010).

Short-term focus and difficulty of implementation are the main obstacles to the implementation of sustainability. However some frameworks and practices can be used to translate sustainability into economic terms so that companies and stock analysts can better understand the strategic components of sustainability and overcome the obstacles mentioned.

A FRAMEWORK FOR INTERPRETING THE VALUE OF SUSTAINABILITY

In 2003 Hart and Milstein developed a model for the analysis of value creation for shareholders that put together two important factors that define sustainability:

1. **Time:** The vertical axis captures the need to achieve short term results while working on the generation of future results. It can be seen as an attempt to overcome short-termism, although the short term is still taken into account.
2. **Focus:** The horizontal axis captures the need to protect internal capabilities while infusing the firm with new perspectives and knowledge from the outside.

These two dimensions create a matrix of four quadrants: cost and risk reduction in the internal and short-term perspective; reputation and legitimacy in the external and short-term perspective, innovation and repositioning in the external and long-term perspective, and finally growth path and trajectory in the external and long-term perspective (Figure 1).

Cost and Risk Reduction

The objective of cost reduction can be summarized with: "more output with less input". This could be done through the reengineering of processes in order to eliminate waste, especially in terms of both material and energy consumption. Today there are already valid techniques that can be used, such as the adoption of standards such as ISO 14000 and other environmental management systems that guide companies in this process review.

Ideally these management skills should be developed internally: waste reduction is not a one-off project, but rather a continuous process of improvement that evolves while technology and waste management knowledge evolve.

No waste means less input, which means cost reduction and therefore higher profits: this is something that increases shareholder value immediately. Pressed by public opinion, governments have raised the bar regarding the environment. Companies that do not quickly adapt to the new standards run the risk of being penalized in the near future. Furthermore, the elimination of energy waste means reducing the

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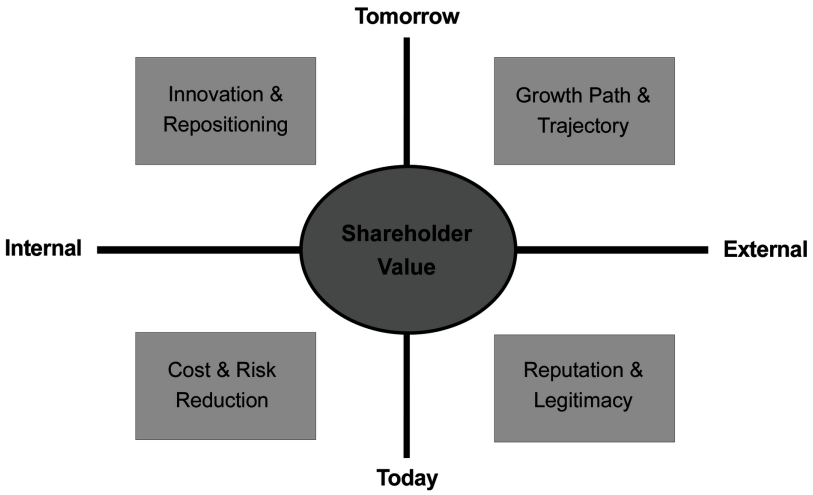
Figure 1. Key dimensions of shareholder value
Source: Hart & Milstein, 2003.



impact of an increase in the price of energy, if not eliminating it completely if new energy sources are renewable and therefore not scarce.

Reputation and Legitimacy

Direct stakeholders (such as consumers, employees, regulators and shareholders) are not the only ones who companies have responsibilities toward; in fact informal stakeholders (communities, citizens, non-profit organizations, etc.) cannot be ignored. In general it is not enough for companies to respect their contractual obligations, but they must also take into serious consideration other implicit responsibilities that arise from customer expectations, working standards, and so on. These informal obligations have practically become more stringent than formal ones, because ignoring them could seriously damage the company's reputation and consequently its activity. At the end of the 1990s Nike faced a serious negative impact on its business because of the scandal regarding the exploitation of child labor by subcontractors in Cambodia and Pakistan (Klein, 1999). Furthermore, these implicit responsibilities are more difficult to define because they tend to evolve over time. For instance, until a few years ago it would have been difficult to imagine tobacco companies being held responsible for the health of smokers, but today they are widely being accused of aggressively commercializing products that create a dependency. (Bonini et al., 2006).

In this context the protection and strengthening of the company's reputation has become an important issue. This can be done by extensively engaging all stakeholders, both formal and informal, and increasing their awareness of the company's intentions and activities in order for business organizations to increase confidence in what they are doing and will do, and resolving potential conflicts with stakeholders from the very beginning. This process is called "product stewardship" (responsible product management).

By becoming more "social" and "green", companies can even appeal to a larger number of potential customers who are sensitive to those issues or at least avoid the risk of losing some of them. In fact, consumers who are sensitive to the sustainability of products and services they buy represent a consid-

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erable slice of the market today (more than 30% in four of the world's ten biggest economies) and are likely to increase in number in the future (Grayson et al., 2008).

It's vital therefore to concentrate on the stewardship of existing products and services, thereby generating a positive impact both on their current value and on potential benefits for future company performance.

Innovation and Repositioning

Sustainability is a megatrend, just like Information Technology (IT) in the 1980s. At that time many firms did not realize the importance and the revolutionary change that IT was bringing into industry and were swept aside as a result. If today sustainability is still just an option, tomorrow it will certainly be an essential factor in leading and competing in business (Lubin & Esty, 2010). For this reason business organizations should reposition their strategy on the axis of sustainability and heavily invest in overcoming the core technology of their own businesses, even if this can totally disrupt the technology upon which their own businesses are currently based. One can consider, for example, how hybrid traction technology will change the car industry. Breaking the technological paradigm of an entire industry today will mean becoming the leaders of that industry tomorrow. The drawback of this repositioning is that big investments can take many years to pay dividends. Companies must understand that not investing in that sector could really mean risking their businesses when their competitors prove to have made progress in that direction.

Growth Path and Trajectory

As every entrepreneur knows, a market characterized by very little competition is preferable to one where competition is fierce. However, most companies insist on the same target customers: basically the one seventh of the world's population that lives in rich countries. To embrace a more inclusive model of capitalism that can finally satisfy the needs of the so-called "base of the pyramid" is the challenge that companies must face when they think of their own future growth. Companies that will find a way to unlock the potential of the less exploited markets will surely be able to capitalize on them.

Some surveys have shown that the reason most companies are not interested in these markets is because they often have an outdated or incorrect view of them. However, companies that invest the necessary time in studying the potential of these markets manage to create successful new products or services. Let's consider the cases of Grameen Bank or Hindustan Unilever in which banking services in the first case and personal hygiene products in the second were strongly innovated to satisfy the needs of the rural populations of Bangladesh and India.

The main hurdle here is to find the time to study these markets and take into account that some experiments can lead to failure. However, even if a small fraction of the number of experiments attempted report success, the investment will have been worthwhile.

Companies should also explore what small local firms and NGOs are promoting, because sometimes they have valuable business ideas but do not possess the necessary expertise and financial power to develop those ideas in full.

The challenge of sustainability is complex, multidimensional and of increasing relevance, but the model presented shows that it is possible to pursue economic, social and environmental objectives simultaneously. This can happen in the short term through waste reduction that also produces economic savings and therefore an increase in marginal profits and more care for the environment.

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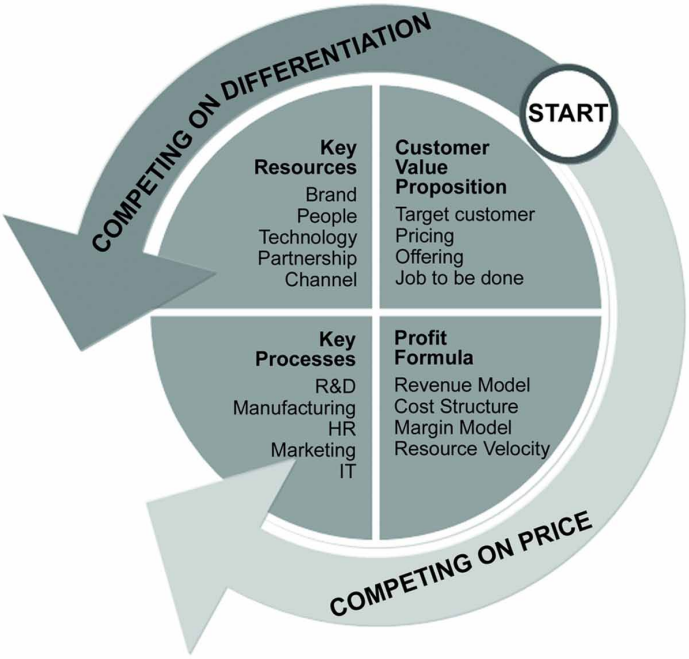
In the longer term the situation can be more complicated but is certainly achievable through innovation and repositioning, which means rethinking the business and technology upon which that business is based. Sustainability is a potential competitive advantage for the company, which, through the identification of an alternative path, can reach important strategic objectives.

SUSTAINABILITY-DRIVEN INNOVATION

The real business world provides many examples of business organizations (3M, Nike, SAP, UPS, PepsiCo, Mondelez International, and Patagonia just to mention a few) that reached important results thanks to policies of sustainability that they had launched years before (Kiron, D. et al., 2013). The idea therefore that economic objectives and sustainability must be in conflict with one another is proven wrong by the facts. Those companies found in sustainability-driven innovation the key to translate sustainability into economic terms and overcame the above mentioned obstacles. In order to really implement sustainability-driven innovation companies must follow the following five practices:

1. **Change Business Model:** Business model innovation is key to success because it addresses customer value proposition (CVP), profit formula, key processes and key resources. Changes to the current way of doing business must translate into a new business model; only in this way can the sustainability-driven innovation be disruptive (Johnson, Christensen & Kagermann, 2008). As shown in Figure 2, in developing a new business model, organizations must always start devising a new CVP. Then, when designing business models made to compete on differentiation, they must look first at the resources and processes needed to deliver the CVP, whose costs determine the

Figure 2. Key elements of a successful business model
Source: Eyring, Johnson & Nair, 2011.



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price required in the profit formula. On the contrary, when designing business models made to compete on price, organizations must proceed in the opposite way, establishing first the offering's price, then the cost structure and finally the resource required (Eyring, Johnson & Nair, 2011). According to Kiron, D. et al. (2013), companies that pursue sustainability-driven innovation across their business models by changing some key elements of their business model are the ones that report profit directly linked from their sustainability efforts (up to 59% of the companies inquired by MIT SMR and BCG). As such, being prepared to change the business model is the first key step toward sustainability.

2. **Secure Top Management Sponsorship:** Sustainability should never be a standalone effort as it gets its highest traction only if it is on the agenda of the top management. Executives must make sustainability a common and shared effort by setting goals that are tied to strategy. If this is done, the odds that sustainability translates into added profit goes from 38% to 61% (Kiron, D. et al., 2013).
3. **Measure and Track Sustainability Performance:** Translating sustainable into strategic goals and securing top management sponsorship is not enough if no measurement systems are put in place (Porter et al. 2012). Sustainability does not need just a new attitude and a shift in culture, but also a strategic approach based on real data in order to control results and modify their course if necessary. Even if it's difficult to put into practice, an integrated monitoring system is necessary as it makes use of all the advantages of a sustainable strategy. Companies that commit to create a clear business case for sustainability are almost 200% more likely to profit form it (Kiron, D. et al., 2013).
4. **Understand Customers' Willingness to Pay for Sustainable Products or Services:** According to several field studies, socially responsible products command an average premium of 17.3% to 60% when potential customers are interviewed as to what premium they are willing to pay (Tully & Winer, 2013). Although very encouraging, these statistical figures can be misleading and do not apply in the same way in different industries. For this reason it is important to always create a business case for sustainability projects or sustainable products, to make sure that the right target and customer needs are addressed. By doing this most companies learn that if the targeting is done properly, they can even broaden their range of market and customer needs.
5. **Effectively Collaborate With Stakeholders:** Natural resources provide enormous value to both business and society. However, much of that value is being destroyed through the suboptimal ways in which companies and other stakeholders use these complex and fragile systems. Governments, political organizations and above all NGOs can effectively cooperate with businesses helping them to frame their sustainability agenda. This is a good opportunity to get closer to customers and co-create with them new sustainable products or services and gain a unique competitive advantage (Gouillart, 2014).

THE PATAGONIA CASE[1]

The Company

In the mid-50s, Yvon Chouinard, a climbing fan from Burbank, California, installed a second-hand carbon fuelled forge in his parents' garage, and started producing pitons in ultra-resistant steel, thereby

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creating a product that was decidedly superior to any in commerce at that time. Since he did not have a proper shop, he started to sell his products to enthusiasts from the boot of his car. The success of these pitons brought about the founding in 1957 of Chouinard Equipment for Alpinists Inc., which in a very short time became an icon in the field. Over time Chouinard Equipment continued to bring out innovative products, such as climbing irons and picks, and the book "Climbing Ice" consecrated this modern climbing discipline.

In 1970, Chouinard understood that although the pitons were extremely useful to the aficionados of this sport, they also damaged Yosemite's rock walls. Therefore, although this product represented 70 percent of his company's profits, Chouinard decided to develop an innovative product that could substitute for the traditional climbing pitons. Within two years, the company had developed new equipment that left no marks on the rock, and that embodied the "*clean climbing*" style that was spreading in those years.

At the end of the 80s, Chouinard Equipment for Alpinists Inc. became the object of many lawsuits, not because its climbing equipment was faulty, but because of the improper use of climbing ropes in rope-pulling competitions. Requests for compensation were so high that the company was obliged to declare bankruptcy. Yvon Chouinard therefore decided to dedicate all his energies to another of his business activities: Patagonia.

Patagonia, From 1972

In 1972, during the boom of the outdoors industry, Yvon Chouinard and his wife Malinda decided to start another company that produced resistant technical garments: they would call it Patagonia.

Yvon chose this name because of its simplicity of pronunciation in many languages and because it brought to mind "romantic visions of glaciers tumbling into fjords, jagged windswept peaks, gauchos and condors". True to the previous experience, Patagonia would produce practical and highly resistant nature-friendly materials.

In the Seventies, most mountain wear was made by layering wool and cotton fabric that could absorb humidity. Patagonia started to make use of a synthetic fiber like fleece, an isolating fabric, and polypropylene, which weighed very little and did not absorb water. Thanks to numerous experiments, Patagonia became a pioneer in the concept of layering: its catalogues explained how wearing various types of garments in a specific order would guarantee both excellent insulation and moisture discharge.

Patagonia continued to innovate and took a huge risk when, in 1985, it decided to replace fleece and polypropylene, which represented once again seventy per cent of the company's income, with "Synchilla" fleece and "Capilene" polyester. These highly technical products beat the competition and became a blockbuster making Patagonia a household name throughout the United States and not merely a niche company.

The company did not stop at this success, but continued to amaze the market with a nonconformist move. The competition manufactured outdoor products in classical colors such as brown, forest green and rust, so Patagonia decided to use bright colors for its products. This was a move that would floor the competition.

Things seemed to go well. At the end of the 1980s, the company boasted a growth trend of between 30 and 40 percent year on year. Convinced that they would carry on having so much success, the company hired eight product managers, about a hundred employees, and created a very ambitious development plan.

Then one year the growth in sales was "only" 20 percent. This brought distributors to believe that Patagonia had lost some of its customer appeal and, afraid of ending up with a lot of unsold stock, they

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cancelled all their orders. At the same time the company's main investor was obliged to reduce credit lines for economic reasons and all of this in turn obliged Chouinard to reconsider his plans. In July 1991, the company fired twenty percent of its workers. Patagonia was a victim of its own success.

Two years later, in 1993, the company brought out *ecofriendly* Synchilla jackets that were made using recycled plastic bottles. It was once again an immediate success.

In 1994 the founder Yvon Chouinard commissioned an independent study to research the environmental impact of Patagonia's products. The study surprisingly revealed that the cotton used by the company was responsible for heavy pollution, as it required the use of big doses of insecticides and pesticides. So Chouinard decided to replace traditional cotton with a new type of *organic* cotton that, during the growing, harvesting and transformation stages, did not require the use of synthetic chemical products, but only natural products.

Although the new type of cotton cost 50% more than the traditional kind, the founder of Patagonia accepted the challenge and proposed a new standard of reference. After a few years, many other companies would convert to organic cotton, thereby setting off a price reduction. Once more, Chouinard had been right.

Patagonia Today

Today the company sells a wide range of products for men and women, from jackets to jumpers, t-shirts, trousers, footwear and many other technical products for all kinds of "silent human-powered sports done in nature" such as skiing, hang-gliding, surfing, climbing and fishing. The company has a host of athletes representing its products for all of these sports. In 2012, Patagonia owned about 23 companies in the United States, 15 in Europe and Japan and boasted a turnover of about 500 million dollars, almost the double of the turnover recorded five years before. In 2013, after the "buy less" campaign (see below) the company sales grew to 575 million dollars.

Corporate Social Responsibility

Patagonia, in addition to being known for its innovative nature and its commercial success, is famous for being one of the most socially responsible companies in the United States and is also among Fortune's "*100 Best Companies to Work for*". What's their secret? It's simple. Patagonia truly believes in Corporate Social Responsibility and uses it as a compass to guide it in defining its strategy, to the point that its mission statement is: "Build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis".

Here is an incomplete list of the policies of sustainability adopted by the company:

- **Product Design and Quality:** Patagonia's mission, "Build the best product", clearly expresses the company philosophy. This product culture was already present in Chouinard's first company, Equipment Inc., and was further developed in Patagonia. In contrast to the fashion world, where design takes place starting from the fabric, in Patagonia the function of a product defines its design and fabric, that's why it's called industrial design (Esposito, 2009).

The characteristic that allowed the company to reach these levels of *social responsibility* is the care taken in its choice of materials: plastic, bamboo, organic cotton permitted an improvement in the qual-

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ity of the product, the respect of the highest standards in environmental policy and has had enormous success among the public. The product's durability, for example, has improved customer satisfaction, because the equipment can be used for a lot longer, thereby reducing waste. The more versatile the product, the fewer the customers who will look for other clothes for different purposes, so the simplicity of design adopted by Patagonia allows for an item of clothing that can be worn in a variety of situations. The company's designers believe that the consumer is all too often induced to choose among a variety of products and that a multipurpose product can reduce the stress of having to choose. Furthermore, differentiating products bears directly on production costs as additional costs for energy, design, stock, catalogues etc. would be necessary.

Apple too has chosen this strategy; it makes only two series of laptops, divided into two categories and only one line of smartphones.

Furthermore Patagonia offers a complete guarantee on its products that can be repaired, through the "ironclad" initiative, at reasonable prices with an obvious benefit to both customers and the environment.

- **Recycled Products:** In 1993, Patagonia was the first company to market clothing made by recycling plastic bottles. Ten years later, the company went even further, providing incentives to its clients to return old "Capilene" clothes to shops. One of Patagonia's Japanese partner companies developed a process that was able to recycle polyester an infinite number of times, with an energy savings of about 75%. The company has always limited its use of paper, by substituting paper catalogues with electronic ones, and where impossible to do so, by using only recycled paper.
- **Non-Conventional Answers:** In 1994 Patagonia, following an independent study on the environmental impact of its products, discovered that the cotton being used was responsible for significant damage to the environment because of the use of pesticides, insecticides and defoliants. One need only consider that 10 percent of chemical products for agriculture is used for the cultivation of cotton. Chouinard was not discouraged by the fact that organic cotton cost 50 percent more and was produced in limited quantities. For him it was simply unacceptable to continue to produce in the traditional way and put aside his beliefs. He therefore decided that all the production of cotton garments would be 100% organic or he would stop production. This was a very risky move for him to make, as organic cotton was more expensive, was more difficult to find, and because traditional cotton products guaranteed Patagonia 20 percent of its turnover. Furthermore, in the beginning cotton suppliers were not enthusiastic about the change and tried to prevent it.

To compensate the increase in cost of the raw material, strategies for the rationalization of product lines and prices were adopted: profit margins were lowered and the final sales price was increased, leaving the distributor's margin basically unaltered.

The most incredible aspect of this story is that such a simple albeit risky decision had enormous impact on the company. Patagonia registered a 25 percent increase in sales thanks to this differentiation and contributed to the success of the entire organic cotton industry in California. In fact, today, other companies are also turning to organic cotton producers. In 2006 Wal-Mart, for example, was the biggest buyer in the world. The increase in demand for this type of raw material caused a reduction in prices, confirming once more the wisdom of Chouinard's choice (Esposito, 2009).

- **Unconventional Marketing:** In 2011 Patagonia launched the "Buy less" campaign, in order to lower the environmental strain from ever-growing consumption levels (Stevenson, 2012). To put

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this idea into action, they partnered with eBay to enable consumers to resell their used Patagonia apparel via the Common Threads Initiative within eBay. Consumers will also be able to resell their used Patagonia apparel on a new Used Clothing & Gear section on Patagonia's website. With this initiative the company wants to influence consumer buying behavior as part of its corporate mission. It also makes consumers super loyal to its brand though as illustrated by the fact that despite the "buy less" campaign sales went up thanks to three tactics (Lowitt, 2011, October 3):

- **Increase Prices:** Behind the Patagonia's message is that consumers should buy high-quality apparel that will last a very long time. It makes sense that such apparel would command a premium price relative to lower quality substitutes.
- **Sell More New Apparel:** This campaign increased sales volume from two types of customers: the one who make decisions based on sustainability considerations and the one who can now sell their used Patagonia apparel for cash to buy new apparel. Indeed, John Donahue, the CEO of Patagonia's new business partner, eBay, suggested this might be possible: "Patagonia is extending its customer base and increasing it. People who are selling it are likely to turn around, take the money they got, and buy the new Patagonia products."
- **Expand into New Categories:** Finally Patagonia is expanding its customers looking "upstream" (i.e., suppliers) by recycle clothing that has been too worn to be resold and then sells the used materials back to its upstream suppliers at a lower price than comparable virgin materials.

This unconventional marketing approach it is only likely to work among companies with a long-term orientation (Patagonia is privately held), a long-standing commitment to sustainability, and high-quality products.

- **Green Building:** Patagonia created offices and production centers in its own image. Recycled materials were used for their construction with elements such as plastic for the bathroom fittings and polyester for the floors. The use of sensors for energy saving and other innovative solutions doubtlessly increased building costs, but they also helped improve the image of the company and energy savings. In 1998, Patagonia was the first big company in California to obtain all its energy from renewable sources.
- **Care for Its Employees:** Yvon Chouinard believes that "work has to be fun". At company headquarters employees are organized in a very horizontal structure. Working conditions are excellent and employees are strongly motivated. That's why Patagonia was rewarded for being one of the best employers by Fortune magazine. Chouinard allows employees to have flexible working hours.

One example is the "Let my people go surfing" policy that allows employees to do their favorite sports like skiing or surfing, and then have a shower and go back to work. This flexibility has noticeably improved the quality of the work and has strengthened the relationship with management (Esposito, 2009).

- **Benefits for Employees:** Over and above the flexible hours, Patagonia offers its employees health insurance and other interesting benefits. The opportunity to eat a meal or have a coffee at the company's café encourages the development of personal relationships that improve teamwork. A nursery school for new mothers, the defense of motherhood and the opportunity to have personal

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time off are all benefits included in company policy and strengthen that sense of belonging to Patagonia that can be found in very few other companies.

- **Environmental Internships Program:** Since 1993, Patagonia has encouraged employees to leave their jobs for a couple of months to work in an environmental association of their choice. During this period they are paid by the company and they work for the association for free. The employees who have had the opportunity to live this experience strengthen company culture with their positive input, share their ideas with their colleagues and motivate the whole structure.
- **One Percent for the Planet Alliance:** Patagonia and its founder are well aware that acting alone does not produce significant change in the world. This is why they have created this alliance along with the owner of Blue Ribbon Flies. Their mission is to create a healthier world, by giving at least 1% of its profits to environmentalist organizations all over the world.

The members of the organization give their contribution directly to the organization of their choice, thereby reducing bureaucracy and encouraging transparency and a direct relationship between donor and beneficiary. Today the alliance includes about 700 companies from various industries.

- **The Footprint Chronicles:** Launched at the end of 2007, this online feature reveals how the manufacturing and delivery of Patagonia's products affect the environment. A visitor to the site can click on any product and track its environmental and social impact along its path to the store. Although the Footprint Chronicles have demonstrated that some Patagonia products have negative environmental impacts that are nearly impossible to upend, the company's presentation of fact rather than message has helped establish it as an honest, trustworthy company.
- **The Founder:** Yvon Chouinard is the promoter of the change that has molded the company from the beginning. The founder is a staunch environmentalist, he has established mutual respect between himself and his employees and he makes use of modern management techniques. When he decided to abandon the use of traditional cotton and changed to the use of organic, he took an enormous risk, but this man never hesitated to take responsibility for his choice and take the leap, which turned out to be a successful move (Esposito, 2009).

What really makes the difference are Chouinard's ideals. He pursues objectives he believes to be right and is prepared to take personal risks. To produce colorful jackets may seem trivial, but it was a risky choice at that time, when the most daring color was rust.

TOWARDS A NEW CAPITALIST MODEL

Throughout its history, Patagonia reached extraordinary goals both in economic and in social terms. In the early 1950s Yvon Chouinard started to make his first products in his parents' small garage. The first sales counter was his car which was more than just a symbol of America at that time. A sharp sense of business and a sincere concern for the environment led him to keep on innovating and create new products. Most companies limit themselves to adapting to changes in the macroeconomic framework and nothing more. They change company practices, behavior policies and business models simply to make room for changes imposed on them from the outside. Instead Chouinard revolutionized his field without even knowing it. He was the first to produce climbing equipment that protected the natural and

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artistic heritage of his beloved mountains. This permitted him to differentiate from the competition and become a product leader in that market. Was it just good luck? Maybe. Is he just an entrepreneur with a lot of business savvy? No. In fact, the feature that allowed the creator of Patagonia to achieve all of this was the ability to believe in his ideals and take a personal risk to put them into practice. When he learned about the collateral damage caused by traditional cotton farming he could not let it go. He just had to do something, so he called all of his cotton suppliers and other stakeholders of the cotton supply chain, and explained his problem. It would have been interesting to see their faces. A Californian visionary with a penchant for technical equipment was telling them, cotton farmers for generations, that they were wrong. The cotton farmed using their methods was responsible for 10 percent of all chemical products used in the food farming industry. It's easy to imagine the answers they gave him. Chouinard, however, did not lose faith and accepted tougher economic conditions, for the sake of doing what he believed in: he would only buy organic cotton.

A few decades later and we know find corporate giants like Wal-Mart are buying organic cotton. The whole Californian cotton industry has completely modified its *modus operandi*. Patagonia accepted a 50 percent price increase to have the new type of cotton and bring its project to life, it rationalized production, accepted a reduction in profit margins and increased sales prices to the end customer. How many companies would have been able to do the same? Very few. Actually, in the last few years the capitalist system has been held responsible for the main causes of social, environmental and economic problems. The economic crisis that started in 2008 has contributed to the idea that multinational companies are thriving at the expense of the community.

The appearance on the scene of social responsibility policies has not promoted the long-awaited change. On the contrary, the more companies have started taking responsibility for social issues, the more they have been accused of lacking it by society. This lack of faith in companies has induced governments to adopt policies that jeopardize competition and suffocate growth.

Companies find themselves victims of a concept of value creation inspired by the illuminist economic model, in which an "invisible hand" regulates rational and opportunistic relationships between so-called "homines economici". (Un)fortunately economic transactions are never purely rational, but rather also emotional and based on information asymmetry. The "invisible hand" that regulates the market cannot manage such a complex and interconnected system such as the global economy. By continuing to see "value" from a limited perspective and by optimizing short-term financial performance it is easy to forget customers' essential needs and ignore factors of a wider scope that determine their success in the long term (Porter & Kramer, 2011).

Some choices, that find their logic in the short term, may turn out to be very bad investments for a company. Is the decision to move production to countries where salaries are lower a good one? Will not paying debts to suppliers and leaving them in dire economic straits, really improve company performance in the long term? Does exposing unwitting clients to enormous financial risk really help create value?

In the Anglo-Saxon world the creation of value for the shareholder has always been the axis around which the whole decision process of the company revolves. The problem arises when company policy is unable to protect even the shareholders. Should the short term performance of a share satisfy the value investors, the pension funds or the traders?

These are times of low economic growth, high unemployment and low tolerance for corporate greed. People no longer accept the traditional view that business' sole purpose is to make money. The time is due for a new capitalist model to emerge in which companies make an effort to reconcile economic success and social progress. For many decades leading companies and intellectual leaders have been

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discussing what model to adopt to prevent opportunistic behaviors and give western industry back its edge. Although some progress has been made most companies remain tied to a "social responsibility" mentality in which social problems are not the center of strategic decisions but rather an afterthought. Rosabeth Moss Kanter (2011) suggests that by employing institutional logic – the idea that companies are more than just money-generating machines and hold the power to contribute to the greater good of society – companies can thrive despite today's changes and challenges. There are six ways in which great companies get ahead by using institutional logic:

- **A Common Purpose:** Holding purpose and values at the core of an organization's identity.
- **A Long-Term Focus:** A willingness to make short-term financial sacrifices for the sake of long-term perspective.
- **Emotional Engagement:** Influencing positive emotions to stimulate motivation.
- **Partnering with the Public:** Crossing borders for both new business opportunities and to address public concerns.
- **Innovation:** Committing to community projects without seeking immediate returns.
- **Self-Organization:** Trusting employees to make their own choices.

Dependent upon each other, the above principles work together in building institutions that, according to Kanter, "can restore confidence in business and will change the world in which we live."

Yvon Chouinard adopted, consciously or unconsciously, all the above principles, and made Patagonia a successful company. Was he alone? Fortunately not: Mahindra Group, PepsiCo, Banco Real (Brazil), Novartis, IBM, Shinhan Bank (South Korea), P&G and Cemex are some of the other companies that successfully employed an institutional logic.

The institutional view of the firm is fascinating and somehow revolutionary, since it seems to be able to reconcile the tradeoff between maximizing profits, saving the planet and doing good for society. However it is only when a company systematically creates economic value in ways that allow the creation of value for society too, by catering to its needs and solving its problems, that it can be sure that the institutional logic becomes the new capitalist model, which is grounded on the so called "shared value" (Porter & Kramer, 2011).

SHARED VALUE

For too long, companies and society have been seen as two opposing forces. Hosts of economists, on the other hand, have legitimized and spread the idea that to supply benefits to society, companies would have to limit their economic success. Up to now the growth trend of advanced economies has permitted the business and financial world to take the social context in which they operate for granted. It passively accepted the costs and viewed the standards and the program of corporate social responsibility as against its interests.

Social responsibility programs, generated as a reaction to the pressure of public opinion, were generally aimed at improving the companies' reputations and are still considered to be little more than a necessary expense. Any further effort is considered by many to be an irresponsible use of financial means at shareholders' disposal.

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The concept of shared value recognizes that it's the needs of society, and not only conventional economic needs that should define the market. It recognizes that environmental damages or social problems often create internal costs for companies, such as waste of energy or raw materials, costly accidents, and the need to re-train employees who are not adequately trained at university. To meet these needs does not necessarily mean to raise costs for firms, as technological evolution, new methods of operation and managerial approaches can improve the company's productivity.

Shared value has nothing to do with personal value or the sharing of value that has already been created by the companies. Rather it means expanding the overall economic endowment of social and economic value. A company's competitiveness and the well-being of the communities surrounding it are closely linked. The company needs a healthy community, not just to create a demand for its products, but also to benefit from assets which are less tangible, but critical for the success of the company (Porter & Kramer, 2011). As for the community, it must favor the development of competitive companies to create jobs and opportunities for the creation of wealth in its territory.

Governments and non-governmental organizations do not always completely understand this interdependence, and quite often they get into harsh conflicts with the business world. Policies aimed at limiting their ability to compete risk being damaging, especially in the current globalized economy, where production facilities, and therefore work, are easily transferable.

Economists like Milton Friedman maintained that business contributes to society by making a profit that generates occupation, salaries, spending, investments and taxes. To do business according to this concept of capitalism meant a sufficient social benefit. The company constituted an independent element, separate from the rest of society and its problems, to the point that if a CEO was pursuing social responsibility he was literally viewed as not acting in the interest of his employers (Friedman, 1970). This perspective, that has permeated economic thought for the last few decades, has induced companies to aim for short term benefits. They concentrated on the attempt of convincing consumers to increase the frequency with which they bought their products. The increase in number of competitors and the pressure from shareholders induced managers to restructure their businesses by reducing personnel and outsourcing production to countries with low labor costs. All of this got the companies into debt, encouraged product standardization, price cutting and a low rate of innovation, which drastically slowed the growth rate.

The communities and territories in which companies that adopt these strategies exist feel that they do not benefit from the companies' profits, but are only exposed to the negative aspects of company risks. This feeling has become stronger in this period of economic recession. The increase in profits has not compensated the high unemployment rate and other problems of the community. On the contrary, on one hand a fierce policy of delocalization and outsourcing has reduced the level of employment in advanced economies, and on the other policies for the offshoring of company profits, has reduced the taxable income, thus the contribution to the public good by the companies.

All of this has distanced the community from the company, especially if the company is multinational, in which it's hard to identify a head-office. This strategy has produced significant improvements in short-term economic indexes, but probably risks jeopardising other important ones and in turn, long-term success.

Strategic theory states that, to be successful, a company must create a specific proposition of value that is able to satisfy the needs of a certain group of customers. The company gains a competitive advantage from the way in which the value chain is set up, that is, the set of activities involved in the creation, production, sales, delivery and technical support of its products or services. Companies so far

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have neglected the opportunities that can present themselves when satisfying the needs of those who are at the "base of the pyramid" and have often misinterpreted the indirect impact of underestimating the damage provoked by their value chains that are so unheeding of sustainability. It is important not to concentrate too deeply on the specific business of the company, but rather widen our scope, and take the economic environment that surrounds the main activities of the company into serious consideration.

How Is Shared Value Created?

According to Porter and Kramer (2011), the paradigm of shared value begins with the experiences made in the field of sustainability by individual companies who extend them systematically. Through the creation of both social and economic value, companies can achieve the goal of shared value. To this end, companies can pursue shared value opportunities on three levels that support each other:

- Reconceiving products and markets;
- Redefining productivity in the value chain;
- Enabling the development of local clusters.

The shared value opportunities at each level will differ by industry, company, and geography, depending on how a company's particular business and strategy intersect with social issues.

Reconceiving Products and Markets

The main needs of the global economy have remained unsatisfied, and companies have wasted the last few decades asking themselves the wrong questions. The attempt to solve social problems can improve company productivity in various ways. To protect the health of employees, with health insurance policies, and with suitable working hours and workplaces, produces benefits for the whole community. Workers and their families enjoy better health and the company minimizes absenteeism and loss of productivity.

Creating shared value from reconceiving products and markets focuses on revenue growth, market share, and profitability that arise from the environmental, social, or economic development benefits delivered by a company's products and services (Porter & Kramer, 2011).

Community needs aren't unchanging, they continually evolve. The company's task is to explore social needs and put itself in a condition to discover new opportunities for differentiation and repositioning in traditional markets, as well as identify the potential of neglected markets.

Redefining Productivity in the Value Chain

A company's value chain has an influence on many social problems, like safety, working conditions or the exploitation of natural resources such as water. Opportunities for the creation of shared value arise when these social problems can determine economic costs in the company's value chain (Porter & Kramer, 2011). Often big environmental performance improvements can be achieved by using more effective technologies with a minor incremental cost and can generate net cost savings from the very start.

Creating shared value from redefining productivity in the value chain focuses on improvements in internal operations that improve cost, input access, quality, and productivity achieved through environmental improvements, better resource utilization, investment in employees, supplier capability, and other areas.

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Porter and Kramer (2011) have identified the main trends towards shared value is transforming the value chain:

- **Use of Energy and Logistics:** The increase in the price of energy has triggered a process of redesigning of logistic processes with the aim of reducing gas emissions, energy and transport costs.
- **Use of Resources:** By using water and other resources for production more efficiently it will be possible to improve economic performance of the company as well as improve environmental and social aspects.
- **Procurement:** Businesses have concentrated for too long on cost reduction, delocalizing most of their production to countries with lower labor costs. Now they have realized that they have neglected quality and innovation. By extending access to production factors, sharing technologies and supplying appropriate financial support, companies can improve their productivity and that of their suppliers.
- **Distribution:** As described before, multinational companies are rethinking their distribution models to take advantage of interesting opportunities for cost containment. In non-traditional markets there are also interesting possibilities for the development of completely new services.
- **Employee Productivity:** Containment of salary levels, reduction of benefits and offshoring, may not be the best instrument for improving employees' productivity. Many companies realize that a decent salary, well-being, training and health insurance have a positive effect on productivity.
- **Location:** Globalization has allowed companies to delocalize their production plants, to places where the cost of labor is lower, leading to the creation of factories that are highly specialized in the production of a specific component. However, the increase in the cost of energy, and therefore of transport, has highlighted the lower efficiency of highly fragmented production systems and the hidden costs of long-distance purchases.

Enabling the Development of Local *Clusters*

The third approach to the creation of shared value is based on the premise that the success of every company is influenced by the companies that support its business and the surrounding infrastructure. Productivity and innovation are influenced by *clusters*, which are those geographical concentrations of linked companies, suppliers and the logistic infrastructure of a certain industry (Porter & Kramer, 2011). Silicon Valley and Italian industrial districts are a classic example.

Creating shared value from enabling local cluster development derives from improving the external environment for the company through community investments and strengthening local suppliers, local institutions, and local infrastructure in ways that also enhance business productivity.

MEASURING SHARED VALUE

Although shared value is spreading among companies at a very impressive rate, the tools to put this concept into practice are still in their infancy. In particular, a new framework for measurement that focuses on the interaction between business and social results is among the most important tools to drive shared value in practice.

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Even the companies that are most advanced in pursuing shared value today lack the data they need to optimize its results. Companies cannot know the extent to which they are creating shared value if they do not measure their progress on social objectives and, importantly, the degree to which social performance improves economic value for the business. When companies do not understand or rigorously track the interdependency between social and business results, they miss important opportunities for innovation, growth, and social impact at scale (Porter et al., 2012).

Measuring shared value aims to track the progress and results of tailored shared value strategies. For each shared value opportunity, companies identify and track simultaneously both social and business results; their parallel goals are to address a social problem and improve business performance (see Table 1).

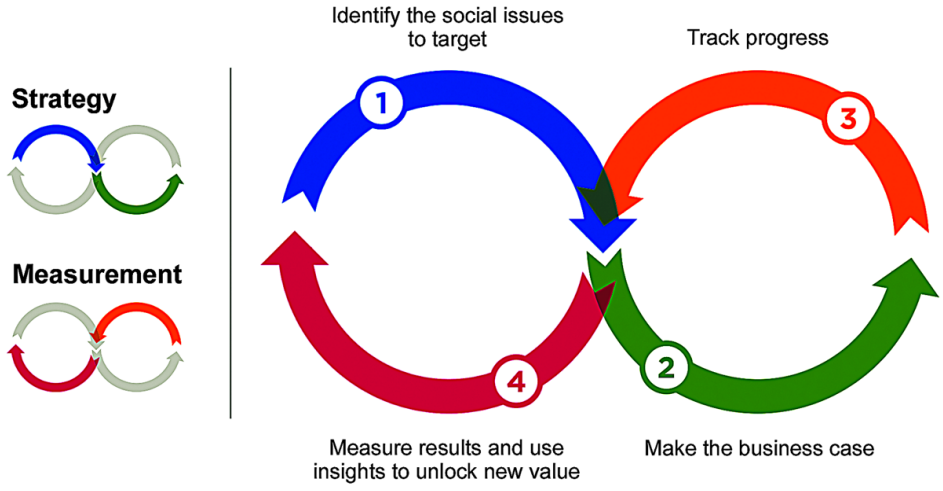
The process of creating shared value and measuring its impact is definitely iterative and totally integrated with business strategy and performance management of the company (Figure 3). To pursue successful shared value strategies, managers will need to reconsider traditional business disciplines –

Table 1. Illustrative business and social results by level of shared value

Levels of Shared Value	Business Results	Social Results
Reconceiving product and markets: How targeting unmet needs drives incremental revenue and profits	Increased revenue Increased market share Increased market growth Improved profitability	Improved patient care Reduced carbon footprint Improved nutrition Improved education
Redefining productivity in the value chain: How better management of internal operations increases productivity and reduces risks	Improved productivity Reduced logistical and operating costs Secured supply Improved quality Improved profitability	Reduced energy use Reduced water use Reduced raw materials Improved job skills Improved employee incomes
Enabling cluster development: How changing societal conditions outside the company unleashes new growth and productivity gains	Reduced costs Secured supply Improved distribution infrastructure Improved workforce access Improved profitability	Improved education Increased job creation Improved health Improved incomes

Source: Porter et al., 2012.

Figure 3. Integrating shared value strategy and measurement
Source: Porter et al., 2012.



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strategy, marketing, financial analysis, operations, etc. – and apply them in new ways. By reconceiving social problems as business opportunities, and applying rigorous execution and measurement, they can ensure an enduring creation of business and social value moving forward. There are tremendous opportunities for companies to further embed shared value measurement practices into their existing business processes. Only then will companies know if they are maximizing their shared value investments, not only to benefit their long-term competitiveness, but also to address critical social problems around the world.

The creation of shared value implies obeying the law and respecting ethical standards, as well as a reduction of the environmental impact caused by companies. This approach represents a new way of relating to customers, productivity and all of those external factors that influence a company's success. Companies need to start considering respect for the environment a successful competitive factor and not a cost that cannot be avoided.

In conclusion, in the new world of "shared value" it won't be the companies who solve the problems of the global economy, but they will give back to business more drive and a renewed dignity (Porter & Kramer, 2011). It's an extended view in which the economic element does not diminish the social, but rather makes use of the social as creative tension aimed at researching new opportunities for really sustainable development.

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KEY TERMS AND DEFINITIONS

Competitive Advantage: An advantage that a firm has over its competitors, allowing it to generate greater-than-expected value from the resources it employs. Thus, competitive advantage means having low costs, differentiation advantage, or a successful focus strategy.

Corporate Social Responsibility: A company's sense of responsibility towards the community and environment (both ecological and social) in which it operates.

Creating Shared Value: Set of policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates. Shared value creation focuses on identifying and expanding the connections between societal and economic progress.

Shareholder Value: The value delivered to shareholders because of management's ability to grow earnings, dividends and share price. In other words, shareholder value is the sum of all strategic decisions that affect the firm's ability to efficiently increase the amount of free cash flow over time.

Stakeholder: A party that has an interest in an enterprise or project. The primary stakeholders in a corporation are its customers, suppliers, employees and shareholders. Modern theory goes beyond this conventional notion to embrace additional stakeholders such as the community, government and trade associations.

Stakeholder Value: The value delivered to all the company's stakeholders (customers, suppliers, employees, shareholders, and the community). It is central to the Stakeholder Value Perspective in which the social responsibility is an organizational matter and, as a matter of fact, society is best served by organizations pursuing joint interests and economic symbiosis.

Sustainability: Continued development or growth that meets the needs of the present without compromising the ability of future generations to meet their own needs.

Sustainability-Driven Innovation: The creation of new market space, products and services or processes driven by social, environmental or sustainability issues.

ENDNOTE

[1] Most of the information of this paragraph were found on the Patagonia website www.patagonia.com/us/home

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Section 8
Emerging Trends

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Chapter 81
Social Business:
A Way to Promote Organizational Transformation

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ABSTRACT

Information systems and technologies (IST) are the essence of up-to date organizations, and changes in this field are occurring at an uncontrollable pace, interrupting traditional business models and forcing organisations to implement new models of business. Social media represent a subset of these technologies which contribute to organizational transformation. However, by itself, the adoption of social media does not imply such a transformation; changes in the organization's culture and behaviour are also needed. The use of IST in an appropriate and integrated way with the organization's processes will depend on an individual and collective effort. For organizations to take advantages of these technologies within the context of Social Business, a comprehension exercise is required in how to demonstrate their usefulness. To this end, this paper will provide a comprehensive view of a new context of labour faced by traditional organizations i.e. social business supported by mobile IST – mobile_Create, Share, Document and Training (m_CSDT) – in order to improve the well-being of these organizations through the collective intelligence and agility dimensions.

INTRODUCTION

It is widely acknowledged that organizations have suffered a large evolution at the social, economic and technological levels, with particular predominance in the last 10 years, where the traditional barriers of transferring information and knowledge have been progressively eliminated. This evolution allowed the elimination of silos, the breaking down of hierarchies, the connection of internal and external stakehold-

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ers and the empowering of employees (Berkman, 2014). According to Bear (2015), Social Business has contributed to this end, and has proved its value across nearly every business function, from marketing and commerce, to product development and human resources, to internal collaboration and intelligence.

Social Business (Yunus, 2007; IBM, 2013; Bear, 2015) can be defined as the ability of an organization to share information, produce knowledge collaboratively, manage knowledge, eliminate communication and sharing barriers, accelerate business processes, approaching the business partners, namely suppliers and customers, and create innovative products, services and business models. It is thus essential that such products, services and models are created and properly documented, managed and shared.

Information systems and technologies (IST) are the essence of up-to date organizations, and changes in this field are occurring at an uncontrollable pace, interrupting traditional business models and forcing organizations to implement new models of business. These changes need to be accompanied by new modeling methods that, for instance, drive the evolutionary changes of requirements, as argued by Gustas and Gustiene (2012). A change of paradigm in what comes to the use of IST in the day-to-day life of every citizen, by itself, does not sustain such a transformation; it is also necessary a change of culture and behavior. On the one hand, the use of IST in an appropriate and integrated way with the organization's processes will depend on an individual and collective effort, which may be called "collective leadership" (Friedrich et al., 2009; Paunova, 2015). On the other hand, the younger generation, accustomed to sharing, often through mobile devices, personal information on Facebook, Twitter, among others, enters the job market looking for similar tools. These new "social tools" allow the production, sharing and management of information and knowledge within the organization between peers and other stakeholders, allowing the barriers elimination of the communication and sharing.

Therefore, we may infer that Social Business is much more than just collaboration and sharing, since the IST that are currently available allow the organizations' processes to be more dynamic, more "social".

Following these developments, and according to the European Commission report "*A Roadmap for Advanced Cloud Technologies H2020 under*", the environment of IST (market research, industry, education, training, etc.) is undergoing constant changes. These changes originate, typically from the conflict between the technical restrictions and the "new" needs experienced by users. Thus, it is necessary to identify the major changes that can be expected in the next years and can, or will, affect the environment of IST. It is expected, for example, storage for all and the internet of and for things (World Economic Forum, 2015).

The growth of social media is already happening at a tremendous rhythm (Schultz, et al., 2015). The arrival and development of mobile internet applications has set to double the intensity of social media use (Gulbahar, and Yildirim, 2015).

The arrival of mobile internet has fully democratized the World Wide Web. Yesterday's non-internet users now only need a smartphone and a location with free *wifi* access to go online. In the past, it was needed a workplace, a computer and an internet subscription, which was too expensive for many people. This barrier has now, however, disappeared. As discussed in Van Belleghem (2012), the situation in the United States proves this beyond doubt. The highest smartphone penetration levels are to be found in the poorer Hispanic and Asiatic sections of the community. In 2011, the research company Nielsen found that in the traditionally more affluent white community only 27% had a smartphone. These figures are the reverse of what would be rationally expected, and they mean that all target groups in all social classes will soon be approachable on a large scale via social media.

The combination of internal and external conversations is well suited to take advantage of the changes ushered by mobile internet. If the company staff makes great use of online media, they will be ready

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and waiting to pick up customer feedback, so that they can avoid or solve possible problems and fully take advantage of conversation potential. If the company's culture and service are good, this will result in positive conversations. Consumers who are looking for online information while they are out shopping will find these conversations in their search results and will be influenced by them. The fact that the internet has been democratized means that organizations have no other option: they must integrate the use of social media into their activities, if they wish to survive. Social media therefore connects the organization, its staff and its customers to each other.

The impact of these developments on the demand has been immense. In the United States, 27% of smartphone users use their phone while they are out of shopping, to find out more about the products they are thinking of buying. They also compare prices and look for promotion offers in other stores. From now on, it is clear that people always have the internet with them, wherever they go and whatever they do. This means they have instant access to all the information in the world. The impact for, namely, the retail industry is, therefore, phenomenal.

Taking advantage of these technologies for organizations within the context of Social Business, in particular nomadic workers, requires a comprehension exercise in how to demonstrate its usefulness with regard to the creation, sharing and documentation of information and knowledge in and out of an organization, the education and training of organizational workers and ad-hoc discussion, in a safe way. In this paper, we further develop the m_CSDT approach early described in (Ferreira, Moreira and Seruca, 2014a). The Case Study approach will be used as the research method (Yin, 2009).

We argue that Social Business, supported by different ISTs including mobile devices that comply with the m_CSDT approach will contribute in a particular way for the organizational well-being (Dodge et al. 2012) raising indicators of the collective intelligence (Schoder, et al., 2014) and agility (Singh, 2013) dimensions.

The intelligence dimension, on its different indicators is achieved through "collective leadership", since it is more efficient than hierarchic management, for certain types of tasks, allowing the internal relations of cooperation to increase and improving the flow of knowledge. Broad participation is usually more effective and leads to more information that can be processed and used in decision-making.

The agility dimension is achieved, through collaborative work, supported mainly by nomadic workers, allowing a systemic perception, especially taking advantage of the interconnections between the organization's capabilities and market opportunities.

As a result, the paper will provide a comprehensive view of the prevalent issues of a new dimension of labour for traditional organizations i.e. social business supported by mobile IST – m_CSDT – in order to improve the well-being of these organizations through the collective intelligence and agility dimensions.

THE NEW DIMENSION OF LABOUR FOR ORGANISATIONS: SOCIAL BUSINESS

The Social Business Concept

The concept of social business was firstly associated with Yunus´ work (Yunus, 2007). According to Yunus, the concept involved both economic and social perspectives: social business is supposed to solve a social problem and to achieve financial sustainability rather than to generate profits.

A new perspective was introduced by Kim (2012) in a blog post where the concept was applied to evolutionary marketing and technology strategies. Social Business, also called Social Enterprise and

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Enterprise 2.0 (Berkman, 2015), is a recent but popular trend that is revolutionizing organizational work and generating value for all of its elements, i.e. employees, customers, partners and suppliers. It means that all departments in an organization integrate their social capabilities into traditional business processes (Dorn et al., 2007) to change the way of working in order to create value. A Social Business organization uses social software technology to communicate with its rich ecosystem of customers, business partners and employees.

A Business is created and managed by people. The individual or group who is taking decisions will determine either the success or failure of an organization, i.e. if it will survive or will eventually die in market (Hiriyappa, 2008). In order to achieve that success long term goals are needed to be set, i.e. profitability, productivity, competitive position, employee's development, employee relationships, public responsibility, and technological leadership (Hiriyappa, 2008) that are converted into internal efforts and organizational transformations. However, those organizations often fail due to internal (Kotter, 1995) and external forces (Zakić et al., 2008).

An organization in the 21st century, known as Enterprise 2.0 (McAfee, 2006; McAfee, 2009), to achieve success, must be a connected entity that supports internal and external networks of people and knowledge in order to obtain competitive advantage and to face the constant and mutable external environmental forces. The potential of social business allows this challenge. Hagel et al. (2010) claim that "*each of us, individually and together, are now, for the first time in history, in a position to collaborate in a complete reimagination of our biggest private and public-sector institutions that will eventually remake society as a whole*". Following this imperative, organizations must be open to be supported by social business, which constitutes a shift in how people work, moving from hierarchies to networks. Nowadays, complex work is the most valuable, as well as the type of work that cannot be automated or outsourced. It is work that requires creativity and passion. Doing complex work in networks means that information, knowledge and power no longer flow up and down. They flow in all directions. Brown (2012) claims that to understand complex systems it is necessary to submerge in them. This requires social learning. Complex work is not linear. Social business is giving up centralized control and harnessing the power of networks.

Organizations must be able to share knowledge quicker than before. This requires a shift towards something like a starfish framework that not only allows for independent action but also distributes knowledge through all parts. Social learning is about how organizational knowledge gets distributed.

The work of social business can only be achieved through social learning; Jarche (2011) synthesized this idea into ten statements:

- The increasing complexity of work is a result of global interconnectedness.
- Today, simple work is being automated (e.g. bank tellers).
- Complicated work (e.g. accounting) is getting outsourced.
- Complex and creative work is what gives organizations unique business advantages.
- Complex and creative work is difficult to replicate, is constantly changing and requires greater tacit knowledge.
- Tacit knowledge is best developed through conversations and social relationships.
- Training courses are artefacts of a time when information was scarce and connections were few; that time has passed.
- Social learning networks enable better and faster knowledge feedback loops.

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- Hierarchies constrain social interactions so traditional management models must change.
- Learning amongst us is the real work in social businesses and management's role is to support social learning.

Undertaking social business is not the same of an organization that just uses a Facebook page or/and a Twitter account. Social business means that all departments of an organization, from human resources to marketing, to product development, to customer service, to sales, use social media in the same way they use any other tool and channel to do their job. It is an organization that uses social networking tools often to communicate inside and outside the organization. It is a strategic approach to shaping a business culture, highly dependent upon executive leadership and corporate strategy, including business process design, risk management, leadership development, financial controls and use of business analytics. According to Abbott (2015), for organizations, the use of mobile devices conjugated with social business allow the following benefits: market and sales are more effective; teamwork and collaboration are empowered; crowd-sourcing is facilitated, ideas and creativity are more easily spread; trends can be sooner spotted; meaningful interactions may be elevated, loyalty and trust can be enforced; performance can be optimized; stronger teams may be built and maintained; personalize motivation, and best of all … organizations can grow better, faster, bigger, stronger, happier – for less time, hassles and costs.

Integrating Social Business Into an Organization

Besides the well-known potential for organizations in the use of social media, most organizations show a paradoxical behavior in the way they perform business and in the way they manage their institutional social media. This paradoxical behavior results most often in the underuse of conversation potential. These issues are discussed in Van Belleghem (2012) and may be summarized as follows:

- Almost every organization thinks that word-of-mouth advertising is important, but they make little or no effort to manage it. There is a (mistaken) perception that organizations can do little to influence consumer conversations.
- Organizations communicate impersonally, while their customers are demanding a more human approach. The customer wants just one thing: to be treated in a manner that makes him happy. Organizations seem more concerned with processes, structures and budgets.
- One of the global trends in the business world is a growing requirement for good service. Many organizations see customer service as a budget item where savings can and should be done.
- Consumers now have relatively sophisticated technology at their disposal. Many organizations are still working with outdated technology.
- Customers often want to help organizations, to be their friends. On the other hand, organizations often do not think that just a few hundred fans are worth investing in.
- Organizations spend a small fortune on advertising in which they essentially make promises. The modern consumer wants proof, not promises; wants action, not just communication.
- Consumers talk to each other, and often have interesting and relevant things to say. Organizations make little effort to track down these comments and even less effort to take account of them.
- Staff is often proud of their organizations and would like to talk about them, but sometimes is forbidden to do so by their employers.

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Perhaps the two last issues in the list provided constitute the biggest paradoxes of all the mentioned issues. Organizations keep referring that satisfied customers and satisfied staff are important, but very often their actions do little or nothing to reflect these words. These are the fundamental causes of unused conversation potential. This problem is exemplified in a further section with the discussion of real cases study.

The future of organizational work is social, collaborative and mobile (Streitz, 2003). The introduction of social business into an organization requires important changes in the way its collaborators work in all the organization structure (Cortada et al., 2012). According to Cortada et al. (2012), in order to integrate social business in the core of an organization three key issues must be addressed:

1. Organizations need to consider how to incorporate social metrics in themselves and in their processes;
2. Organizations need to understand and manage the risks associated with the integration of social business; and
3. Organizations need to manage change, which is a fundamental requirement to undertake with success social business practices.

Moreover, in SideraWorks (2013) seven dimensions are proposed that must be questioned and defined: (1) vision and goals; (2) cultural readiness; (3) organizational structure; (4) social strategy; (5) communication; (6) social technologies; and (7) training and education.

In this context, the two last dimensions (social technologies and training and education) should allow knowledge to flow in the organization. The primary function of social technologies and training and educating professionals in the networked organization is to connect and communicate based on three core processes:

1. Facilitating collaborative work and learning amongst workers, especially as peers;
2. Sensing patterns and helping to develop emergent work and learning practices; and
3. Working with management to fund and develop appropriate tools and processes for workers.

According to Zhao & Kemp (2012) employees tend to use blogs, wikis and social bookmarks to search and retrieve information about the organization, to connect with coworkers or to build relationships. Another survey, according to these authors, shows that the main goal of using social media tools, such as Facebook in the workplace is to maintain and develop connections with friends not work-related. The adoption of such tools in the workplace has therefore raised several issues and challenges for organizations. One of the most important issues is the virtual disappearance for employees of boundaries between the personal and professional life, as well as personal and professional connections.

Social Business Contributes for a More Competitive Organization

In a few short years, social technologies have given social interactions the speed and scale of the Internet. Whether discussing consumer products or organizing political movements, people around the world constantly use social media tools to seek and share information. And, in this context, business is changing their behavior and social media becomes an important business tool (McKinsey& Company, 2012).

The value of organizations that use social media tools is determined by how they are harnessed to create value for the organization (Majchrzack, Cherbakov & Ives, 2009). Martin & van Bavel, presents

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a set of a number of potential benefits, i.e., tangible and intangible gains, when the organizations use social media tools, which they classified in terms of a) employ uses of the technologies, b) customer engagement activities, and c) external partner activities (Martin & van Bavel, 2013).

For employees the benefits are: (i) Fast access to organizational knowledge; (ii) Fast access to internal expertise; (iii) Greater collaboration opportunities; (iv) Reduced internal communication costs; (v) Improved training processes and (vi) Improved recruitment of new employees. For customer engagement: (i) More effective branding (Barwise & Meehan, 2010), stronger brand loyalty (Syncapse, 2013), and improved marketing, including stronger customer dialog (Gallaugher & Ransbotham, 2010); (ii) Ability to mine and analyze customer data more effectively; (iii) Ability to personalize marketing activities based on customer interests; (iv) Improved customer service and support; (v) Better product development; (v) Increased customer satisfaction, and (vi) Reduced marketing costs. For external partners the benefits are: (i) Fast access to external knowledge and improved information sharing; (ii) Reduced external communication costs; (iii) Improved collaboration and innovation opportunities, and (iv) Exploiting new marketing opportunities.

Those potential benefits are quantified in some studies, namely McKinsey & Company (2012), and PulsePoint Group and The Economist Intelligence Unit (2012). Gaál et al. (2015) present a study that analyses internal knowledge sharing technologies and practices in organizations (see Table 1).

Table 1. Existence and usage of internal knowledge sharing technologies/practices [From: Gaál et al., 2015]

Tool	Meaning	Existence %	Usage* %
Internal training	A method of preparing an employee to perform a task	*89*	*94*
Document management system and knowledge repository	Providing a comprehensive solution for managing capture, index, storage, retrieve of any information	*76*	*89*
Participation in the life of a communities of practices	Groups of people who are formed to share and create skills, knowledge, and expertise among employees	*70*	*79*
Internal instant messaging service	Facilitating near real-time text based communication between two or more participants	*56*	*83*
Presentation sharing	Offering the ability to publish any kind of organizational presentations to a specific audience or the entire world	*46*	*80*
Groupware	Enabling group collaboration over a network, providing flexible communication structures	*44*	*59*
Internal social networking services	Providing the network's members access to information and knowledge	*35*	*78*
Internal blogs	Offering individuals/groups to capture and publish information about specific topics	*33*	*63*
Knowledge map	Presenting what knowledge resides where (people) and for demonstrating the patterns of knowledge flow (distribution)	*31*	*68*
Competence center/ center of Excellence	Consultants with specific areas of knowledge and experience	*30*	*68*
Internal video sharing	Offering the ability to publish video content to a specific audience or the entire world	*19*	*71*

*In this issue, those organizations constituted the population where these technologies exist, therefore the usage is possible.

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The study driven by McKinsey & Company (2015) highlights that the organizations that interact with business stakeholders through social technologies have significant benefits and that they are growing (see Figure 1).

These studies show the importance of social business to organizations, not only inside the organization itself, but also in its relations with the outside, i.e., with the organizational ecosystem.

The Contribution of Social Business to the Organizational Well-Being

As referred in previously social business is the creation of an organization that is using social technology to benefit its entire ecosystem by embedding several aspects including collaboration. In this way the core of social business and the activities that it supports will have an impact in the organization through six dimensions (SideraWorks, 2013), which are presented in Figure 2: adaptability, empowerment, agility, connection, openness and collective intelligence (Malone, et al., 2009). We highlight two of these – the agility and collective intelligence dimensions.

Organizational agility is defined, in the Business dictionary, as the capability of an organization to rapidly change or adapt in response to changes in the market. A high degree of organizational agility can help an organization to react successfully to the emergence of new competitors, the development of new industry-changing technologies or sudden shifts in overall market conditions.

Organizational agility helps balancing speed of response, communication and information sharing with thoughtful coordination and long-term scalability. In this context, according to Charbonnier-Voirin

Figure 1. Benefits of adopting social business by the organizations (From: McKinsey & Company, 2015)

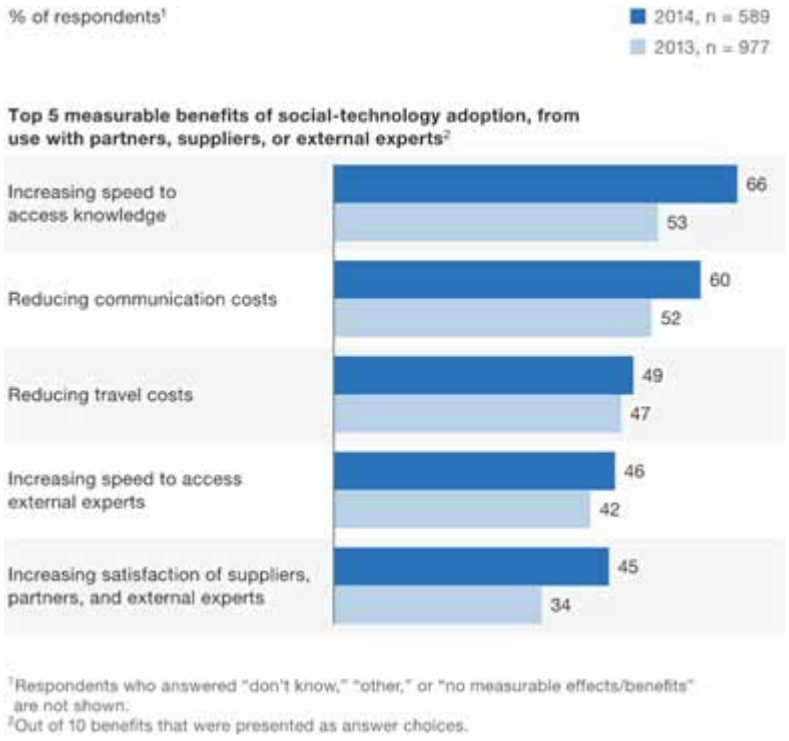

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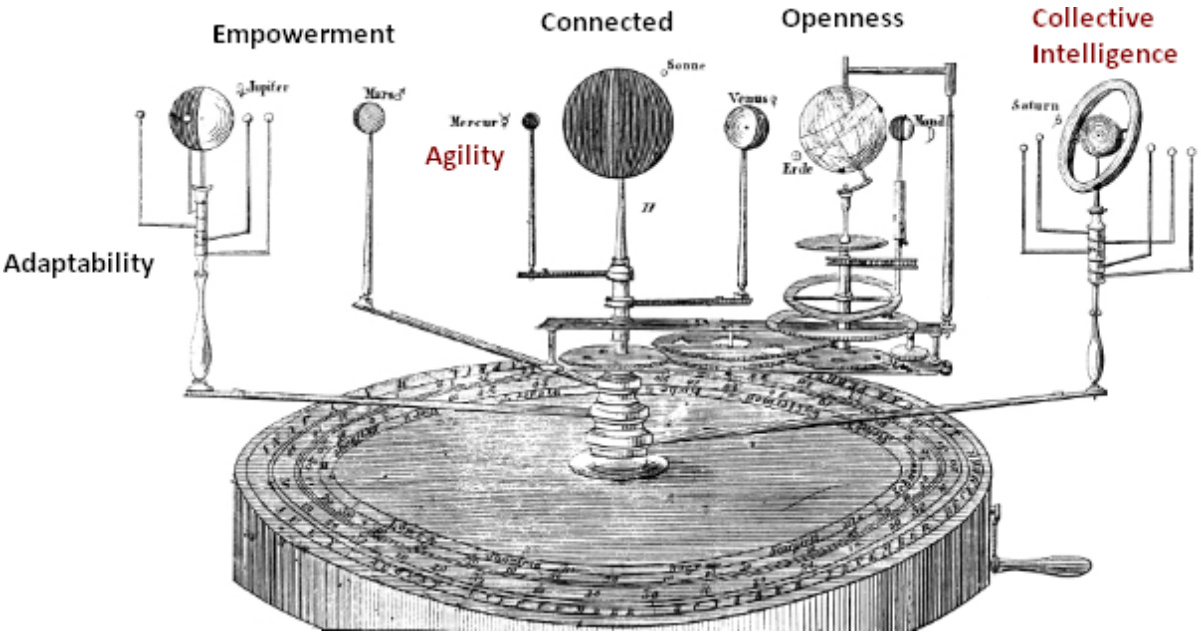
Figure 2. Social business and its six features (adapted from SideraWorks, 2013).



(2011), organizational agility is the organization capacity to incorporate new elements such as innovations or improvements in order to enhance its performance.

Levy (1999) argues that collective intelligence is the "*capacity of human communities to co-operate intellectually in creation innovation and invention*". Levy also adds that collective intelligence is a "*fully distributed intelligence that is continuously enhanced and synergized in real time*" which results in effective mobilization of skills with social business. And in this context, collective intelligence leverages the capacity to listen and use established information as well as new sources of information. Evaluating and analyzing data is not just to track activity, but to actively support business decisions in order to improve products, services, and processes of an organization (SideraWorks, 2013).

Organizational well-being is the process of creating well-being across an organization (Dodge et al. 2012). Therefore if agility and collective intelligence are incremented in an organization, well-being will also be incremented.

The Support of Social Media Tools in Social Business Context

Social media can be defined "*a group of Internet based applications that build on the ideological and technological foundations of Web 2.0, and that allow the creation and exchange of user generated content*" (Kaplan and Haenlein, 2010). Social media tools are supposed to inflict a sharp transformation in the employees' private and professional lives. Through careful observation of the use of such tools it is widely acknowledged that they are vital in the process of communication in society today (Talug, 2012).

Organizations worldwide are adopting social media tools in many critical applications to create, share and documenting. Some industry executives from advertising and marketing consider their use crucial. Despite its growing ubiquity, social media tools are still not well understood from a strategic

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business perspective, and also regarding its use in education and training in the workplace (Barczk & Duncan, 2012).

Studies on the organizational impacts of the use of social media tools to date have been mentioned only speculatively (Vannoy & Palvia 2010). According to (Boyd 2008; Lampe, Ellison & Steinfield 2006) a possible explanation for this is the growing use of social media tools outside the organization or explicitly social contexts, which are used mostly by youth and students.

According to Jarrahi & Sawyer (2013) the increase in the number and variety of information and communication technologies in the workplace, as well as the practices of knowledge sharing which are becoming increasingly digital allow traditional organizations to benefit from the wide variety of social technologies. The social media tools constitute the subset of social technologies that have allowed new possibilities for sharing organizational knowledge. The use of social media tools offer opportunities for collaboration and social exchange, and are well positioned to increase and prolong the interpersonal social connections (Skeels & Grudin 2009).

Jarrahi & Sawyer (2013) mention that what is known so far on the use of social media tools at work is based on studies focused on the use of a social media technology by itself. These studies provide useful information about some organizational implications of its use, but do not consider how technologies can be used together. However, it is easy to acknowledge that the vast majority of organizations have employees interacting with several technologies.

For a successful organization to have social business, social media must be understood as a means, not an end. Social media is the ideal partner for such an organization. The advantages are obvious: speed, a wide potential reach, a human method of communicating, no hierarchy, full transparency, creation of communities, etc. It is the only channel where feedback from the outside world is transparent and direct. Social media force organizations to be more honest, quicker and clearer in their communication. This trend has allowed organizations to develop in the direction of genuine customer-orientation.

Despite these advantages, the checklist mentality which some organizations use when dealing with social media is not the right way to maximize the company conversation potential. Regarding Facebook pages and Twitter accounts as some kind of magic trick is not the good way of achieving success and will only lead to disappointment. The reality is that, with a few exceptions, any company is likely to have a million fans on the first day. For the vast majority of organizations, it takes time and effort to build up a community of fans and followers. Besides, wide reach on social media is only one of the important criteria. Building up a strong relationship with the customer is just as important. The role of company employees in helping to make the company's culture tangible is another relevant issue to consider. Social media are then the ideal way to spread the company's culture and stories on a wide scale.

Social media tools refer to social networks (Facebook, Google+, LinkedIn, Twitter), in addition to sharing videos platforms (YouTube), blogging platforms, platforms of communication (Skype, etc.) and visual media (Instagram, Pinterest, Tumbir and Snapchat) (Drell and Davis 2014).

Social media tools provide their users a profile, a list of friends, a chat room and the ability to send public or private messages, create events, comment, get feedback, etc. From a general perspective we can say that they have in common the ease of use, and free use, for good or for evil, representing the day-to-day lives of young people, mostly.

Some studies about social networks show that about a third of employees from different organizations use Facebook (Skeels & Grudin, 2009). Thus, this social media tool can be used to create a large community of employees, both new and old, ensuring that within this community, new employees will

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have the opportunity to interact with more experienced employees, with the objective of exchanging organization's information.

Twitter is a social media tool similar to Facebook. Both sites are considered social networking sites where people can communicate with each other, keep in touch and share information, although Twitter limits the amount of information that you can share at any time within a single tweet (Tagtmeier, 2010).

According to Nielsen (2010), Youtube is mainly used by adults aged from 18 to 34 years. In addition, it is also designed for mobile devices, because during a month 25% of the time viewing of YouTube videos was through mobile devices, representing over one billion views a day and is available in hundreds of millions of devices.

THE USE OF CONVERSATION POTENTIAL

Social media can enable and significantly increase the collaboration and learning from customers in various ways, for instance by novel social ways of providing and receiving feedback of a brand, an organization's products or services and practices. Today's consumers want an organization that is open and receptive to their opinions, an organization that puts the customer first, in a central position.

Thanks to social media, organizations can get their information out to the public faster than ever. However, social media can spread bad information about a business just as fast as it can spread good information, due to its powerful amplifying effect. Social media builds brand awareness in ways that no other form of media can and reaches customers who would be otherwise unreachable. The conversation potential and the reach provided by the use of social media can lay the foundations for an organization's future growth or damage of reputation or brand image.

Designing a social strategy for the organization and learning from the interaction with customers so as to re-design strategy or improve organization procedures and practices should allow the right balance for an organization to ensure success in engaging with social media. The two case studies provided in this section describe real stories of how organizations can use the conversation potential enabled by social media and the consequent impact on the businesses' brand image in both cases.

The 'KLM' Case

This case describes a complete change in how KLM (Ketting, 2012; Korzeniowski, 2015; Haar, 2015; Koetsier, 2015; Mcculloch, 2015) found novel ways to leverage social interactions with customers and improve business processes.

Background

KLM Royal Dutch Airlines has operated, for more than 90 years, flights throughout the world. With more than 32,000 employees serving more than 133 international destinations, KLM is one of the largest international airline companies. Moreover, KLM is dedicated to providing more than a reliable and cost efficient mean of transportation. The company has also taken the initiative for Corporate Social Responsibility involving customers, employees and society.

Since 2009, KLM had only just started exploring this new world with a Facebook page, a Twitter account and, like most companies taking their first steps in social media. At that time, KLM started its

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contribution to social platforms by posting some pictures of planes and launching a campaign Indeed, the airline company found novel ways to leverage social interactions and improve business processes.

Problem

Few people had ever heard of the so called "Eyjafjallajökull" volcano until 14 April 2010. That was the day this Icelandic volcano erupted, causing most airline traffic to grind to a halt and creating a huge ash cloud above Europe, making plane travel impossible for about five days.

Around 10 million travelers were affected, forcing KLM to seek new ways of communicating with its passengers, and at that moment the company was starting using social media tools.. KLM has become a leader in using social media progressively. Ironically, the genesis of its work was more happenstance than a grandiose plan, as already referred.. This phenomena overwhelmed KLM's phone lines, email, and ticket counters. At the time, the company was using social media on a small scale, dabbling with Twitter and Facebook. Willing to get in touch with the airline, thousands of customers were desperately waiting for a response. Within an hour, KLM had created a social media room where company volunteers (about 100 employees used social media) took turns answering questions. Some would arrive at 4am wearing their business suits, so that they could do their shift and head straight through to an 8am meeting. Managers became service agents and some of them experienced direct customer contact for the very first time.

Solution

Because KLM customers used Facebook and Twitter to keep their friends and family updated on their lives, KLM had to be there as well. Hence, the KLM social customer service was born. This service has 150 people dedicated to serving clients via social. And each of them represents almost $170,000 in annual revenue.

Recognizing the potential power of social media, KLM committed to the new communication channel and expanded its efforts. Currently, the airline handles about 75,000 queries a week, 24/7, across a variety of social platforms including Facebook, Twitter, and LinkedIn. The company communicates in 14 languages and recently began tinkering with country-specific social tools, like Sina Weibo, Tencent Weibo, WeChat, and Renren in China and VKontakte in Russia. No automated answers, but a personal reply from one of the KLM service agents. The KLM social media policy is based on the one-stop-shop principle. If someone approaches the company on Twitter, they give them a tailored reply, not just a link to other channels.

KLM answers more questions than any other company on Facebook. There is no other brand that has higher social care demand on Facebook than KLM. Based on the analysis of their Socially Devoted Q4 data, KLM receives 40% of all queries addressed to Dutch companies, and nearly 30% of all queries in the airlines industry globally.

However, it was necessary to 'put the pieces together' in order to use social media to help customers book flights and to address the payment phase of the process. The problem arose as the airline could not easily and safely transmit credit card details through social platforms. Acknowledging the fledgling

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nature of these tools, the company searched for a payment solution to fix the problem, but could not find one.Thus., the airline had to work with one of its payment service providers and build the platform itself.

The KLM booking system, which costed €3,500 to develop, allowed its social media representatives to offer a quick payment link and stay with the customer from booking to ticket issue. The social media booking application is generating more than €100,000 each business day and the number has been rising every week. In 2014, the system contributed €25 million to the company's year-end revenue.

Customers will get desired flight details, timing, and information on pricing, and, if the transaction proceeds, there is a direct link to a payment page. As soon as the customer credit card is processed, KLM agents are notified and inform the customer that his ticket is booked.

KLM has also put satisfaction measurements in place for its social contact center. The agent enters the measurements at the start and end of each contact center conversation, so as to monitor how customer sentiment changed during the interaction.

The data collected by KLM feeds into its social CRM efforts via Salesforce, where it ties Twitter handles or other social media data to customer records. Customer service agents can see the contextualized data in real time, and air crews can see these in mid-flight. All these data is increasingly being used by KLM's marketing in order to personalize communications and offers.

The 'Become the Doritos Guru' Case

This case describes a complete change in how the Canadian based chips brand Doritos (Paul, 2009; StuzoGroup, 2013) got through to its teen audience, and the success the organization had with a totally re-imagined, user-generated campaign based on the use of social media. The campaign was based on the proposition: "name the new Doritos flavor, create a 30-second commercial for it and in return we will pay the winner, who will be declared "The Doritos Guru", $25,000 cash and 1% of the flavor's Canadian net sales, forever". Although the effort was centered on the mystery flavor, the impact lifted overall Doritos sales. The case also showed excellent results for brand health and engagement through the use of social media.

Background

In early 2009 Doritos released a new chip flavor and wanted to use this as an opportunity to drive brand awareness and engagement through an innovative promotion that leveraged social media. Working with multiple partners, Doritos decided to pursue a cross-platform promotion focused on a viral video.

The campaign, called "Become the Doritos Guru", was a video upload contest wherein users were tasked to create a catchy TV spot and name for the new chip flavor. Doritos was prepared to offer a prize of $25,000 and 1% of future consumer sales to the winning commercial and name for the new flavor. At the outset of the campaign, Doritos identified the ideal business outcomes for the promotion:

- Reach consumers across multiple social channels to create high brand awareness and engagement;
- Launch brand presence on Facebook and build out a Facebook fan base and Social CRM;
- Drive sales of the brand and the new flavor.

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The Solution

The social promotion experts at Stuzo Group (StuzoGroup, 2013) conceived and developed the interactive components of the program. A first of its kind, the Stuzo Group proposed a solution which would launch an interconnected promotion on Facebook, YouTube, and a standalone website using Facebook Connect.

Consumers were able to engage with the promotion in the environment of their choice. Facebook and the Doritos Guru microsite served as the interfaces for video uploads and related promotion interactions, while a branded YouTube Channel was used to host the videos and provide additional exposure. Data such as number of votes, comments, and video views was transferred seamlessly between the three sites. The platform's administrative controls allowed Doritos to screen and approve video submissions before publishing them simultaneously to all three channels. Using the many tactical component features of the platform, users could vote, comment and share submissions, greatly encouraging viral spread. The winning video was based on votes from other users, showing the power of social media.

Campaign Results

This innovative promotion crushed all expectations set by Doritos and its agency partners. The campaign' participants took the opportunity to name the new flavor and to momentarily embody the Doritos brand. Furthermore, massive consumer engagement was achieved. Viewers came out in full force to express their opinions driving an enormous amount of traffic to all three channels. Overall, 75,000 people participated. 4,000 clever and well-produced ads were submitted, 570% more than the original goal. The Doritos YouTube channel became the #1 Subscribed Channel with 2.1 million video views. Viewers spent an average of 6 minutes on the sites, 2 minutes over the original goal. Viewer participation was exceptional with 560,000 votes and 188,000 comments. In one week after its official launch, Doritos' Facebook page gained 31,000 fans. Throughout the campaign, over 900,000 consumers visited the page. As a result of the integrated marketing program, Doritos sales increased dramatically in just two months. In particular, Doritos sales including the new flavor increased by an unprecedented 23% during the campaign period.

SOCIAL BUSINESS SUPPORTED BY MOBILE IST

Social business in organizations is a reality that needs to be improved and systematized. To address this issue, the m_CSDT approach was proposed (Ferreira, Moreira and Seruca, 2014a), which provides a way to introduce and/or systematize social business in organizations. The following subsections provide a summary of the approach highlighting its three layer framework structure and further elaborate on the description and conceptualization of its first and second layers.

Mobile_Create, Share, Document and Training (m_CSDT)

The relevance of conducting social business supported by social media tools is widely acknowledged and recognized by the scientific community and organizations, as discussed throughout the previous sections.

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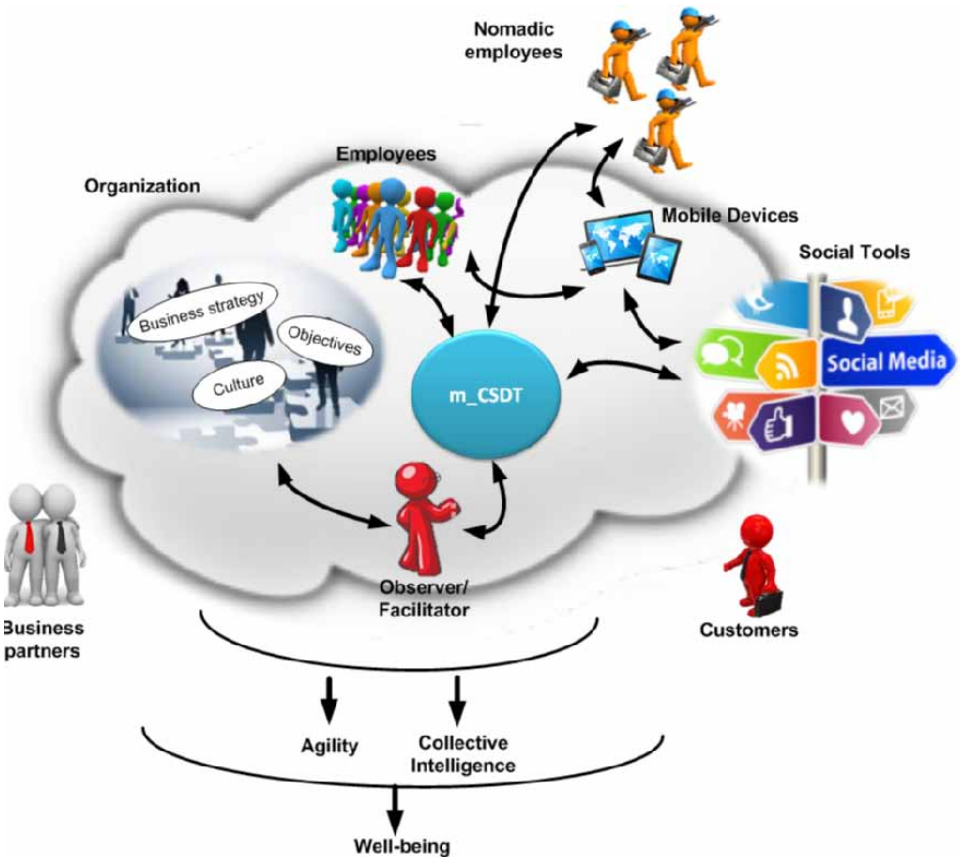
However, there is a lack of approaches that allow the systematization and that guide its implementation within an organization. The m_CSDT approach was envisaged to address this end and consists in a three-layer framework which covers the:

1. Creation, sharing and the documentation of information and knowledge in and out of an organization,
2. Education and training of organizational workers, and
3. Promotion of ad-hoc discussion.

As shown in Figure 3, it is possible to consider a generic approach for implementing a social business through the use of social media tools, in order to achieve the well-being of an organization, considering the agility and collective intelligence dimensions. In this approach, emphasis is given to the production of value for the organizational ecosystem.

Creating value often occurs in different social contexts. This approach considers the individual and organizational contextual factors. It identifies the crucial role that an organization plays in promoting a culture of lifelong learning, collaboration and innovation in order to achieve the organization's strategic objectives. The model identifies and presents the relationships and interaction between employees, the social media tools, the business strategy and the organization.

Figure 3. The m_CSDT approach



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The approach focuses on the collaboration issue and its relation with the accomplishment of the organizational goals. The employees are at the center of the collaboration and are mostly members of social networks. The approach considers the nature of collaboration in the workplace, with mobile devices, where social business is largely organized and conducted by the organization, and is based on the social context. It may be briefly described as the collaboration in the workplace based in social media tools. This means that the organization learns through the participation and involvement of its employees through a network, connecting, interacting and collaborating to obtain or share information and / or knowledge through social media tools.

We propose that the collaboration in the workplace is achieved through the integration of suitable social media tools to the needs of organizational development and learning. Therefore, we suggest a mixed form of peer tutoring with an instructor who acts as observer / facilitator. To realize the potential benefits of collaboration in the workplace based on social media tools, we recommend that organizations support rather than restrict the adequate use of social media tools in the workplace. Thus, organizations have to define the best long-term strategies and implement action plans to take advantage of collaboration based on social media tools.

m_CSDT 1st Layer: Monitoring the Use of Social Media

The effective and full use of social media by organizations, as advocated by the first layer of the m_CSDT approach, require that these organizations are able to monitor and analyze the high volumes of heterogeneous data that are produced by the use of social media, so as to obtain relevant information and valuable insights for decision making and for conducting their business. This task should be accomplished through the use of social media monitoring tools.

Social Media Monitoring Tools

Janssen (2014) defined social media monitoring as "a process of using social media channels to track, gather and mine the information and data of certain individuals or groups, usually companies or organizations, to assess their reputation and discern how they are perceived online". He also adds that "Social media monitoring is also known as social media listening and social media measurement". Rouse (2013) puts forward the following definition of the concept: "Social media listening, also known as social media monitoring, is the process of identifying and assessing what is being said about a company, individual, product or brand".

Social media monitoring tools are useful in the discovery of what is happening in online environments, in which the organization operates. Furthermore, these tools can also be used to measure the usefulness of the efforts made on interaction with customers and potential customers. Indeed, it can be quite difficult to fully understand the effectiveness of these efforts, only by analyzing subscriptions of customers and answers.

Today's organizations tend to use modern strategic marketing plans to promote their products and services by using social media tools. Hence, organizations can measure customer responses or potential customers' attraction regarding their interactions with social tools. This evaluation can only be carried out efficiently, if it is performed through the use of monitoring tools of the target social media. The results obtained can be used in defining new marketing strategies, address issues and problems identified by customers, etc.

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Thus, by using social media monitoring tools, organizations can make better informed decisions about where improvements can be made, spot opportunities and strengthen any weaknesses that they may have in their social media output.

There are a large number of social media monitoring tools. Hence, depending on the goal to be achieved, the right tool may be a series of free Google Alerts or an expensive software suite, including ad hoc analysis and full integration with legacy customer relationship management applications. These tools transfer the desired words and phrases from unstructured to structured database data, for analysis with traditional data mining techniques.

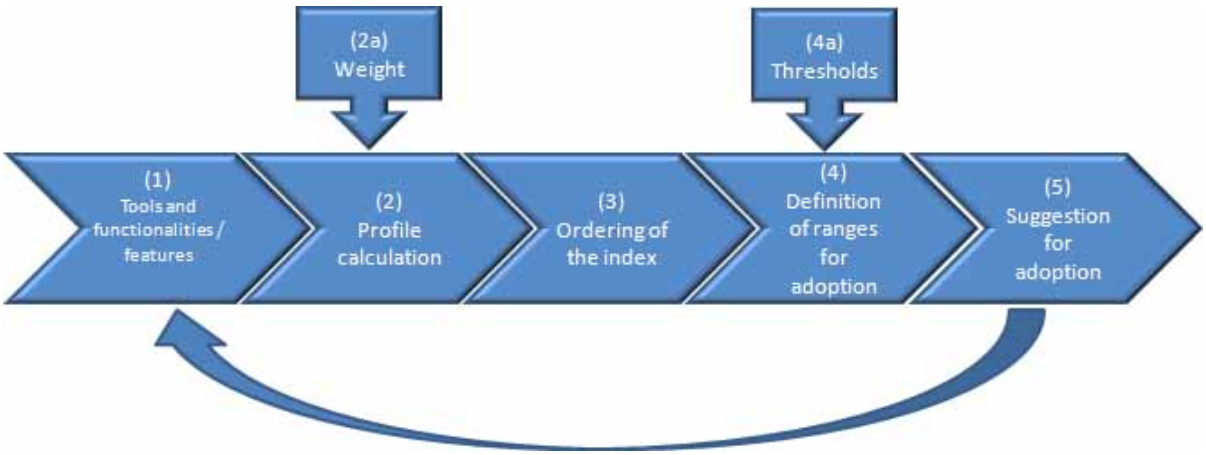
In the private and/or public sector, social media monitoring tools can mine text for specific keywords on social networking websites, blogs, discussion forums and other social media. For example, in the private sector, these tools are useful as companies aim to hear and analyze the complaints about their own products or services, or those of competitors, to help to attract customers; in the public sector, "observing" online conversations may be a way of collecting opinions from people who may not want to fill in a formal survey form.

Classification and Adoption of Social Media Monitoring Tools

Due to the diversity of social media monitoring tools available and wide range of features offered, we envisaged a framework to classify and guide the process of adoption of such a tool (or set of tools) by an organization. The framework called FCASM^{2}T (Framework for classification and adoption of social media monitoring tools) is described in (Moreira, Seruca and Ferreira, 2015) and is composed of five phases as illustrated in Figure 4: (1) Tools and functionalities/features; (2) Profile calculation; (3) Ordering of the index; (4) Definition of ranges of adoption and (5) Suggestion for adoption.

In the first stage (1) tools are collected from the repository of available tools, and their functionalities and features are identified. After building the matrix (tools – functionalities/features), in step (2), weights (2a) are assigned to each of the functionalities, according to the degree of importance that the feature is perceived to have. Subsequently, the profile of each tool is calculated. In step (3) the ordering of the sorting index is performed. This ordering is made based on the profiles calculated for each tool

Figure 4. The FCASM^{2}T framework



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in step (2). In step (4) thresholds are set (4a) so that intervals of choice may be defined. By using step (5) and based on the defined thresholds, it is possible to have as an outcome the suggested tool or tools most suitable for an adoption. At this stage, the following three types of adoption are allowed: (i) full adoption; (ii) conditional adoption, and (iii) should not to be adopted.

The process is iterative, as new tools and functionalities may be considered, and need to be evaluated in the process.

m_CSDT 2nd Layer: The Education and Training of Organizational Workers (EToW) Model

The education and training of organizational workers as advocated by the 2nd layer of the m_CSDT approach may be addressed by a model, the EToW model, which is fully described in (Ferreira, Moreira and Seruca, 2014b) and which is summarized in this section.

The Rationale for the Model Proposal

The Education and Training of organizational Workers (EToW) model is illustrated in Figure 5, and aims to use social tools to define educational and training strategies for the organization. It enables the conduction of training in the organization aligned with the organizational strategy, allowing training requested by the employees themselves or as a proposal made by the organization (of mandatory or optional attendance).

According to Figure 5, the EToW model of the m_CSDT approach aims the education and training of employees supported by social tools (4) (see section 3 from Ferreira, Moreira & Seruca (2014b)). Training strategies and training in the organization (2) are aligned with the organizational strategy (1). In order to allow a more flexible scheme of education and training, the model also allows the training proposed by the employees of the organization. Attending the training will be mandatory or optional, according to the strategy defined for training (3). The definition / adjustment of the training strategy (2) must be periodical so that it fits to the evolution / needs of the organization.

The model identifies and presents the relationships and interactions between the organizational strategy, the training needs of the employees, social tools, training strategies and their implications for practice and training in the workplace.

Regarding the use of Social Media tools, the model foresees a rather complete set of tools to be used within the training activities, which can be organized inside and outside the organization, i.e., in different learning contexts. We may assert that the model supports a learning classroom / distance, on the type of peer-to-peer mentoring or formal learning. In the learning type mentoring peer-to-peer, the instructor acts as an observer / facilitator. whilest in the formal learning type, the instructor acts as an educator.

The use of social tools in learning is described in EToW as collaborative learning. That means that employees learn through participation and involvement with the (internal and external) social tools, connecting, interacting and collaborating to obtain or share information and / or knowledge through this kind of tools.

The use of social tools leads to the existence of sharing (implicit or explicit) of information on personal and professional networks. Thus, in order to overcome this potential problem (public exposure of information and knowledge owned by the organization), the creation of private groups is proposed, with restricted access to employees. Any violation of the established rules will be subject to sanctions.

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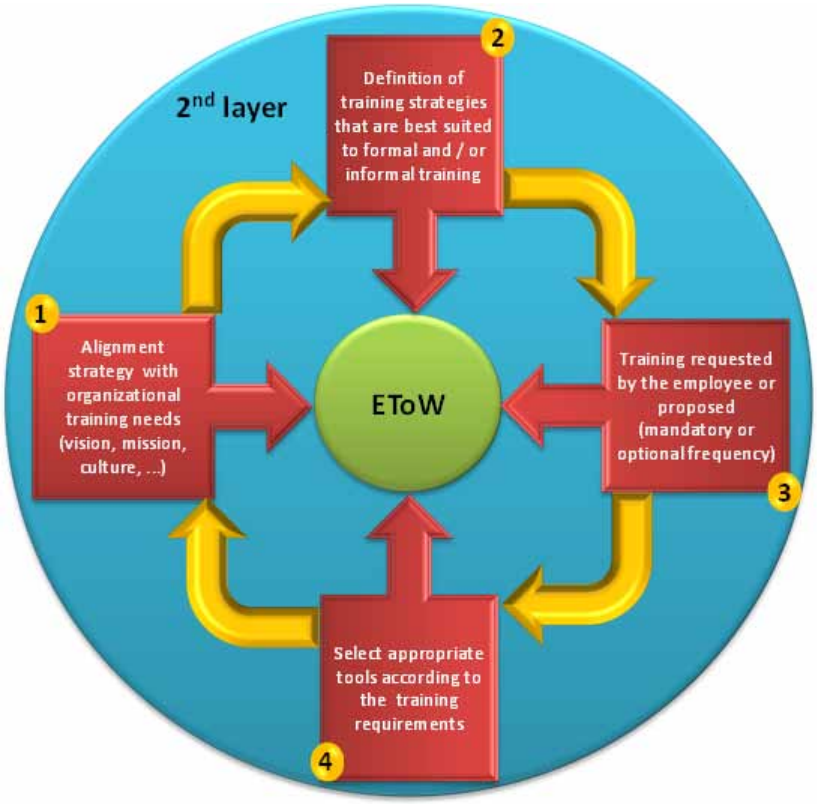
Figure 5. EToW model



The proposed model intends to promote the development of a culture of training and learning that supports lifelong training, adding value to the organizational development, as well as being central to achieve the objectives set in aligning organizational strategy with organizational training needs. Without a culture of learning incorporated into the ecosystem of the organization, it is unlikely that any training strategy in the organization may be successful.

CONCLUSION AND FURTHER WORK

This paper aimed to give an overview of the state-of-the art of the issues underlying the undertaking by organizations of social business supported by social media tools. Then it further developed the m_CSDT approach, consisting in a three-layer framework that covers (1) the systematization of the creation, sharing and documentation of information and knowledge in and out of an organization, (2) the education and training of organizational workers and (3) ad-hoc discussion.

Even though the m_CSDT approach seems to be a valuable contribution to offer a new context to the traditional way of performing business - the social business context, in order to achieve organizational well-being in the agility and collective intelligence dimensions, the approach needs a greater degree of formalization.

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The main difference between a traditional organization with and without social business is the involvement of the customers, business partners and employees in the life of an organization. Both visions present benefits and drawbacks. In particular, it is envisaged that the m_CSDT approach will allow the implementation of social business in an organization. The approach is focused on the production of value for the customer, reducing whatever does not add value from his point of view as well as to the organization itself. Therefore, the involvement of the organization ecosystem is of paramount importance to achieve this goal. On the contrary, traditional approaches allow the conduction of business within an organization in a closed way.

Despite the successes and progress made to date, many important topics remain open for investigation with respect to providing appropriate approaches to undertake social business in organizations supported by the use of social media tools.

Many of the results achieved so far in social business supported by social media tools have come from joint work between researchers and organizations. Awareness, education and systematization remain three of the biggest issues to develop for those working in social business.

Researchers need to have practical experience as well as a sound theoretical foundation. Practitioners need to be equipped with a variety of approaches to use where appropriate depending on what is best suited to a given situation. Customers need to understand the importance of the process, believe in it, and support the efforts involved in doing it right. That was the context for the proposal of the m_CSDT approach.

Even though we have progressed in the conceptualization of the m_CSDT approach, it needs to be conceptualized to a full extent, as well as implemented and validated in an organizational context.

Finally, the third layer will not be the object of study in this conceptualization, because as it can be concluded from the name itself, it is intended that *the promotion of ad- hoc discussion* is unrestricted and not planned. However the analysis of the results will be held through the in indicators set for the first layer.

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Chapter 82
The Entrepreneur and Its Vision of Economic Development: Changes in the Corporate Tissue – Case Study Haiti

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ABSTRACT

The main objective of this study, developed in the capital of Haiti, is to determine the effect of the business fabric to strengthen the social, economic, political and environmental structure of some variables of economic performance pertinent to the lack of alternatives and the need to meet basic daily needs and to identify innovation factors in different sectors to boost the economy in Haiti, according to the Global Entrepreneurship Monitor study (GEM, 2016). The methodology is based on qualitative descriptive study developed from 17 in-depth interviews to determine the economic strategies of sustainability from the informality in young people and women with a greater perspective of innovation and challenge in spite of the environmental catastrophes that have not allowed the continuous growth of the Business economy. The results suggest some basic elements to build integral and dynamic strategy that seeks to attack the structural aspects and the manifestations to create impacts in the enterprise achieving sustainable and sustainable companies that can achieve changes with capacity for innovation.

INTRODUCTION

Haiti is the poorest country in the Western Hemisphere and is among the poorest countries in the world, living more than 80% of its population below the absolute poverty level. The economy depends to a large extent on donations and donations received abroad and political stability, which is achieved with the collaboration of the government and its just and honest government to fight corruption.

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On January 12, 2010, a devastating earthquake measuring 7.0 hit Haiti and left more than 200,000 dead, 1.5 million refugees and more than 300,000 buildings destroyed. Since then, Haiti has successfully passed the humanitarian recovery stage and achieved significant socio-economic progress. The country has a consistently high net enrollment rate in primary education and has achieved equal access for children.

However, as Haiti moves towards long-term sustainable development, the country continues to face significant challenges. The political system remains fragile, sustainable jobs are scarce and the environment has the same degree of vulnerability as in the past.

The latest World Bank (WB) report argues: "disappointing economic growth" Haiti over the last four decades and called for the creation of a social contract between the state and citizens to help the poorest.

According to the World Bank, Haiti has the advantages of its proximity to the US market and has a predominantly young population. But endemic poverty, weak fiscal revenues, and strong private sector concentration are obstacles that slow the development of the country.

PNUD launched the Laboratory for Innovation and Economic Development (IDE) Project in late 2014 to train young entrepreneurs with innovative projects supported by professional programs. Training is needed to find strategies to co-finance and launch Their own ventures.

In Haiti, nothing seems to be planned and long-term thinking is probably the reason why entrepreneurship is not playing a major role in economic development (Financial Times, 2015). This short term is the majority of the population. However, it is not an absolute truth because the largely minority population group, the wealthy or the economic elite, entrepreneurs responsible for the effects of rich countries, that is, people with a long-term business vision with Perspective of company growth and personal enrichment. Sometimes 'peppered' here and there with a social touch, compared to the increasing phenomenon of Corporate Social Responsibility (CSR).

This chapter of the book is based on entrepreneurship that points to the Haitian context, where the business focus attaches importance to the lack of alternatives and the need to meet basic daily needs and identify factors of innovation in different sectors to promote the Economy in Haiti.

Certainly there are debates, where the academics have highlighted several dimensions relevant to evidence studies on social entrepreneurship, with implications for the definition of social entrepreneurship, and this is a case without exception; Self-perception as a social enterprise is commonly used in empirical studies to identify social entrepreneurs or social entrepreneurs (Lyon, Teasdale & Baldock, 2010; Mair, Battilana and Cardenas, 2012), Meyskens, Robb-Post, Stamp, Carsrud and Reynolds Suggesting that the fact that individuals consider their company to be a social enterprise is key to understanding their mission and activities. Similarly, some authors have analyzed the choice of activities as well as patterns of profit distribution as a way of assessing the coexistence of social and profitability objectives and thus determining the social entrepreneurial nature of a company (Doherty et al., 2014; Santos, 2012; Zahra et al., 2009). Other research highlights the diversity that exists between social enterprises, leading to the development of typologies based on a variety of dimensions (e.g. Mair et al., 2012; Zahra et al., 2009)

Most definitions of social entrepreneurship are practical (Mair & Martí, 2006; Santos, 2012). For example, Mort, Weerawardena and Carnegie (2002) wrote that social entrepreneurship is multidimensional and covers entrepreneurial activities (entrepreneurship) in achieving social mission. Its emphasis is on the achievement of a social mission, which is accompanied by a balance between goals and immoral actions. Social entrepreneurship is described as the action of individuals for change using principles and business models to meet social needs, to address social problems and to maintain social values. This can be done by using innovation to create products, services and new economic markets (Dees & Anderson, 2006; Dees, 1998). Despite the fact that political and economic conditions are not well strengthened in

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Haiti, it creates a framework for understanding empirical studies and the literature indicates that social entrepreneurship offers economic opportunities, even for the poor. Schumpeter, cited in Santos (2012), understood social entrepreneurship as entrepreneurs in general with respect to the production of new goods, the discovery of new production methods and new markets, as well as the creation of new organizations. Entrepreneurs, including social entrepreneurs, act as agents of significant changes in the economy and thus become agents of economic growth and job creation and wealth that can improve the well-being of the community (Wiklund, Davidsson, Audretsch and Karlsson, 2011).

CURRENT SITUATION OF THE ENTREPRENEUR IN HAITI

Haiti was a country born of a slave revolution, the spirit of slavery remains a systematic looting of public funds by officials who have kept people in poverty (Thomson, 2004). Haiti was once the richest French colony. It was even called the "Pearl of the West Indies", but today it is one of the poorest countries in the world. Life expectancy (62 years), infant mortality (80%), maternal mortality (523 per 100,000 live births) and adult illiteracy (50%), unemployment among the active population is very high, with 65% Of the population living below the poverty line (Roc, 2008). Between 1800 and 2009, the services sector went from less than 5% to 60% of Haiti's GDP. The transition from the primary sector as the main sector of the country's economy to the services sector is mainly due to the change in activity of a large part of the population (Benedique et al, 2010).

Tourism is often described as one of the largest industries in the world (Cooper and Hall, 2008: 252). When it comes to the Caribbean most people think of the sunny islands of white beach paradise, colorful cocktails and lively music. Because the region is very diverse, not all islands are "dedicated to the brand and commercialization of paradise" (Sheller, 2004, p. 23). For example, Haiti and the Dominican Republic have two different images. On the one hand, we have one of the most visited islands in the Caribbean (Dominican Republic), on the other hand, Haiti, classified as an insecure destination (Higate and Henry, 2009), is perceived as a place where the worst is always likely to occur Bonnet, 2010). Haiti used to be the most popular tourist destination in the Caribbean between 1940e - 1960e (Séraphin, 2010) and as such attracted an international jet set. Mick Jagger, Charles Addams, Jackie Kennedy, etc. They were among those who popularized Haiti (Thomson, 2004). In fact, in 1951, the island received 10,788 visitors and in 1956, 67,700 tourists visited the island. The number of tourists has multiplied by 6 in 5 years (Jules and Laplanche, 2006).

In 1957, the dictatorship and the atmosphere of terror organized by François Duvalier and his Tontons Macoutes, paralyzed the country's tourist industry. When Jean Claude Duvalier became president in 1972, the island's situation improved slightly. In the late 1970s and 1980s, things changed drastically for Haiti. During this decade fate went through a serious economic crisis that became a socio-political crisis. Between 1987 and 2004, the number of tourists increased from 239,200 in 1987 to 108,868 in 2004, representing a decrease of more than 54% in the number of visitors in 17 years. Today, Haiti is one of the least visited islands for three main reasons: Political instability; The climate of insecurity and, finally, the lack of facilities for tourists (Séraphin, 2011).

Haiti is currently a very vulnerable context, as the continent's poorest country due to two major catastrophes: 1. Earthquake occurred in 2010 2. Hurricane Matthew in 2016. For this reason, Haiti remains vulnerable to natural disasters, for Therefore, the priority objective is to foster resilience. In addition, PNUD supports the country's Civil Protection Directorate to better prepare for emergencies, implement

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a national disaster risk management system, improve risk management and develop long-term projects that promote recovery and sustainable development.

Haiti ranks last in the PNUD Human Development list in the Americas. Its economy is ruined, infrastructures are non-existent and unemployment has become a chronic problem. It is necessary to train young people, women, entrepreneurs and the whole population to strengthen entrepreneurship.

ENTREPRENEURSHIP: AN ANALYSIS OF IDENTIFICATION OF THE PROFILES OF THE EMPLOYEES OF THE INFORMAL ECONOMY

Entrepreneurship contributes phenomenally to the welfare and wealth of society. Some consequences and constructive energies generated by the entrepreneurial movement are: competition, variety, selection, cooperation, transformation, evolution, imitation, innovation, scientific and knowledge advancement, among others. For Schumpeter (1934), the entrepreneur is the founder of a new company, an innovator that breaks with the traditional way of doing things, with established routines. Must be a person with leadership skills, and a special talent to identify the best way to act. The entrepreneur has the "ability to see things as no one sees them, entrepreneurs are not managers (like Marshall) or investors, they are a special type of people" (pp. 77-78).

The entrepreneurial spirit is characterized by the transformation of innovation, knowledge, opportunities or ideas for the creation of new companies in order to obtain benefits and stimulate social and economic changes. According to the literature, for these changes to occur, it is necessary to have high levels of regional business activity. The economic enterprise seeks to know the elements that stimulate business activity as an impact of economic growth for the new institutional economy.

In the Haitian context, the formulation of projects to contribute to the development of the Haitian private sector through the promotion of micro-enterprises is analyzed. The specific objective is to develop a micro-franchise system, managed by women to create sustainable microenterprises with social responsibility. For this reason, entrepreneurship in the Dominican Republic is a reality, proof of the many initiatives that several sectors are making to support the creativity and talent of our population. In this order, the Ministry of Industry and Commerce (MIC); And the NGO Cives Mundi launched the initiative "El Hueco Caribe: Promoting Social Entrepreneurship in the Dominican Republic and in Haiti" with the support of ERASMUS + from the European Commission.

Economic regions have a number of unique resources to stimulate activities that lead to sustained economic development. There are regions more conducive to entrepreneurship than others (Mueller, 2004). In addition, there are regions with similar business characteristics and different development rates (Acs & Armington, 2003). Consequently, Ignacio Méndez, current deputy minister of Promotion of SMEs for SMEs, said that this initiative is part of the first program to promote social and rural entrepreneurship in the nation. The initiative aims to increase the capacities of vulnerable youth, their organizations, universities and NGOs, to develop social enterprises in the country and the neighboring nation of Haiti.

Mendez says that this program will impact at least 6,000 people; 1,200 families and will promote the birth of 120 social enterprises.

The deputy minister announced a call to social entrepreneurs from all over the country to present their business ideas in a contest where they can access seed capital of up to RD $ 150,000.

Business activity is a key element for economic development. Business activity can be identified in societies, regions or organizations that identify business opportunities to generate wealth (George and

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Zahra, 2002). These environments are characterized by accepting controversial situations as normal, the ability to depersonalize politics, a long-term emphasis on education in schools, openness to pay taxes to maintain public infrastructure and flexibility and diversity of community leaders (MacKenzie, 1992). The lack of a business environment can be felt regionally in a shortage in the creation of systems of innovation. The research has found evidence of this indicating that culture is determinant in the production of entrepreneurs (Amit et al., 1993). It has been shown that business activity varies according to the combination of resources, factors or elements that exist in the regions.

There is a gap between public policies and strategies implemented to foster entrepreneurship in the regions. Lundstrom and Stevenson (2002) stated that the policies that foster entrepreneurship have no theoretical basis.

ESTIMATION OF THE INFORMAL ECONOMY: YOUNG PEOPLE AND WOMEN

It is necessary to know the formal and informal economy to know the regional competitive strategies with the possible benefits of the programs that the State takes advantage of.

Formal sector: includes all employees working in establishments of 5 or more workers, as well as self-employed and employers belonging to professional groups: professionals and intellectuals, administrators and administrators, professionals and technicians, regardless of the size of the company. jobs.

Informal sector: includes all employees working in establishments with less than five employees, as well as self-employed workers and employers belonging to the following professional groups: farmers and livestock farmers, operators, drivers, artisans and operators, traders and unskilled workers . In addition, domestic and unpaid workers are included. “

CHARACTERIZATION OF BUSINESS STRATEGIES FOR SUSTAINABILITY IN HAITI

In order to develop the characterizations of this research it is tried to extend considerably the concept of social entrepreneurship with a perspective of economic development, where it involves making radical decisions for the sustainability strategy, the surveys were carried out starting from the informality of the sale of The products and was characterized in the first instance to ask ourselves To what extent does the knowledge of minority entrepreneurship apply to the successful creation of new ventures? There is a relevance of the entrepreneurship and the processes involved in the exploitation of innovative opportunities (Hindle, 2010; Welter, 2011). Studies have indicated that start-ups are highly dependent on the constraints on which entrepreneurs live and work (Schoon & Romanelli, 2001). These advances in entrepreneurial research have opened up new areas of research to explore the socio-spatial dimensions of entrepreneurship (Katz & Steyaert, 2004). This has also emphasized that not all ventures are created within “Westernized” contexts that are often assumed in traditional research. Some studies have attempted to introduce contemporary ontological perspectives (Foley, 2008, 2010; Pascal & Stewart, 2008), but most have focused on anthropological research. In particular, there are very few studies focusing on the emerging sub-field of entrepreneurship. It is argued that there may be very good convergence between SME entrepreneurship and minority entrepreneurship, which may lead to a better understanding of certain phenomena (Rigby, Mueller and Baker, 2011, Tapsell and Woods, 2010).

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Therefore, we have presented the Business Performance Model as a general framework of success to offer more plausible explanations of the entrepreneurial process in the economic sector.

METHODOLOGY

This research is approached from a qualitative and descriptive methodological approach, whose objective is to recognize rather than explain, the characteristics present in the entrepreneurs who managed to create their own business from a source of financing by the state of HAITI. For this, the methodological strategy proposed by Quivy and Campenhoudt was used in the social science research manual, based on three fundamental components: rupture, structuring, and verification. Other authors within the context studied create a model of Social Entrepreneurship based on their expertise.

In the first stage, the city is selected to explore the enterprises in all their social context, in addition, the exploratory readings are carried out, and it is determined that the problem to be investigated is the entrepreneur. The second phase begins with the theoretical structuring, and the postulates of the GEM were chosen to validate the information. In the last component, the fieldwork was carried out, the collection instrument was elaborated and applied, the information collected was analyzed, the results obtained are compared with the expected results; And finally come to the conclusions.

Figure 1. Social enterprise model
Source: Author's own elaboration.

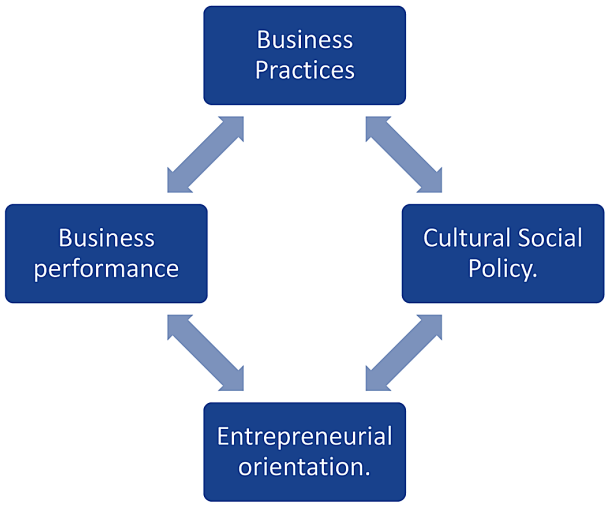
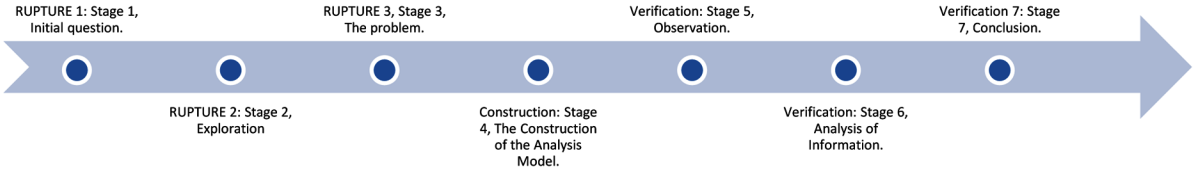


Figure 2. Adapted methodology
Source: Adapted from Campenhoudt & Quivy (2008). Manual of investigation in social sciences. Gradiva publications.



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The instruments used for data collection were the following:

- **Secondary Sources, Electronic Databases Were Consulted:** Books, articles of great impact in indexed journals. Printed books, web page information, and conference proceedings were also used.
- **The Methodological Tool Used:** In-depth semistructured interviews.
- Information from primary sources, obtained directly from the Chamber of Commerce and Industry of Northern Haiti.

Method: The fieldwork begins with the information obtained directly from the Chamber of Commerce and Industry of Northern Haiti, which was validated with the information by calls of the website and updating of the databases of the entity. Once all the entrepreneurs have been identified, a random sample of 22 SMEs[1] is taken. These entrepreneurs were contacted by e-mail, calls to landlines and mobiles, as well as visits to the place of their residence or office. This allowed to confirm the participation in the investigation of 17 people, as well as the impossibility of the remaining 5 because of difficulties in the location. This situation determined that the study was carried out with 17 entrepreneurs.

The semi-structured interview in depth is elaborated simultaneously to the selection of the subjects' subject of the present study. The instrument was designed with questions such as age, gender, academic background, income level, among other aspects that were framed in the characterization revealed by the GEM (2016) to apply them in the city of Puerto Principe. The structure of the survey allowed a prompt response on the part of the entrepreneurs, who acceded without any inconvenience. Once the information is compiled, the data analysis is performed, which allowed to graph this information for each of the situations encountered. In the end, the results of the survey were compared with each of the dimensions proposed by the GEM (2016) for the City of Puerto Principe in Haiti.

Once analyzed the situation of these 22 entrepreneurs was found: 5 retired from their activity and 17 found that they are active and participated in the survey. The instrument used is based on the characterization proposed by GEM 2016 for the city of Puerto Principe. The results of the survey are analyzed against similar studies, which are revealed in the following Figures:

Most are in the stage of new companies or baby business, with duration between 3 and 42 months of operation according to the GEM (2016). There is an increase in the life cycle of companies during the first year of life, where the highest mortality rate occurs.

These entrepreneurs are mostly in the process of seeking resources for the consolidation and establishment of the company (Castro et al., 2015). Therefore, they do not have a dedicated dedication to the company constituted, but obtain additional income from the exercise of their profession.

It is relevant to know within the process of creation of the enterprise on gender trends, and it is evident more non-recurrent that men influence this initiative very much although the female gender tend to be the same. Although they are almost equal, the participation of women is lower than that of men (GEM, 2016).

In terms of age, according to Figure 5 shows that the greatest number of entrepreneurs oscillate between 25 and 29 years of age. It is emphasized that the younger the age, the less fear of failure and the older the decision to fail is more fearful. (GEM, 2017)

The academic formation of these entrepreneurs, is in accordance with the context of economic development, because there is a margin of error with a tendency not to formalize their entrepreneurship

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Figure 3. SME creation year
Source: Adapted by GEM Authors Latin America and the Caribbean 2015/2016.

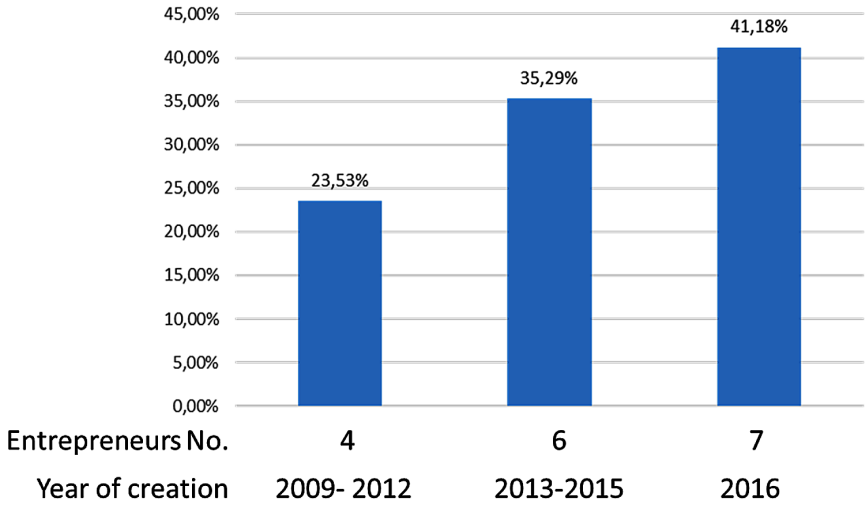
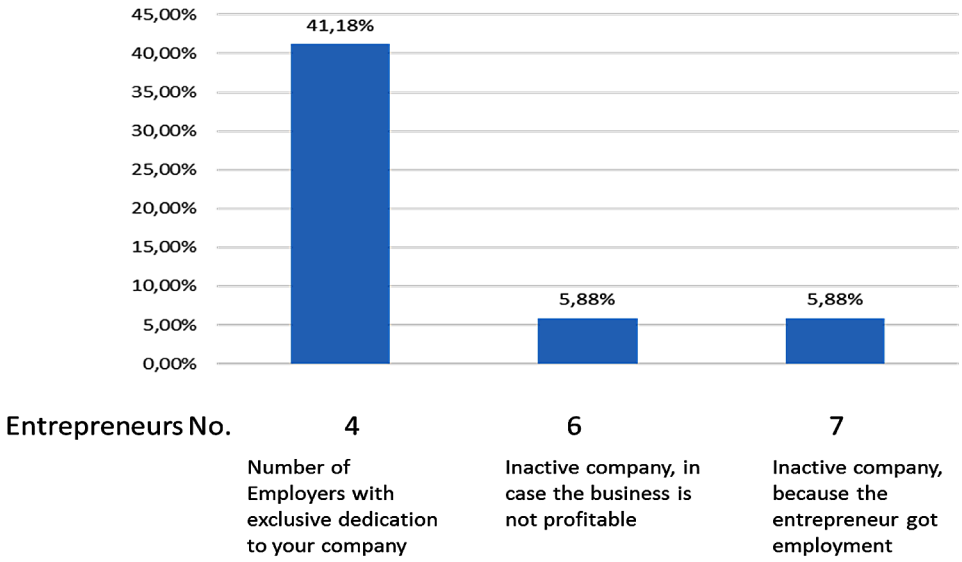


Figure 4. Sustainability of the company
Source: Adapted by GEM Authors Latin America and the Caribbean 2015/2016.



by not assuming very relevant tax rates where their business profits diminish. It is evident for this case study, is found most entrepreneurs belong to a group of university professionals without specialization

In Haiti for 2016 the state increased 25% by Presidential decree, in order to respond to a strong daily degradation of the lives of wage earners in the face of strong inflation. As of May 1, the remuneration of the eight-hour working day in the industrial sector goes from 240 gourdes ($ 3.87) to 300 gourdes ($ 4.84). Most entrepreneurs earn less than 3 minimum wages. This explains why the rate of performance and informality where many entrepreneurs of Survival are born. (GEM, 2016).

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Figure 5. Motivation for company creation
Source: Adapted by GEM Authors Latin America and the Caribbean 2015/2016.

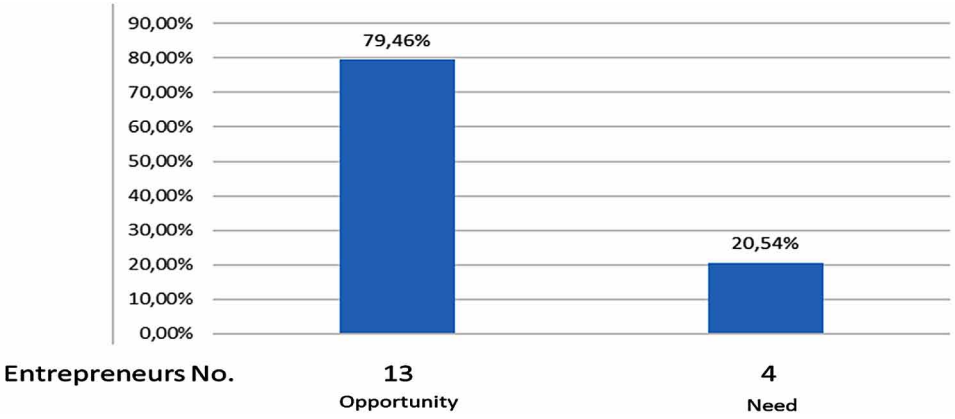
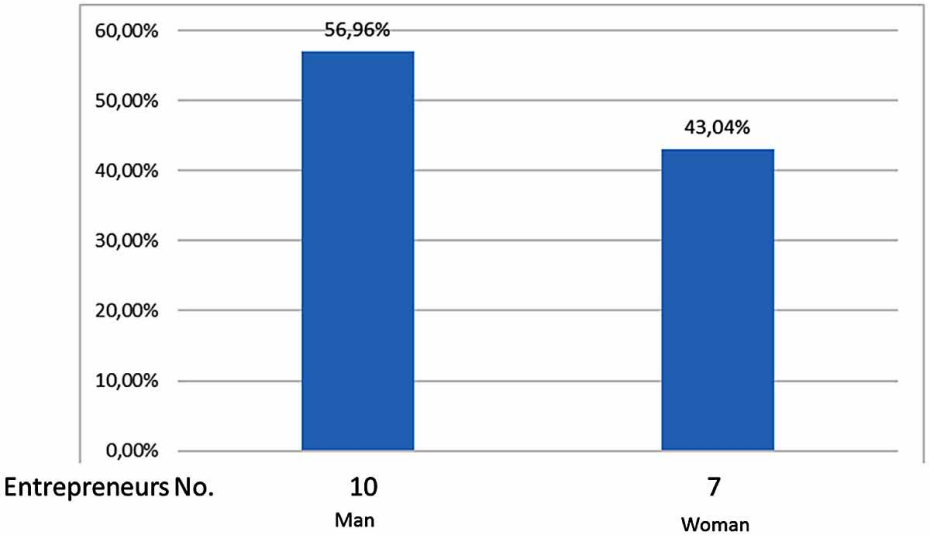


Figure 6. Gender
Source: Adapted by GEM Authors Latin America and the Caribbean 2015/2016.



At this point only 8 entrepreneurs claimed to have met someone before creating their company. It is noteworthy that due to the acquired training of entrepreneurship in their academic stage plus their own entrepreneurial initiative, they embarked on the path of creating their own business.

It is important as the family, people with business experience, the company where he worked, the spouse, among others; Were determining factors that influence in creating its own company. (GEM, 2016).

As a result, new enterprises contribute to economic development, they build a source of employment. Therefore, it is very important to motivate the entrepreneurs to take the ability to play a fundamental part in the quest to find not only them but other people to provide a better quality of life.

The response of the entrepreneurs once again demonstrates their ability to change to achieve a better present and to obtain a prosperous future, in addition, they are considered a contribution mainly to their

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Figure 7. Age
Source: Adapted by GEM Authors Latin America and the Caribbean 2015/2016.

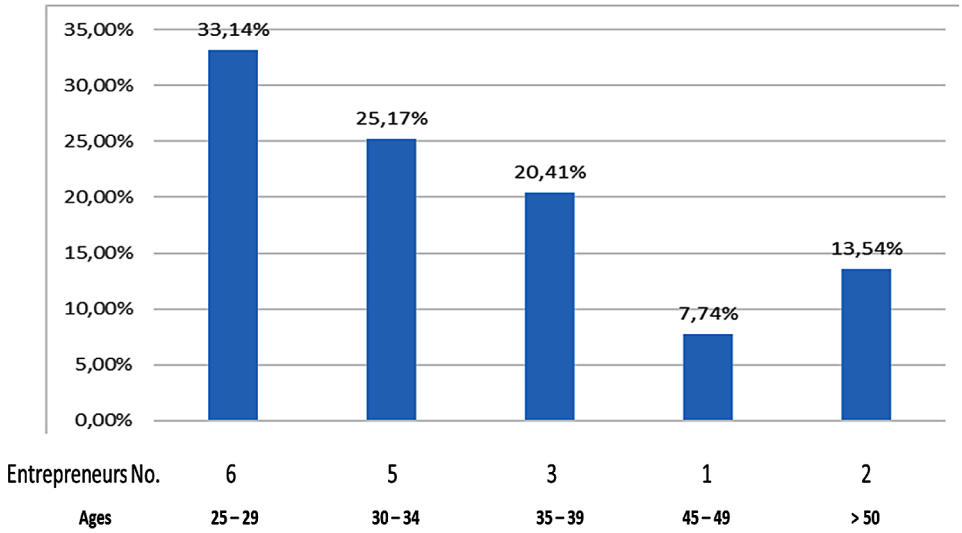
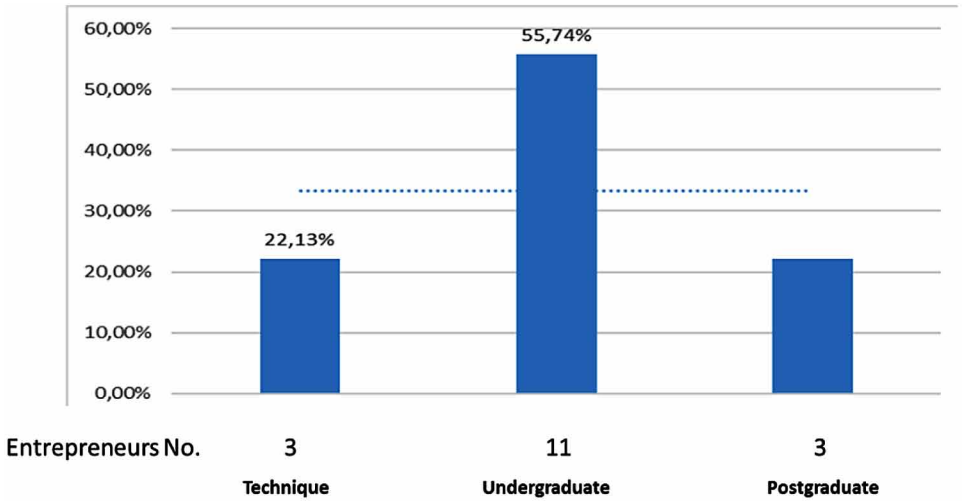


Figure 8. Academic formation
Source: Adapted by GEM Authors Latin America and the Caribbean 2015/2016.



academic foundations and assume the risks that entail the creation of a new unit of entrepreneurship In a social context very hit by the state and by the environmental catastrophe.

It is notorious as Product innovation and processes, Internationalization and the start-up of the new company to achieve high levels of growth are the brand of the entrepreneur in this case study of the Context of Haiti.

- The result of the characterizations of the profiles of the entrepreneurs within the framework of the Business fabric in Haiti, can be concluded:

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Figure 9. Monthly income
Source: Adapted by GEM Authors Latin America and the Caribbean 2015/2016.

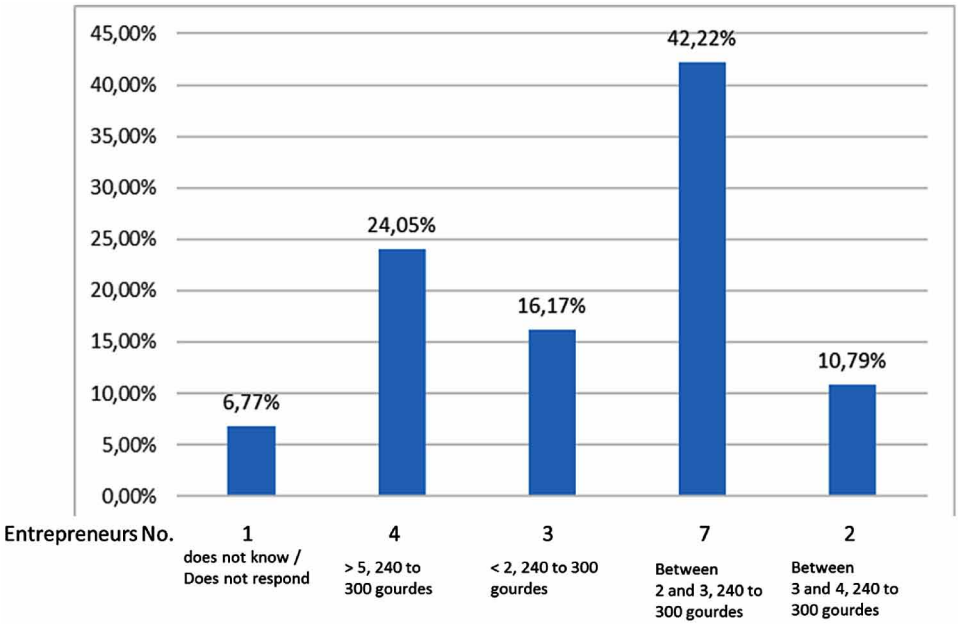
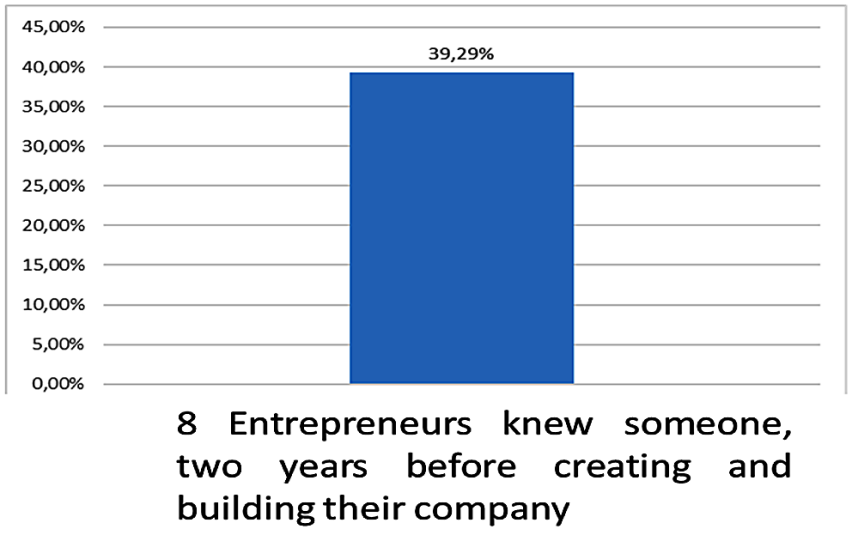


Figure 10. Met someone who had business
Source: Adapted by GEM Authors Latin America and the Caribbean 2015/2016.



- The potential age in developing entrepreneurship is in the range of 25 to 30 years.
- The male gender has a significant weight on the female gender.
- The tendency is to increase new entrepreneurs.
- The dedication is not exclusively to attend your company or business, it is implied that there is no balance in rents therefore they seek to implement their income in other monthly activities.

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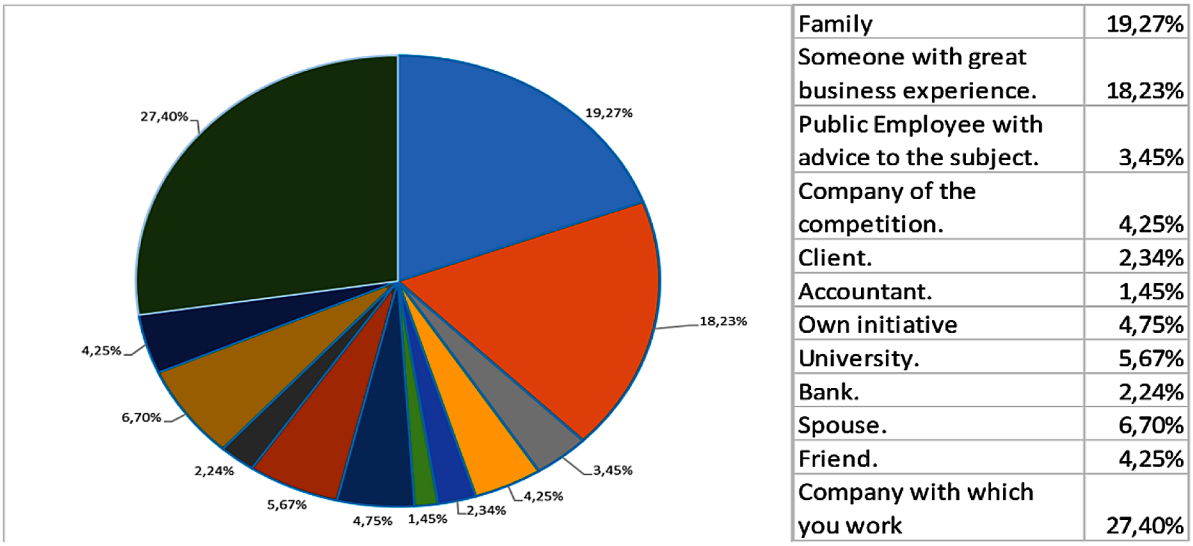
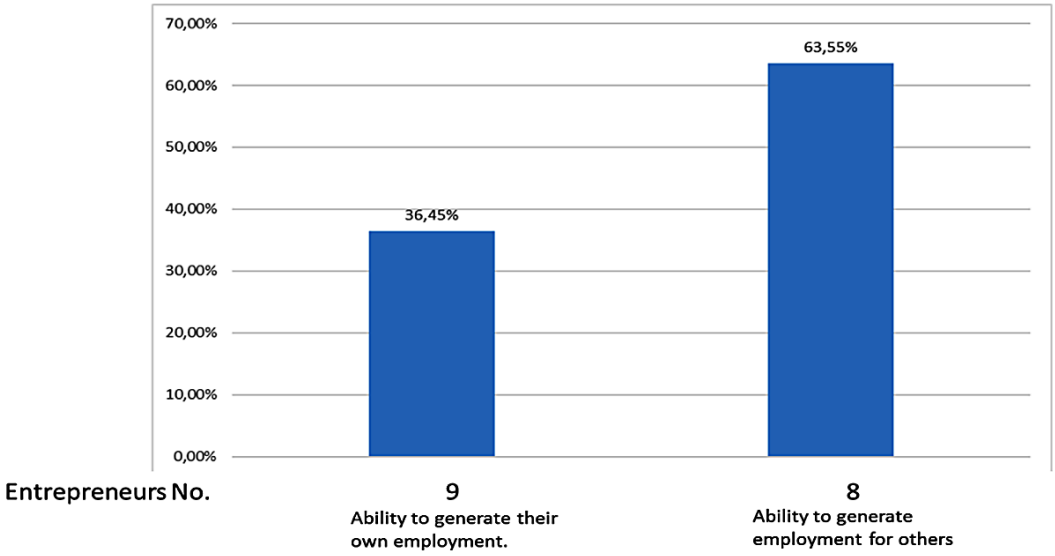
Figure 11. Influence on the decision to create your own company
Source: Adapted by GEM Authors Latin America and the Caribbean 2015/2016.



Family	19,27%
Someone with great business experience.	18,23%
Public Employee with advice to the subject.	3,45%
Company of the competition.	4,25%
Client.	2,34%
Accountant.	1,45%
Own initiative	4,75%
University.	5,67%
Bank.	2,24%
Spouse.	6,70%
Friend.	4,25%
Company with which you work	27,40%

Figure 12. Attitude towards the creation of new companies
Source: Adapted by GEM Authors Latin America and the Caribbean 2015/2016.



- Undoubtedly, there is a monthly income in entrepreneurs between 2 and 3 minimum wages -240 gourdes (3,87 dollars) to 300 gourdes (4,84 dollars)
- Because of their context with social, political and economic problems, they found the opportunity to strengthen and create their new company as a motivation.
- Have a competence acquired during your academic process in having an undergraduate.

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Figure 13. Perception of risk, management, and status
Source: Adapted by GEM Authors Latin America and the Caribbean 2015/2016.

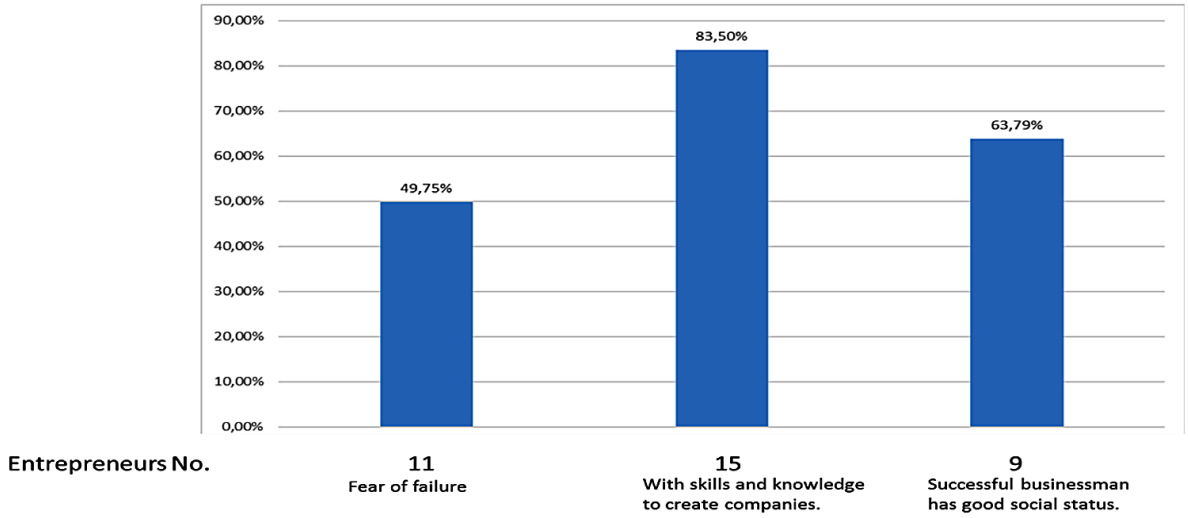
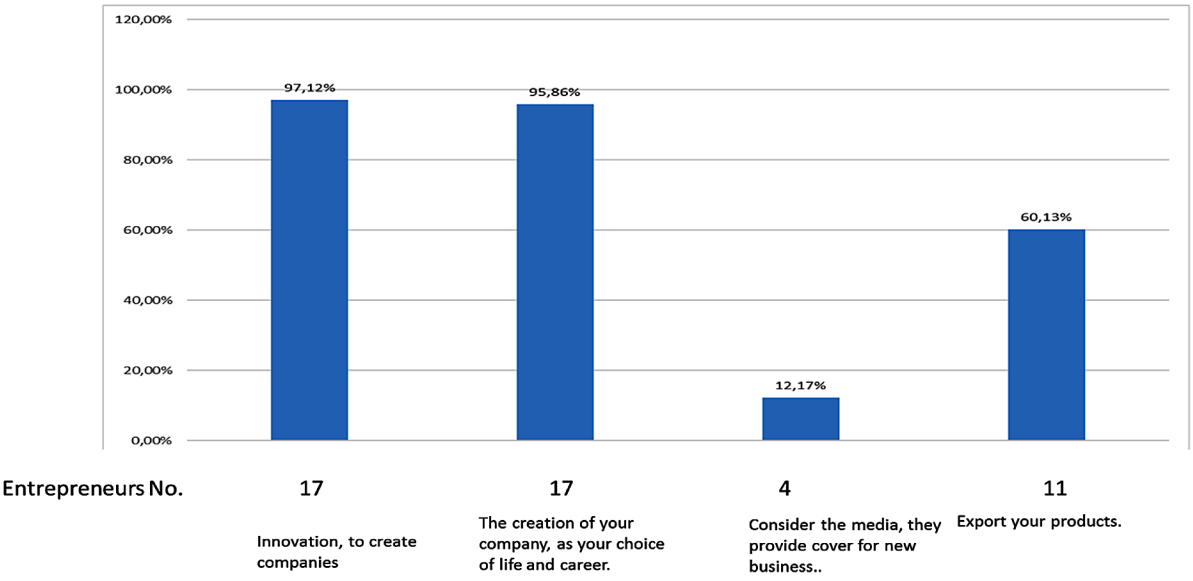


Figure 14. Another perception
Source: Adapted by GEM Authors Latin America and the Caribbean 2015/2016.



- The consultancies and consultancies of the nearest people.
- Most have the perception of having the skills and knowledge to organize and manage their company.
- They are not afraid of failure, they take risks as personal commitment.
- It is important for the entrepreneurs to assume the competitiveness from the Innovation in the product or service that they offer and thus to look for the export of them.

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- It is considered in its maximum expression the creation of company, as a radical change in their lives and their professional projection.
- It recognizes the lack of motivation of the state to support and strengthen the media for new entrepreneurs, there are not many entrepreneurship programs.

PERSPECTIVE OF ENTREPRENEURSHIP OF INNOVATION AND THE IMPACT OF PUBLIC POLICIES

The social factors integrated in this model are education and culture (Acs & Armington, 2003, Acs et al., 2006, Armington & Acs, 2002, Kostova, 1997). Education is analyzed through the number of people formed with the intention of creating a company (Beugelsdijk & Noorderhaven, 2004). Culture is analyzed through innovative capacity and the promotion of entrepreneurship in a region.

Business activity will be defined, according to Bosma and Harding (2006), as the number of people who are in the process of starting a business or who are already new owners of a company. The entrepreneurial elements identified are the markets for goods and services, opportunities, the business environment and innovation.

That is why it is necessary for people to commit themselves to reach their maximum potential to achieve the objectives of creating and sustaining a business unit through specialized services through financing strategies, from an acceleration where they think and act to overcome obstacles And grow.

Entrepreneurship in Haiti is a challenge and in particular women entrepreneurship is essential to a nation's economy in economic development and poverty reduction. In addition, entrepreneurship in the Dominican Republic is a reality, in order to support the creativity and talent of our population. In this order, the Ministry of Industry and Commerce (MIC); And the NGO Cives Mundi launched the initiative "El Hueco Caribe: Promoting Social Entrepreneurship in the Dominican Republic and in Haiti" with the support of ERASMUS + from the European Commission.

A context with dynamic capacities is needed to create sustainable and sustainable enterprises capable of absorbing components that leverage changes with capacity for innovation. For Schumpeter (in Teece et al., 1997 and Wang and Ahmed, 2007), the capacity for innovation is characterized by the development of new products and services, the development of new production methods, the identification of new markets, the discovery of New sources of supply and the development of new forms of organization. Wang and Ahmed (2007) define it as the ability of the company to develop new products and / or markets, aligning an innovative strategic orientation with new behaviors and processes. Therefore, innovation capacity explains the links between the company's resources and capabilities with its portfolio of products and markets when the company operates in fast-changing environments.

CONCLUSION

Haiti presents an economic, social and environmental situation that has repercussions on the projects of companies that want to be called to obtain a dynamic economic development in the Country. Political actors have major challenges and strengthen them in their environmental and economic structure, creating new public policies that deliver the support of the international community and their own efforts to achieve the livelihood struggle and that of their family.

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In order to improve the economic role of young people and women through the formal involvement of the company, through training in business management. Although they are present in large numbers in the informal economy, which are not taken into account in economic development indicators, they are under-represented in the formal business council.

Young people and women have recently gained a better place in public administration, they remain active in services with little or no budget. Microfinance institutions that finance their small economic activities are not really able to help them out of poverty or economically empower them.

However, by the time we were completing this research, a natural catastrophe occurred with Hurricane Matthew causing devastating damage with a large increase in casualties due to the humanitarian crisis. It can be said that the economy has been lost with statistics of 150 per cent according to some calculations. The basic infrastructure has collapsed. In other words, the standard of living of Haitians has gone from a state of construction to the 2010 earthquake, to be a place lagging behind desolation and poverty. The important thing is for the world to take a look at Haiti because everything has to be done and we must look for opportunities to create and promote companies with great social value. Ensure that the international community offers projects that give hope to build a dignified life for the Haitian people.

The objective of this research was to contribute to the debate on social entrepreneurship emphasizing the importance of incorporating contextual influences, thus responding to the demands of a better understanding of the relationship between social enterprises and their environments (Mair et al., 2012) and With the help of the Global Entrepreneurship Monitor - GEM, to observe the role of entrepreneurship from a team of experts to measure business activities according to the abilities of individuals, their activities and aspirations can clarify doubts, exploring the influence of the contextual dimensions that Are particularly prominent in Haiti, thus underscoring the ideas that can be derived from the use of Haitian data to inform broader academic discussions. We develop predictions about the impact of poverty, informality, the history of colonization and ethnic identity on the self-perception of the company as a social enterprise and in its options of activities that reflect its social mission.

A new debate on the role of social entrepreneurship in the creation of economic opportunities for the poor is proposed for the new research. A review of the role of social entrepreneurship in literature and society shows that social entrepreneurship has expanded access to financial sources, promoted the use of social innovations to reduce social problems, empowered people and social inclusion And job creator. The first three factors generate income for the poor, allowing economic opportunities, while the latter eliminates the deprivation of capabilities that enable the poor to get involved and engage in economic activities. All these factors allow economic opportunities for the poor. The links between social entrepreneurship and economic opportunities in this research occur in the current context.

Trying to answer these questions in the Haitian context is a challenge for poverty and the phenomenon of social entrepreneurship that must be faced: *¿How to transform the dreams of entrepreneurs into successful businesses that can grow, generate quality employment and export? What are the innovative ideas that Haitians could develop to transform the country's economy?*

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Chapter 83
Created Shared Value and Sustainable, Inclusive Development of Developing Countries

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ABSTRACT

The created shared value represents a paradigm shift in business corporate social responsibility (CSR) and sustainability strategy. Apart from addressing the limitations inherent in the traditional CSR which is mainly philanthropic, short-lived and separated from the core business strategy and activities, it enhances the company's competitiveness while simultaneously advancing the economic and social conditions in the community of operation. Companies can create shared values through re-conceiving products and markets, redefining productivity in the value chain and building supportive industry clusters at the company's locations and solving society problems. Despite the criticisms and challenges of the shared value concept, there are convincing evidences that the created shared value is a veritable instrument for addressing the bottom of the pyramid resulting in inclusive, sustainable development of developing countries and it has the potentials to unleash the next wave of global economic growth, prosperity and sustainable development when governments, companies and non-government organizations in developing countries demonstrate commitment to their roles in shared value creation and companies start to think and take long-term views of social investments and economic prosperity, and look at corporate decisions and opportunities through the lens of shared value by incorporating social and societal values into their economic agenda.

INTRODUCTION

The concept of Created Shared Value (CSV) has been pioneered by Professor Michael Porter and Mark Kramer of the Harvard University since 2011. Although the idea of shared value was first expressed in their publication in the Harvard Business Review on "Strategy and society: The link between competitive advantage and corporate social responsibility" in 2006 where they advocated a mutual dependence

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between corporations and society or a win-win business-society relationship. There would be a symbiotic relationship and reciprocity between business and society as firms redefine and readjust their concept of value in a broader, more "shared" perspective (Davenport, 2011). It is business paving ground for its own success by curing the defects of a dysfunctional society through provision of infrastructure (such as roads, water supplies, schools) required for its production and produce shared value for the whole area (Kleemann & Krieger-Boden, 2011).

The CSV is a new revolutionary way of business thinking in the business-society relationship, which integrates social goals within business practice without distracting a firm from its primary purpose of achieving profit (Porter & Kramer, 2011; Rocchi & Fererro, 2014). This could trigger once again the greatest economic wealth, growth and innovation for humanity and business (Porter & Kramer, 2011). According to Porter and Kramer (2011), shared value can be defined as policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the community in which it operates and companies can create shared values through re-conceiving products and markets, redefining productivity in the value chain and building supportive industry clusters at the company's locations.

Porter and Kramer's propositions for the CSV have been laudable and applauded by many supporters (Bockstette & Stamp, 2011; Hills, Russell, Borgonovi, Doty, & Lyer, 2012; Pfitzer, Bockstette & Stamp, 2013; Visser, 2013) in re-connecting the disconnected corporations' successes to society's development, particularly in the advancement of social causes to strategic level, specifying the roles of government in enhancing shared value and introducing a broader conception of capitalism- the "caring or conscious capitalism". Without doubts, the world has experienced unparalleled prosperity following the industrial revolution and the free-market economy. Nevertheless Ringmar (2005) argued that although capitalism has produced comparable levels of economic prosperity, it has brought to human beings and societies the consequences of income inequality, erosion of non-market values, commodification and alienation of people and hence it should be controlled.

The arguments on CSR have revolved around the CSR continuum of Professor Friedman's neo-classical economic theory and Professor Freeman's stakeholder theory. Although Porter and Kramer (2011) argued that CSV is not social responsibility, philanthropy or even sustainability, it does appear that CSV is beyond CSR of business! In fact, In every country, particularly the developing ones, CSR has become inescapable priority for businesses (Porter & Kramer, 2006; Jean & Yazdanifard, 2015) and they are being blamed for every society's failures (Porter & Kramer, 2011), as corporate prosperity at the expense of the society's deep poverty and problems. Moreover, most of companies' efforts have not pay off greatly in their productivity due to the disconnect from or the ditch against society and the failure to link CSR to their strategy (Porter & Kramer, 2006). Porter and Kramer (2011) argued that there is a growing perception of companies' successes at the expense of society's social, environmental and economic problems. The companies' CSR have not been strategic to be a source of business opportunity, innovation, revenue growth, competitive advantage and benefits to society (Moore, 2014).

The CSV represents a win-win situation where an organization creates value for the society by tackling its needs and challenges in a way, which also creates economic value to them. Epstein (2012) remarks that CSV will grow future markets as well as strengthen economies and communities The CSV challenges the academic literature on corporate social responsibility as well as business practice in the few years of its existence. No wonder, CSV has been studied from different point of views, contexts such as industrial sectors and multinationals, social entrepreneurship (Pirson, 2012) and countries e.g. Brazil (Spitzek & Chapman, 2012), India (Vaidyanathan & Scott, 2012), and Australia (Leth & Hems,

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2014). Some have tried to reconstruct/redesign or extend the original CSV framework by Porter and Kramer (Michelini & Fiorentino, 2012; Moon, Pare, Yim & Park, 2011) and/or widely applied the CSV to regional development, poverty reduction and to other disciplines like finance and banking (Bockstette, Pfitzer, Smith, Bhavaraju, Priestley & Bhatt 2014), education (Kramer &Tallant, 2014), global health (Peterson, Rehrig, Stamp & Kim, 2012), oil, gas and mining companies (Hidalgo, Peterson, Sith & Foley, 2014), agriculture, business corporate strategy, low-income markets and emerging markets (Hills, Russell, Borgonovi, Doty & Iyer, 2012).

A global assessment of CSV projects by Kreckova (2015) shows that CSV by regions is very uneven with South America, Central America and Caribbean region (22%), Africa (18%), North America (14%) and Asia (14%). The top social incidents are health and nutrition projects (21%), education, including workforce development (19%), financial inclusion, human rights and poverty with 9% each. Again AT Kearney (2015) study of over 200 social impact initiatives of United Nations Global Compact led companies reveals that 40% was shared value, 35% fall into philanthropy and 25% in community investments. This study was different from 2011 study where 75% of corporate social investment was philanthropy. The reason for the shift was attributed to the increased focus on minimizing environmental impacts and expanding employment and educational opportunities.

There are lots of literature and empirical evidences that the CSR approach in the developing countries of Africa including Nigeria has been mainly philanthropic and normative CSR (Visser, 2006, 2008; Visser, Matten, Pohl & Tolhurst, 2007; Amaeshi, Adi, Ogbechie & Amao, 2006; Odia, 2016). There are also increasing expectations by various stakeholders that corporate organizations, especially the multinational companies (MNCs) and transnational companies (TNCs) should go beyond profit maximization and regulatory compliance to take up responsibilities that make significant impact on society by helping to remedy the social problems including the ones caused by them (Odia, 2016). Some of the multinational oil companies in Nigeria like Shell Petroleum and Chevron have tried to move towards value sharing in their social responsiveness to oil producing communities in the Niger Delta region through partnership and social investments in host communities. Chevron's Partnership Initiatives in the Niger Delta (PIND) through the collaborative venture with the United States Agency for International Development (USAID), the Department for International Development (DFID), and others was aimed at enabling economic growth in the nine (9) oil-producing States of the Niger Delta area of Nigeria through investment of over $100 million in five years to create opportunities in other areas other than its value chain.

The CSV may just be the desired solution that the stakeholders have been waiting for to make corporations break away from the restricted CSR involvement to embrace the broader view of "caring, conscious capitalism" and respond to social issues and problems (Visser, 2013; Kreckova, 2015). While there are social and economic benefits, and prospects associated with CSV to the society and businesses at least from evidences of companies that have keyed into the CSV, a research gap exists on how CVS is linked to the sustainable, inclusive development of developing countries. There are also numerous limitations and criticisms regarding CSV such as: measurement issues, changing corporate mindsets to view environmental and social problems not as constraints but as business opportunities, gaining support of top management of MNCs, TNCs and other companies to key in and their voluntary CSV compliance and getting support of governments and agencies at the local, national and international levels to encourage more businesses to adopt shared value strategies.

Therefore, based on the review of extant literature and case studies on CSV, the objective of the chapter is to examine the relationship between CVS and sustainable, inclusive development from the perspective of developing countries like Nigeria. The rest of the chapter is divided into four sections:

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The immediate section clarifies the concept of CSV and differentiates it from CSR. Section three considers the issues, controversies and problems relating to CSV such as the problems with the presents CSR, the creation of shared value, shared valued opportunities in the extractive industries including the roles of government, extractive industries and civil society in creating in-country shared value, CSV opportunities and benefits in developing countries, criticisms and limitations of CSV measurement and the inclusive, sustainable development through CSV. Section four proffers solutions and recommendations to the constraints of the effective implementation of CSV in developing countries. Section five is the conclusion and suggestions for further study.

BACKGROUND

The Concept of Created Share Value

According to Porter and Kramer (2011), shared value can be defined as policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the community in which it operates. Shared value was born due to the need to address societal needs, mostly in the bottom-of-the-pyramid segments of the customers (Kreckova, 2015). Shared value creation focuses on identifying and expanding the connections between societal and economic progress. It describes how firms can incorporate CSR activities to their overall business strategy so that they not solely represent a cost but also create value for the firm in terms of a unique market position. Creating shared value implies ethical standards and complying with the law, and it also considers any mitigation after harms that may affect results of business practices. Shared value involves creating economic value in a way that also creates value for society by addressing its needs and challenges. It aligns CSR activities with core business activities to generate business returns and thereby create a business case for sustained commitment and investment (Porter & Kramer 2011). Shared value positions social engagement as a "long-term investment that is intrinsic to business success." (Bockstette & Stamp 2011, p. 21). A shared value perspective recognizes the interdependency between business and society. It is creating economic value in a way that also creates value for society by addressing its needs and challenges. The idea is combining "traditional objectives with additional benefits for society" (Altman & Berman, 2011).

Again shared value is being referred to as a new way to address the underlying root causes of community concerns and unlock economic opportunities for companies in the extractives sector which have made little progress using current approaches (philanthropy, reputation building, local content requirements), with rising disputes, unending conflicts, violence and militancy like in the Niger Delta Region of Nigeria. CSV is a differentiation strategy (Spitzeck & Chapman 2012) that creates business value by tackling social issues or converting social issues into tangible business opportunities based on three pillars of (i) re-conceiving products and markets, (ii) re-defining productivity in the value chain and (iii) enabling local clusters development (Porter & Kramer, 2011; Porter, Hills, Pfitzer, Patscheke & Hawkins, 2012).

Although there are numerous social issues as generic, value chain social impacts and social dimensions of competitive context impacts, the CSV concept focuses particularly on those issues within the business context that have significant impact on firm competitiveness. The CSV is about creating social and business values simultaneously. The social values refer to positive improvements in the social issues targeted by the firm, and social outcomes or social changes that are needed to be achieved. The business

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values are the actual economic benefits to the firms (Porter et al., 2012). According to Porter and Kramer (2011), the most pressing social issues that could be targeted by shared value strategy include supplier access and viability, employee skills, worker safety, employee health, water use, energy use, and environmental impact. It is argued that businesses acting as businesses, not as charitable, philanthropic givers, are arguably the most powerful force to address pressing society's issues. It is believed that businesses' quest to create economic value while simultaneously creating shared value for society will give rise to far broader opportunities for strategy and profitability that would drive the next wave of innovation, productivity and economic growth while also motivating and attracting consumers, business partners, employees, shareholders, and the public to them (Porter, 2014). This is because only the companies who address social issues strategically and understand the interdependence between business and society (Porter & Kramer, 2006, 2011) would be able to compete in this new world (Bockstette, 2011; Porter & Kramer, 2011). It must be emphasized that solving social problems requires innovation (Pfitzer et al., 2013), collective impact (Kania & Kramer, 2011) and changes to the traditional CSR mindset.

While many researchers have presented corporate responsibility with regard to social and environmental problems as an ethical duty (Donaldson & Dunfee, 1999), a political responsibility (Scherer & Palazzo, 2007, 2011; Whelan, 2012; Néron, 2013; Whelan, 2013; Scherer, Palazzo & Matten, 2014) or a response to business risks (Fombrun, Gardberg & Barnett, 2000), the CSV makes corporations to see social and environmental problems not as disconnected and externally imposed but as real opportunities and serious strategic targets for genuine business decisions. According to Brown and Knudsen (2013), the shared value replaces and expands the notion of CSR, which as a practice has too often become affiliated with misguided initiatives, costly sideshows and shallow public relation activities.

Camilleri (2012) has argued that there seems to be Adam Smith's "invisible hand" in force with regard to the CSV conceptualization since businesses contribute to society's value creation when they pursue their own interests. Thus the CSV argument tends to support Adam Smith's (1776) remark that it is not from the benevolence of the butcher, the brewer or the baker, that we can expect our dinner, but from their regard to their own interest. Again, Moczadlo (2015) argues that taking into account the examples cited by Porter and Kramer in their 2011 article, their understanding of CSV seems to correspond in some respects with strategic CSR. Strategic CSR can be located between strict compliance of given rules and regulations and good corporate citizenship (Windsor, 2013). Nonetheless, CSV is going beyond the pure business case approach of CSR because it requires integrating shared value into the core business and the long-term strategic alignment of companies. Porter and Kramer (2011) posit that strategic CSR, value co-creation, social innovation and inclusive business model follow the principle of the CSV. Young (2012) argues that CSV represents one particular model for implementing strategic CSR in larger organizations. Like CSV, strategic CSR reframes sustainability and social benefits as a driver of business innovation, value creation and competitive advantage.

The Differences Between CSR and CSV

CSV goes beyond CSR because shared value creates long-term potential for a company's profitability and competitive position in the market, while corporate social responsibility is a short-term remedy that is hard to justify in the long run. While CSR is based on being responsible, philanthropy and doing good for society, its impacts are too reactionary and cursory to make a significant impact in improving either society or the company's earnings potential. On the other hand, CSV is a readjustment of the company's overall operations in order to create new value. Again, whereas CSR is a short-term solution,

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CSV is a long-term realignment of the company‘s entire budget, market position and overall mission. CSV is distinct from CSR where companies are challenged to sponsor the (costly) production of social goods, or like social businesses and social entrepreneurs that refrain from profit maximization in favour of a social goal and accept forgoing a higher income. Nevertheless, compliance with laws and ethical standards and reducing harm from corporate activities are assumed in both CSR and CSV (see Table 1).

The European Commission changed the definition of CSR in 2011 to include CSV as a core element for companies with their owners and shareholders respectively, as well as for other stakeholders and the society. Moreover, the Commission sees strategic CSR as an important tool for the competitiveness of companies and a measure for business to contribute to inclusive growth, employment and well-being of the society. Therefore, companies should take into account economic, social and environmental targets including ethical human rights and consumer concerns when developing their long-term business strategy. Maczaldo (2015) differentiates between the CSV of the European Commission and Porter and Kramer (see Table 2). First, the CSV of Porter and Kramer goes beyond the pure business case of CSR because CSV is a long-term measure integrated systematically into the strategic core business of companies. The Commission sees the shareholders as just one common group of a company’s stakeholders and gives no preference to them. For Porter and Kramer the simultaneous creation of profit and societal value are decisive. While the European Commission sees CSR as a driving concept, Porter and Kramer differenti-

Table 1. Differences between CSR and CSV

	Bases	CSR	CSV
1	**Motivation/focus**	Corporate reputation	Competitive advantage
2	**Main driver**	External stakeholders	Corporate strategy
3	**Approach**	Reactive and defensive	Proactive
4	**Measurement**	Spending, standard ESG metrics	Social and economics values
5	**Management**	CSR/ public affairs	Across the firm
6	**Business Benefits**	Risk reduction and goodwill	New business opportunities
7	**Social benefits**	Successful projects	Large scale, sustainable chain
8	**Value**	Doing good	Economic and societal benefits relative to cost
9	**Type**	Citizenship, philanthropy, sustainability	Joint company and community value creation
10	**Profit definition**	Separate from profit maximization	Integral to profit maximization
11	**Motives**	Discretionary in response to external pressures	Integral to competing strategy
12	**Budget**	Impact limited by company’s footprint and CSR budget	Realign the entire company’s budget.
13	**Agenda**	Defined by external reporting and personal preference	Company’s specific and internally guidelines
14	**Person(s) in charge**	Typically led by CSR, marketing, corporate communications, external/public/government affairs, community relations, sustainability and foundation departments	Typically led by CEO, senior executive team and individual champions across the company in close collaboration with corporate affairs and sustainability departments
15	**Example**	Fair trade purchasing	Transforming procurement to increase quality and yield

Source: Adapted from Porter and Kramer (2011)

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Table 2. Distinction between European Commission (2011) CSR and Porter and Kramer (2011) CSV

Category	European Commission (2011)	Porter and Kramer CSV
Role of business in society	CSR as core element for legitimation of business	
Pre requisite	Companies fulfill their legal obligations; collective between social partners	Companies fulfill their legal obligations
Aims	Contribution to inclusive growth and well-being of the society; triple-bottom	To reach simultaneously economic and social progress through value creation quantified by the relation of benefits to costs
Stakeholder	Shareholders, other stakeholders, the whole society	Varied with the concrete projects
Strategic orientation	CSR/CSV is a long-term strategy and included in the core activities of business	
Role of government	No strict regulation but flexible for businesses; Government procurement directives can be used to enhance CSR	Government should set clear and measurable social goals; public authorities should support business rather than over-regulate them

Source: Maczaldo (2015)

ate CSV from CSR-development of a new strategic business concept which can simultaneously create economic and societal value as well as increase the competitiveness of companies.

ISSUES, CONTROVERSIES, AND PROBLEMS

What Is Wrong With the Present (Traditional) CSR?

Basically, traditional CSR activities in most developing countries of Africa encompass employment benefits, community development and philanthropy which is not linked to the core business strategy. Porter and Kramer (2006) argued that the prevailing approach of CSR is so fragmented and so disconnected from business and its strategy that many of the greatest opportunities of companies to benefit society are obscure and lost. Again all four schools of CSR (moral obligation, license to operate sustainability, reputation) focus on the tensions between society and business rather than the interdependence; and they are not sufficient enough to enable a company to identify, prioritize and address social issues it can make the biggest impact.

According to Browne and Nuttall (2013), this CSR has failed to fulfill its core purpose in building stronger relationships with the external world because of the following. First, the head-office initiatives rarely gain the full support of the business and tend to break down in discussions over who pays and who gets the credit. Second, centralized CSR teams can easily lose touch with reality- they tend to take too narrow view of the relevant external stakeholders. Firms' investments in CSR are moderate and minimum because they consider such investments as a cost or expense factor only which takes its share of the firm's profit (Christmann & Taylor, 2006). Corporate social responsibility is considered as a means to an end, and the bare-minimum mentality de-motivates companies from further pursuing any other sort of contributory value to society (Davenport, 2011). Third, CSR focuses too closely on limiting the downside. Companies often see it only as an exercise in protecting or enhancing their reputations- to get away with irresponsible behavior elsewhere. Fourth, CSR programs tend to be short-lived and because they are separated from the company's commercial activity, they survive on the whims and caprices of

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senior executives rather than the value they deliver. Therefore the programs are vulnerable when there are changes in management or costs are cut. Besides, they fail to see the future business opportunities and competitive advantages that may accrue to them over their competitors in the longer term. Fifth, there is wrong perception of CSR and lack of top management support. Also, it is hard to determine the social impact and business benefits of CSR.

Many MNCs do only what they must in order to please stakeholders and obtain legitimacy, seeking to keep their actions to a minimum (Chen & Bouvain, 2009; Christmann & Taylor, 2006). According to Salzmann (2004), firms are only interested in making profits while supporting employment, investments, purchases, wages and taxes without any consideration of the welfare of the community around them. The responsible actions were due to external pressure and reputation enhancing, public relation and gaining a positive score on CSR scorecards which ultimately failed to connect CSR activities to their core business strategy; and not the desire to do good (Aspelund, Fjell & Rødland, 2015; Milliman, Ferguson & Sylvester, 2008). Porter and Kramer (2006) summed up the traditional CSR as a hodgepodge of uncoordinated CSR and philanthropic activities disconnected from the company's strategy that neither make any meaningful social impact nor strengthen the firm's long-term competitiveness.

Furthermore, scholars have argued that CSR has not proved itself in businesses of the current century because it lacks criteria of differentiation for businesses to follow this theory (Szmigin & Rutherford, 2013). The benefits of traditional CSR are often nebulous, difficult to define and measure, externally influenced, and only indirectly connected to the action being taken (Bockstette & Stamp, 2011). The traditional CSR is differentiated in motivation, implementation, and impact from strategic CSR (Werner, 2009). The CSR is carried as a reactionary and reputation-enhancing agenda with no clear strategic framework link to core business. Hence the result has suboptimal economic or social impacts on stakeholders and society. The present CSR does not fully comply with the society needs; CSR means a reduction of profits for the sake of an environmental or social environmental end (Bosch-Badia, Montllor-Serrats & Tarrazon, 2013), and stakeholders' interests are being ignored (Székely & Knirch, 2005). Although CSR has some potentials to deal with environmental issues such as carbon emission, pollution, waste disposal and oil spills (Frynas, 2009), and also emphasizes various activities including corporate governance, sustainability, stakeholders management, relationship with employees, unions, suppliers and community representatives, commitment to transparent reporting and harm reduction (Petrovic-Lazarevic, 2008), it is reactive, defensive, lack active strategic choices within companies, and fail to deal with key challenges in the business-society relationships (Frynas, 2009). Jonikas (2013) contends that CSR can often create use-value for stakeholders and society but little value for companies in terms of profit increases. He suggests that CSR should become more oriented towards CSV to help companies gain sustainable competitive advantage and make significant social impact on society.

Salzmann (2005) argues that corporations currently used both social benefits theory and practice to fulfill the requirements of environmental and social issues by rising up, at the same time, the financial aspects of the firms themselves. There has been a shift from philanthropic or ancillary CSR to a more strategic perspective because the current models of CSR have been largely ineffective at addressing society's pressing and urgent challenges (Visser, 2010; McWilliams & Siegel, 2011; Young, 2012). This requires that firms should move away from the emphasis on image to emphasis on substance; from fragmented, defensive CSR posture to an integrated, affirmative approach; go beyond good corporate citizenship, philanthropy and pre-occupation with measuring shareholders' satisfaction to creating shared value by becoming more selective in mounting initiatives whose social and business benefits are larger and distinctive (Porter & Kramer, 2006). Strategic CSR helps firms to build trust and reputation,

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Table 3. Philanthropic and created shared value approach

Philanthropic Approach	Areas of Investments	CSV Approach	Business Benefit	Social Benefit
Drinking water/wells for local communities	Infrastructure e.g. water	Develop sustainable water utility leveraging business process	Reduce water treatment costs by charging commercial water rates	Provide water to communities that lack access to it
Provide broad- based skills training with no link to employment opportunities	Training	Create training program based on business and supplier needs and link it to jobs	Reduce employee costs by reducing on expatriate employees	Improve employability and wage-earning capabilities of local workforce
Invest in Environmental restoration unrelated to the business	Environment	Restore degraded coastlines or wetlands to reduce risk of a natural disaster to the business	Protect assets (e.g. pipelines) near coastlines from disasters	Improve the resilience of host communities to natural disasters
Funds construction of local clinic	Health Care	Develop program to reduce disease burden among population living in mine catchment area	Improve employee productivity and reduce company's health care costs	Reduce the disease burden in local communities
Provide scholarship for local students	Education	Catalyze coalition to improve secondary school educational outcomes in host community	Improve the quality of the future talent pool in host communities	Improve educational achievement and job prospects for students

Source: Hidalgo et al. (2014)

increase financial performance, minimize risk, gain competitive advantage, enhance strategic positioning and synergistic value creation (Porter & Kramer, 2006; Juscius & Jonikas, 2013; Fleming & Jones, 2013). Strategic CSR unlocks shared value by investing in social impacts that strengthen company's competitiveness. The CSV theory recognizes the social needs rather than focusing only on the economic needs to define markets. It also goes beyond the strategy theory by motivating companies to look at opportunities that strive to satisfy fundamental social needs of the community (Porter & Kramer, 2011).

Creation of Shared Value

Bockstette and Stamp (2011) identify ten common building blocks to create shared value to include: articulate a vision, prioritize key issues, set specific ambitious goals, deploy a wide range of assets to address the issue, manage efforts holistically across the organization, collaborate with partners, measure progress on key indicators, learn from measurement to improve efforts, address issues at scale, and communicate progress to internal and external audiences. Pfitzer et al. (2013) provide a five-step framework in the development of shared value strategy as (a) embedding a social purpose; (b) rigorously defining the social need;(c) measuring the social and business value; (d) creating the optimal innovation structure; and (e) co-creating with external stakeholders like government, universities, NGOs, and other companies. There are usually many values created but Jonikas (2013) argues that only shared value creation through CSR seems to be sustainable.

According to Porter and Kramer (2011), companies can create shared values in three levels as: re-conceiving products and markets, redefining productivity in the value chain and building supportive industry clusters at the company's locations. In order to re-conceive products and markets, companies should re-evaluate the relationships they have with their consumers, and then incorporate shared value into the process of goods exchange. They can use strong advertisement, rebrand their mission to be more

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socially conscious and address many unmet needs in order to attract consumers to their company and products/services. This level focuses on revenue growth, market share and profitability that arise from the environmental, social, or economic development benefits delivered by a company's products and services (Porter et al, 2012). For example, Shell has established a sustainable utility company on Bonny Island, Nigeria, that serves and supply energy to over 93,000 customers (Hidalgo et al 2014).

Redefining productivity can be done in the value chain through: (a) energy use and logistics, (b) resource use, (c) procurement, (d) distribution, (e) employee productivity, and (f) location. It could also be by sub-contracting. The level focuses on improvements in internal operations that improve cost, input access, quality and productivity achieved through environmental improvements, better resource utilization, investment in employees, supplier capability and other areas. For instance, Intercontinental Hotels Group (IHG), the largest hotel company in the world, launched its Green Engage programmes in 2009 with the objective of testing dozens of options for reducing energy use, water consumption, and waste disposal in pilot hotels, and providing a detailed ranking of all possible shared value opportunities in terms of returns to IHG through substantial reductions in hotel operating costs, including energy savings of up to 25%.

Clusters include not only businesses, institutions such as academic programmes, associations and standards organizations but also broader public assets in the surrounding community such as schools and universities, clean water, fair-competition laws, quality standards and market transparency. Creating shared value from enabling local cluster development derives from improving the external environment for the company through community investments and strengthening local suppliers, local institutions, and local infrastructure in ways that also enhance business productivity. As the world's largest food and beverage company, Nestlé created clusters by implementing a rural development strategy that trains, assists and supports small diary Indian farmers with better technology in order to increase the productivity of their cattle thereby ensuring the reliable supply of high quality raw materials. In fact without a supporting cluster, productivity suffers. According to Porter and Kramer (2011), a focus on clusters and location has been all but absent in management thinking. Cluster thinking has also been missing in many economic development initiatives which have failed because they involved isolated interventions and overlooked critical complementary investments. While a key aspect of cluster building in developing and developed countries alike is the formation of open and transparent markets, companies can support cluster development in the communities in which they operate by identifying gaps and deficiencies in areas such as logistics, suppliers, distribution channels, training, market organization and educational institutions. Delgado, Porter and Stern (2010) argue that clusters help to reduce the costs and risks associated with new venture formation, and they can also increase the likelihood of survival during early years of a business' development.

They drive local competition by not only increasing operational effectiveness and strategic positioning (Porter, 2000) but also resulting in more resilient competitive advantage.

Porter and Kramer (2006) argued that firms can create shared value by using CSR strategically to achieve a competitive advantage. Companies can create and sustain a competitive advantage by cooperating with other companies in a supply chain by nurturing and building competencies through collaborative partnerships. In fact, the success of every company is affected by the supporting companies and infrastructure around it. Gradl and Jenkins (2011) noted that inclusive business model acts as a catalyst for the CSV concept. Bisgaard (2009) consideres cross-sector partnership, collaboration and alliances with non-governmental organizations (NGOs), governmental bodies and other business companies, co-

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Table 4. Social and business benefits associated with the levels of shared value

Levels of Shared Value	Business Results	Social Results
Re-conceiving products and markets: How targeting unmet needs drives incremental revenue and profits	-Increased revenue - Increased market share - Increased market growth - Improved profitability	- Improved patient care - Reduced carbon footprint - Improved nutrition - Improved education
Redefining productivity in the value chain: How better management of internal operations increases productivity and reduces risks	-Improved productivity -Reduced logistical and operating costs -Secured supply -Improved quality -Improved profitability	- Reduced energy use - Reduced water use - Reduced raw materials - Improved job skills - Improved employee incomes
Enabling cluster development: How changing societal conditions outside the company unleashes new growth and productivity gains	-Reduced costs - Secured supply - Improved distribution infrastructure - Improved workforce access - Improved profitability	-Improved education - Increased job creation - Improved health - Improved incomes

Source: Porter et al (2012)

creation with stakeholders and development of new business models as the strategic dimensions to create shared value. Saul (2011) focuses on social innovation to enhance shared value creation.

Fjell and Rødland (2015) found that MNCs can create shared value by pursuing the two different methods of responsible differentiations to obtain competitive advantage over competitors, and by sustainable value innovation to have a blue ocean based on responsible actions (green planet strategy). Also a company can instigate shared value by solving problems through the products and services it creates, addressing problems through company operations, including better use of natural resources and a business investing outside its operations in order to solve problems connected with company growth and productivity, such as improving growing techniques. According to Porter and Kramer (2011), to create social value companies must invest in areas that address social and environmental objective; to create share value they must invest in long-term business competitiveness that simultaneously address social and environmental objectives and to create business value, they should invest in long-term competitiveness. Effective internal communication of CSR implementation is one essential ingredient to embed value creation in a company. Companies with economies of scale can also use pricing to create shared value (Bertini & Gourville, 2012).

Shared Value Creation and Appropriation

There is distinction between value creation and value appropriation; organizations that create new value may lose except they share this value with other stakeholders such as employees, competitors or society (Nohria & Ghoshal, 1994; Makadok & Coff, 2002; Chatain & Zemsky, 2011; Porter & Kramer, 2011). According to Di Gregorio (2013), value appropriation is a two-step process through which a firm first competes against other firms to create and protect appropriation streams (inter-organizational value appropriation), and then managers, employees, shareholders and other stakeholders compete to capture the value that has been retained within the firm (intra-organizational value appropriation). Companies will not only benefit by creating and capturing value, but also by sharing or appropriating it. Both value creation and value appropriation capabilities are required for achieving sustainable competitive advantage and superior financial performance (Ghemawat, 1991; Mizik & Jacobson, 2003). But a firm must strive

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for balance (March, 1991; Mizik & Jacobson, 2003) or integrate the two (Di Gregorio, 2013) depending on its choice. It is argued that value appropriation is the more relevant process since it only impacts firm profitability (Barney, 2001); it is also of more immediate concern to managers and researchers than value creation (Di Gregorio, 2013).

Basically, societal value created is captured by the innovating firms, consumers, communities and other firms-competitors and non-competitors (Mansfield et al., 1977). Value creation often entails the development of strategic resources while value appropriation entails the extraction of value that is embedded in resources. Whereas value creation influences the potential magnitude of the advantage, value appropriation influences the amount of the advantage the firm is able to capture and the length of time the advantage persists. Nevertheless there is a trade-offs in the strategic emphasis by firms between developing customer-value creation and value appropriation capabilities. Various organizational resources and capabilities such as technological (R&D), financial, physical, legal, human, organizational, informational, and relational capabilities influence value creation and value appropriation (Mizik et al., 2003). Di Gregorio (2013) argued that value is not created by resources, but by the actions of individuals and organizations in factor markets, internalized transactions, and product markets (dynamic capabilities). However, resources plays key role because they are the result of value creation processes and they are exploited in value appropriation processes. Di Gregorio (2013) identifies four elements of value appropriation that apply to both inter- and intra-organizational contexts to include: market-based bargaining power, relation-based power, isolating mechanisms, and opportunity-based action.

CREATED SHARED VALUE IN THE EXTRACTIVE INDUSTRIES: FROM LOCAL CONTENT TO CREATED SHARED VALUE

According to Porter (2014), the extractives sector represents a significant opportunity for impact on society given its unique characteristics which include: $3.5 trillion in annual revenues (about 5% of global GDP as at 2012); long time horizon for operations; multiple points of interaction with local communities; and often located in remote areas with major societal needs and poor infrastructure, generate employment, revenues for the government and with significant impact on procurement and the gross domestic product (GDP). The economic value created by extractive companies can transform the lives of millions living in resource-rich, cash-poor countries. The extractives sectors are a critical source for economic and social development in many of these countries. But most developing countries have failed to fully capitalize on the societal opportunities created by oil and gas or mining companies. Instead there are increasing conflicts, agitations and militancy in this sector and countries like the Niger Delta region of Nigeria and the platinum mines in South Africa. Consequently, 23 out of the 25 nations that depend most heavily on minerals and fuels are poor with low Human Development Index (HDI) and GDP.

The local content, "non-technical" risk management and current CSR approach used by the extractive industries have largely limited the actualization of this objective. Therefore, shared value is advocated as a new way to address the underlying root causes of community concerns and unlock economic opportunities for companies in the extractive sector including the oil and gas industry (Hidalgo, Peterson, Sith & Foley, 2014; Organization for Economic Co-operation and Development-OECD, 2016; Swartout, 2016). The concept of shared value is becoming a linchpin of the modern mining and extractive sectors (Crosbey et al., 2016). Given advances and changes in technology, it is predicted that the mining of the future will involve decreased local equipment-related procurement resulting in drop in benefits derived

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from local procurement and employment. The consequence is of critical concerns to firms, host communities and countries like Nigeria which depend and earn a greater part of their revenues from the sector. Therefore, firms and countries are expected to focus on other ways in which mining can contribute to the host economy and communities. Table 5 indicates the shared valued opportunities in the extractive industries.

Outside the realms of procurement and employment, there are four other avenues through which shared value can be created (Cosbey et al., 2016). These include:

- **Downstream (Forward) Linkages:** Relate to the beneficiation of extracted commodities through refining, smelting and further downstream processing of the commodity before reaching the final consumer(s).
- **Horizontal (Lateral) Linkages:** Relate to the development of new non-mining-related industries adapting the capabilities developed to serve the mining-related value chain.
- **Knowledge (Technological) Linkages:** Relate to the transfer of knowledge and technological know- how to state-owned companies, the employees of the mine and to the labour force involved in the mine's value chain.
- **Spatial (Infrastructure) Linkages:** Relate to the benefits associated with the infrastructure developed for an extractive-industry project (such as railways) profiting other actors in the economy.

There might be revision to the fiscal element of shared value, adoption of more progressive fiscal regimes, changes to the fundamental relationship between investor and host governments and evolution of a more collaboration and commitment to defined roles for government, extractive industries and civil societies. National or host governments can help companies create shared value by creating enabling policies and regulations as well as show collaboration by acting as knowledge broker, serving as convener of interested stakeholders, acting as operating partner for shared value strategies and incentivizing shared value investments. On the other hand companies can take a long-term view toward solving societal issues to benefit the business; they should invest in improving business unit operations' knowledge of societal issues and vice-versa, measure societal outcomes and their impact on the business, and work with other multinational companies in the extractive sectors, NGOs, and governments. The five actionable steps specified in the OECD (2016) framework on collaborative strategies for in-country shared value creation of extractive projects and the roles of government, extractive industries and civil societies are shown in Table 6.

Table 5. Shared values opportunities in extractives and mining industries

Re-Conceiving Products and Market	Re-Defining Productivity in the Value Chains	Creating Enabling Local Environment
Build local markets for intermediate products created by extractive activity (e.g., water, electricity, transport, housing)	Improve local workforce capabilities Develop local suppliers Improve the health of employees Improve utilization of water, energy and other resources in operations Increase local emergency response capabilities	Develop the local cluster supporting the extractives sector Invest in shared local infrastructure and logistics networks Partner with other local clusters and government in building community infrastructure Play an active role in broad-based regional economic and community development

Source: Porter (2014)

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Table 6. Actionable steps and roles of government, extractive industries and civil societies for in-country shared value creation

Actionable Steps	Roles of Government, Extractive Industries and Civil Societies			
	Government	**Extractive Industries**	**Government & Extractive Industries**	**Government, Extractive Industries & Civil Societies**
1.Adopt a comprehensive long-term vision and implementation strategy to build competitive and diversified economies and create in-country shared value out of resources	Articulate vision, coordination; limit rent seeking opportunities; enhance economic competiveness; transparent reporting; counter macro-economic policies	Take long-term approach, engage with relevant stakeholders; understand local dynamics and power structures in resource-bearing communities; share best practices developed		Build inclusive fora for continuous dialogue; forecast the necessary infrastructure and capacity to achieve extractive stage; identify opportunities to which business activities can make a significant positive contribution
2.Build an empirical basis to inform decision making through an inclusive participatory process	Serve as conveners and identify the stakeholders; Identify trade-offs and associated costs/benefits; create the conditions for proactive interventions and reduce conflicts recognize areas of value creation	Provide information on an individual basis (to avoid any anti-competitive issues) to governments on future demand		Assess the extractives sector's collective current and future needs; map out potential economic opportunities and potential negative impacts and constraints of project; Identify barriers to entry for production of goods/
3.Unlock opportunities for in-country shared value creation: local workforce and supplier development; shared infrastructure (power, water and transport)				
3A. Shared Power	Take a long-term perspective of potential synergies, affordability and willingness to pay design appropriate power pricing mechanisms consider other partners in development of power generation capacity; engage in regional and sub-regional policy co-ordination for infrastructure development and power sharing	Provide forecasts regarding anticipated demand for power and sourcing of power; implement energy efficient operations; develop electricity self-supply plans that align with government's plans	Undertake early discussions regarding power infrastructure needs, synergies, efficiencies and other opportunities for shared value creation with respect to power generation and distribution; articulate government and company responsibilities and liabilities for any project undertaken; consider power usage and distribution	
3B.Shared value for water	Adopt an integrated approach to water resource management; have a well-designed, adjustable and transparent plans for allocating water resources among competing uses; ensure policy coherence and adequate institutional framework for used water	Engage with local communities and water users to understand water-related issues and risks and offer solution; collaborate with other extractives; collaborate with other extractives companies for water management and allocation	Devise mutually beneficial arrangements; share knowledge, information and expertise	
3C.Shared use for transport infrastructure	Provide a clear and effective regulatory framework for multi-purpose and multi-user infrastructure; avoid exclusive access or monopoly pricing; effective coordination and policy encouraging investment in transport infrastructure	Collaborate with other extractive companies from the same basin to determine the potential for shared value by developing shared transport infrastructure	Devise mutually beneficial arrangements concerning transport infrastructure	
4.Support and contribute to innovation leading to new products and services	Identify changing trends in global consumption and production patterns; consider trade-offs associated with technological innovation; support R&D efforts to identify, adapt, and transfer technology	Invest in specialized technologies that reduce environmental impact; increase use of renewable energy; Contribute to improving the innovative capacity of subsidiaries and subcontractors and finding solutions to challenges shared by extractive industries	Engage in co-operation based on project life cycle analysis, covering the entire value chain and offering the opportunity to build on best practices of several sectors	
5.Establish effective and transparent monitoring and evaluation systems and regularly review the collaborative strategy		Integrate the standardized methodology and reporting procedures into internal local monitoring and evaluation system; Provide detailed reporting to better measure and manage company activities		Build on existing structures e.g. EITI, MSG develop governance mechanisms to ensure effective and transparent monitoring and evaluation; evaluate impact, local industry participation, efficient use of limited resources and creation of value for all stakeholders; re-evaluate measurements from time-to-time communicate results to stakeholders

Source: Adapted from OECD (2016)

CSV Opportunities and Benefits in Developing Countries

Despite the criticisms, CSV has been applauded for the strengths in appealing to practitioners and scholars, elevating social goals to a strategic level, defining a role for government in responsible behaviour and propagating the idea of "conscious and caring capitalism" (Crane, Palazzo, Spence & Matten, 2014). Moreover, there is growing consensus that through CSV firms can better respond to the societal, environmental and market needs, support business activities, and develop innovative capacity. Moczadlo (2015) argued that Porter and Kramer's CSV bring the business world closer to society's issues as it focuses on unmet needs and under-served markets or Blue Ocean Strategy (Kim &Mauborgne, 2005) and the business model innovation which is a key factor in competitiveness (Scott-Kemmis, 2012). In fact, the shared value has already made some companies like WEG Corporation in Brazil and HP to be industry leaders, improved companies' value chains as well as strengthened local economies in companies such as Intel, Nestle, Unilever and Nepresso, and led to long-term company's profitability, competitive advantage and sustainability like the case of Coca Cola Company.

There are numerous examples of multinational organizations that are either already implementing and investing in CSV or making efforts to implement CSV as part of their business strategies such as: Coca-Cola, Nestlé, Nepresso, Unilever, Intel, Nutreco, McDonald's, IBM, Cisco, Dow, Intel, Becton Dickinson (BD), Novartis, Wal-Mart, Inter-American Development bank, General Motor (GM), General Electric (GE), Google, Johnson and Johnson, InterContinental Hotels Group (IHG) and social entrepreneurs like Gramen Bank in Bangladesh among others (Porter & Kramer, 2011; Porter et al. 2012; World Bank, 2013).

A typical example of CSV is the corporate Water Stewardship Programme particularly the Replenish Africa Initiative (RAIN) water for schools created by Coca-Cola Company in 2009 but presently in 37 African countries. The programme has the intention to provide sustainable and safe water access to 6 million people across Africa by the end of 2020.Similarly, the WASH programme, particularly the RAIN Water for Schools, not only creates social value and but also indirectly promotes business value and contributes to virtuous cycles of creating value for local communities (Mitler, Rostorfer & Ledbetter, 2015). The Coca Cola Company also launched a two-month Coletivo Retail training programme for Brazilian low-income (including youth and students) in 2009 to enable retailers gain hands-on experience, placement and enhance their performance. By 2015, about 25,000 youths have graduated with over 10% of Coletivo graduates setting up their own retail stores with micro-credit support as well as the Coletivo Retail community sales growing on an annual average of 9.5% (Coca-Cola Supports, 2015). Moreover, the Coca Cola Company's 5by20 Initiatives aim to improve the economic empowerment of five million women entrepreneurs within the company's global value chain by 2020 through a combination of core business operations, cross-sector partnership and strategic social investment mostly in developing countries. The Coca-Cola Company began working toward its 5by20 commitment in Brazil, India, the Philippines, and South Africa in 2010. Over, 300,000 women have participated in 5by20 initiatives in 12 countries (Brazil, China, Costa Rica, Egypt, Haiti, India, Kenya, Mexico, Nigeria, Philippines, South Africa, and Thailand) as at 2013. The company expects 5by20 initiatives to reach 1.5 million women in 20 to 30 countries by 2015 and 5 million women in 100 countries by 2020. The Coca Cola's 5by 20 initiatives include: Coletivo Recycling and Artesians in Brazil, Project Nurture in Kenya and Uganda, the STAR Programme in the Philippines, and Kwanza's Micro Distribution Center Model in Tanzania (Jenkins, Valikai & Baptista, 2013).

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The CSV of Nestle for joint value optimization with society encompasses three areas of water, rural development and nutrition. Nestlé aligned corporate vision with a social purpose and set enterprise-wide shared value goals to guide business planning. For instance, Nestlé trains and assists smallholder farmers to foster rural development while ensuring a reliable supply of high quality raw materials. Nepresso's collaboration focuses on three commitments: Coffee, Capsules and Carbon Footprint as well as creating shared value for society. The areas where value was created and shared in McDonald were: employee welfare, waste, climate/energy, animal welfare, water, raw materials and community impact. Unilever's poverty eradication, women empowerment, education of rural dwellers and hand-washing campaigns have recorded a huge success in bringing profitable micro-enterprise opportunities for rural women, reducing diseases and saving many lives of children in Asia and Africa (Kreckova, 2015). Intel tied a portion of incentive compensation to performance on social and environmental priorities.

BHP Billiton invested $50M in northern Chile to create a cluster of world-class mining suppliers. BHP created the "World Class Supplier Program" in Chile which engaged local suppliers to develop innovative solutions to manage various areas of BHP Billiton's operations such as water, energy, human capital, maintenance, air quality, acid mist control, and leaching. The goal of the initiative was for Chile to have at least 250 world-class suppliers that can export their services to mining projects around the world by 2020.The 36 suppliers involved employ 5,000 people, and BHP Billiton has achieved $121m in net present value of cost savings as at 2012 (Porter, 2014) and generated combined sales of $400 million. The social and economic benefits for BHP Billiton include: creation of world-class suppliers for the mining sector and high-quality employment, and reduced cost of inputs, goods, and services. Rio Tinto's Diavik Diamond Mine in Northern Canada worked with communities, contractors, local governments and education institutions to develop a local workforce and supplier base which enables it to hire 62% of its employees, and sources 71% of goods and services locally, saving transportation costs (Porter, 2014). For SNC-Lavalin with interest in mining and metallurgy, oil and gas, infrastructure and environment and power, the Local Resource Development Initiative ™ (LRDI) helps to maximize local benefits and create shared value with communities as the LRDI aligns project objectives with community objectives whenever possible, promotes sustainability opportunities, reduces project costs and generates values for farmers, communities and operating company in many countries of Africa, Latin America and Asia.

Criticisms of Porter and Kramer's CSV

Despite the many benefits and opportunities acclaim to CSV, there are also many critics of Porter and Kramer's CSV (such as Crane, Palazzo, Spence & Matten, 2014; Mohammed, 2013; Denning, 2011 & 2012; Hartman & Werhane, 2013; Wilburn & Wilburn, 2014; Rocchi & Fererro, 2014; Escudero, 2013 and others) who argued that CSV is not new or original; CSV ignores the tensions inherent to responsible business activity, naïve about business compliance and it is based on a shallow conception of the corporation's role in society (Crane et al., 2014). CSV is "undercooked", ignores tensions and differences between societal and economic goals, lacks specific framework upon which shared value creation can be measured (Crane et al., 2014; Mohammed, 2013), can't fix capitalism (Denning, 2011, 2012), incomplete mental model (Hartman & Werhane, 2013), misunderstood concept (Wilburn & Wilburn, 2014), incomplete and process-orientation ignoring the people in the work process (Rocchi & Fererro, 2014), akin to strategic CSR and not a new approach (Escudero, 2013). It has also been argued that the CSV is not different from Elkington's (1998) that focused on the triple-bottom line of economic, environmental and social goals. Again, the main idea is not so different from strategic CSR concept

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Table 7. Examples of created shared value social and economic benefits in developing countries

S/no	Company/ Organization	Country	Initiatives	Social Benefits	Economic/Business Benefits
1	Coca Cola	37African countries including South Africa	Corporate water stewardship and Replenish Africa Initiative (RAIN) water for schools	-Improvements across a wide range of capabilities, both directly and indirectly -Increase in the value of natural capital	Every US$1 invested would yield at least US$2 in benefits, and in some locations it could be over US$11 in benefits for every US$1 invested
		Brazil	A two-month Coletivo Retail training programme for Brazilian low-income (including youth and students employment) in 2009	- 30% of the young people trained immediately land their first job with Coca-Cola or one of its partners - 10% set up their own business with micro-credit support from the company	- Increased sales of Coca-Cola products - Higher penetration of consumers among the emerging lower middle class segment - Better retailer performance and a stronger Coca-Cola brand connection
2	Chevron	Nigeria	Niger Delta Partnership Initiative (NDPI) and Partnership Initiative in the Niger Delta in 9 oil producing in the Niger Delta region and creation of addition value chains	Development of economic opportunities outside of Chevron's direct oil and gas supply chains	Reduction in business disruptions due to greater economic opportunities outside of oil and gas; potential reductions in supply chain costs
			Chevron's General Memorandum of Understanding (GMOU) approach in the Niger Delta for building local governance and decision-making capabilities through delivering value for the business via reduced risk and a stronger operating environment	- Community-led disruptions to Chevron operations dropped from 81 in 1998 to 11 in 2011 to zero in 2012 - Create a platform for communities to debate, discuss, and agree on their priorities	- Create enabling environment for the company to do its business -Significant cost saving in company's operations - Saving of tens of millions of dollars in lost revenues in vandalism and theft
3	BHP Billiton	Chile	Creation of at least 250 world-class suppliers that can export their services to mining projects around the world by 2020	Creation of world-class suppliers for the mining sector and high-quality employment	Reduced cost of inputs, goods, and services
4	AngloGold Ashanti	Ghana	Addresses health problems (endemic malaria) by implementing an integrated control programme involving multiple community-level interventions	Decrease in disease incidence by over 72% in the first two years of the programme	Improved employee productivity, lowered treatment costs, with the number of person-shifts lost per month falling from 7,500 to around 90 in 2012 and declining treatment costs resulting in cost savings to the company of around $600,000 per year by 2013
5	Anglo American	South Africa	Water Reclamation Plant for treatment of water for drinking and irrigation water by the local municipality in the Malahleni and Mpumalanga provinces	Access to potable water in local community, generating 25-30 million liters per day or 12% of the water requirement	Over 60% offset of treatment costs from revenues in water sold to BHP Billiton and local community, reduction in the cost of responsible environmental management and compliance with regulation
6	Banka BioLoo	India	Bio-toilet system to dispose human waste in eco-friendly manner	Improved hygienic sanitation, treated, recycle human wastes and bio-toilet for millions of people	Increased employment opportunity, growing revenues in multi-fields
7	Capital Diamond Star Group with Action Aid	Myanmar	Provide farmers with necessary training, technical and financial skills for optimal productivity, quality livelihood and increased bottom line.	Improved livelihoods through empowerment of farmers, sustainable agriculture and better access to finance and to markets for rural communities	More productive, better quality and more reliable supplier base; stronger, more loyal and better educated customer base

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earlier defined by Porter and Kramer in 2006 (Neves, 2013). Nevertheless, Drucker (1984) has argued that the proper "social responsibility" of business is to tame the dragon, that is, to turn a social problem into economic opportunity and economic benefit". Wheeler, Colbert & Freeman2003 (2003) have also defended that "in certain circumstances the creation of communities and social networks or value-based networks is a pre-requisite to economic pay-off'. The idea that businesses should address new markets based on social issues, being profitable had been presented by Prahalad and Hart (2002) arguing that "low-income markets present a prodigious opportunity for the world`s wealthiest companies to seek their fortunes and bring prosperity to the aspiring poor".

Hartman and Werbane (2013) see Porter and Kramer's CSV as an incomplete mental model with imprecise conception of "profit," overemphasis on the novelty of their theory, and broadly negative description of prior attempts to achieve social progress through private enterprise. They argue that there was no explanation on the calibration of shared value from profits. Besides, some have argued that Porter and Kramer were not the first and novel to propose alternative to the single-minded pursuits of shareholders' gain, and that "shared value" is just one of the many viable means to reconstruct a corporate worldview to tackle new-world social, environmental and economic problems. Moreover, many profitable companies have been successful in addressing social problems through profitable business ventures without the need of the shared value approach. Again, the CSV omits the revision of companies' core mission to reflect the pursuit, not of "profit per se," but "profits involving social purpose". Beschorner (2013) argued that Porter and Kramer's CSV is "neither so radical nor such a departure from standard management thinking" and their ultimate reliance on economic arguments is too normatively thin to reconnect businesses with society. He suggested that prospects for a genuine reinvention of capitalism lie elsewhere. There is also criticism that ethics and integrity is left out of the CSV as well as its measurement. Companies that are most advanced in pursuing shared value lack the data they need to optimize its results. Besides, some of the companies that claim to implement CSV are not doing the right thing (Brown & Knudsen, 2013).

Challenges and Limitations of CSV

Cane et al. (2014) concluded that the short comings of CVS take us further from the solution to a challenge that we are already struggling to address. Although shared value has gained momentum, it is still largely experimental and short-term. Only a few companies particularly multinational companies like Coca-Cola, Novo Nordisk, Nestlé, Intel, and InterContinental Hotels Group among others have enshrined the shared value into their corporate objective and core business strategy due to CSR fatigue. Most companies around the world remain unaware of shared value improvement opportunities and are ill-prepared to capitalize on them when they materialize thereby limiting the company's bottom line and short- changing society of the much needed innovation to solve social problems (Porter et al., 2012). Brown and Knudsen (2013) have argued that failure to appropriately manage shared value could result in wasted resources, unsustainable projects, and in the worst cases, marred corporate reputations thereby resulting in negative social and environmental consequences. This could be as a result of companies' failure to (1) carry through responsible practice in its implementation, (2) change their overall business model to address a social or environmental problem, and (3) discuss how they should manage the complexities and trade-offs required to address social issues.

Again, studies from various sectors (food, beverages, agriculture, pharmaceutical, health care, financial services, extractives, and natural resources) advocated that firms can enhance their competitiveness by embracing the CSV concept in their business strategy (Hills et al., 2012). However, the results are

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mainly based on successful individual cases from large Multinational corporations and the nature of the relationships between CSV and firm competitiveness in those studies is still unclear and has not been verified empirically. Also, examples and number of local listed companies as well as small and medium scale enterprises embedding CSV in their core business or moving beyond traditional CSR to the shared value in their CSR are limited. Haxby, Compela and Weperen (2014) argued that CSV can be complicated because of the diverse interests of each stakeholder and attempts to optimize value for one stakeholder can have a negative effect for others.

It is not easy to measure social activities and their impacts on a company and the economy. There are also several problems in finding reasonable and significant key performance indicators (KPIs) or metrics to measure shared value of the social and business outputs, outcomes and impacts (Giddens, 2011). In fact, the lack of understanding of the interdependency between social and business results by companies limit the opportunities for innovation, growth and social impact (Porter et al., 2012). Despite lot of suggested frameworks and approaches to measure shared value including employee engagement, stakeholder feedback, scalability, growth opportunities, risk mitigation, public policy impact, and brand and reputation impact, there is no holistic framework or universal tool on how to measure value created through CSR. Besides decision making on CSR implementation still remains subjective and one-sided in most cases (Jonikas, 2014). Again, Porter et al. (2012) argued that the framework to link social progress directly to business success and vice versa is still missing Moreover, the relationship between social welfare and company profitability is complex (Lin et al., 2009). The analysis of sustainability results is complicated "due to the wide range of reporting practices for environmental, social and corporate governance risks/opportunities and also due to the difficulty of verifying the accuracy of the information provided by companies" (Székely & Knirsch, 2005). Hidalgo et al. (2014) summarized four interrelated and entrenched challenges that inhibit creation of shared value to include: inadequate organizational structure and behavior or culture, incomplete measurement costs and benefits, low motivation for collaboration and lack of alignment with government.

CSV AND SUSTAINABLE, INCLUSIVE DEVELOPMENT OF DEVELOPING COUNTRIES

The Brundtland Report of the World Commission for Environment and Development (1987) defines sustainable development as development that meets the needs of the present generation without compromising the ability of the future generations to meet their needs. In 2015, the world leaders agreed that the realization of the sustainable development goals (SDGs) by 2030 needs governments' partnership with businesses and other stakeholders. A recent survey by Fleishman Hillard and the U.S. Chamber of Commerce Foundation in May, 2015 identified top 5 SDGs as important to business in the post 2015 to include: build resilient infrastructure (67%), sustain economic growth (65%), achieve gender equality (60%), ensure quality education (52%) and strengthen global partnership (44%). The 'My world 2015' survey by the United Nations put the three top concerns the world over to include: good education, better health care and better job opportunities. The CSV tends to be moving corporations towards the direction of achieving these goals through shared value approach which is premised on the simultaneous realization of economic, social and societal progress. Through the inclusive business strategy, the CSV helps to integrate poor and low income communities into the leading companies' value chains in order to create

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new opportunities for poor people at the bottom of the pyramid, increase their incomes, improve the living standards and create a competitive value chain and long term economic value for the companies.

At its heart, the notion of shared value pertains to the sustainable development of the host community and countries. For instance, the OECD (2016) framework for collaborative Strategies for in-country shared value creation in the extractive sector is a tool for forging a public-private alliance which can be used to advance the sustainable development agenda of 2030 adopted by the United Nations in 2015. Specifically, the OECD framework supports the achievement of SDGs 8 (promote inclusive and sustainable economic growth, employment and decent work for all), 9 (build resilient infrastructure, promote sustainable industrialization and foster innovation), 6 (ensure access to water and sanitation for all) and 7 (ensure access to affordable, reliable, sustainable and modern energy for all). According to Cosbey et al. (2016), the shared-value paradigm, by promising to deliver benefits to host communities, regions and countries, has become increasingly critical for mining companies in securing their social license to operate. The delicate balance inherent in the shared-value paradigm is especially relevant for developing countries and other states (most of which are resource-driven countries) where poverty eradication, social development and environmental protection are urgent development challenges.

Due to the expectations that the application of the shared-value paradigm in the mining and extractive sector would bring substantial developmental benefits to large populations and the link to sustainable development, it has been endorsed to become the mainstay of most major mining policy frameworks such as: the Africa Mining Vision (African Union, 2009), the Mining Policy Framework (Intergovernmental Forum (IGF) on Mining, Minerals, Metals and Sustainable Development (2012), and the OECD Framework on Public-Private Collaboration for in-Country Shared Value Creation from Extractive Projects (OECD, 2016).The International Council for Mining and Metals (ICMM) also reference the shared-value concept in their good practice guidance (ICMM, 2015).Leading civil society organizations working in the area of mining and sustainable development like Columbia Center on Sustainable Investment (CCSI), 2015; International Institute for Environment and Development (IIED); International Institute for Sustainable Development (IISD), 2014; and Natural Resource Governance Institute (NRGI), 2015 have fully subscribed to shared value. Both the developed and developing countries are benefiting and enjoying from the shared value concept as more and more corporations are keying into the social change. While the focus in developed markets is less on poverty but more on education, income inequalities, health and wellness, environment and sustainability, the CSV focus by corporations in developing markets is building capacity and financing, empowerment and entrepreneurship, expansion of the value chain and raising the standard of living in the communities of operations.

Shared value approach has the potentials to foster sustainable development of developing countries as CSV concept is embraced and promoted not only by the few multinationals but all companies. For instance, the activities of Novartis to provide the locals in remote villages with health services and train some of them to be health educators in India, Vietnam, Kenya and Indonesia resulted in over 10 million receiving health education and 750,000 direct health services. The '+' projects by Phillips a multi-sector partnership with governments, NGOs and consumers in Southeast Asia reached over 50 million people in Indonesia, Thailand and Singapore, generating 28,000 social media conversations. The goal was to increase Philips' bottom line and simultaneously have positive social impact. Phillips sourced ideas from local consumers to provide insights that enabled the company to accelerate innovation and ultimately improve the health and well-being of consumers. Vodafone partnered with a Kenyan telecoms firm, Safaricom and created a new market by launching M-Pesa in Kenya in 2007.Vodafone's goal was to support financial inclusion in Kenya through a money transfer solution with a simple key message, "Send Money

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Home", which enabled customers to send money directly between each other using mobile technology. By 2015, M-Pesa is now available in many countries including India, Egypt, Tanzania, South Africa, Democratic Republic of Congo, Lesotho, Mozambique, Romania and Albania with over 19.9 million active customers who used M-Pesa with over 3.4 billion transactions processed yearly.

Following the challenges of a quadruple burden of disease, an undersupply of doctors and an egalitarian healthcare system presented a significant challenge to the healthcare industry in South Africa, Discovery Insurance Company developed Vitality, a behaviour based wellness solution that incentivized healthier behavior by giving customers access to wellness partners such as gyms, empowering them with healthcare knowledge and tools, and offering financial incentives that increased as members engaged with the Vitality programme. The increased health and fitness levels, lowered the frequency and cost of hospitalization and reduced the disease burden of customers improve the financial incentives and rewards that by 2015, the company currently serves over 5.1 million clients across South Africa, the United Kingdom, the United States, China, Singapore, Australia and Hong Kong. Discovery is globally acknowledged as the pioneer of shared value insurance. The shared value presents an open window of opportunities and benefits not only for economic prosperity of business but also the sustainable development of developing economies. Therefore a high level corporate commitment to the shared value concept, and ingenuity of the private sector and business leaders in forming alliances would lead to the actualization of the United Nation's sustainable development goals (UN SDGs) by eradicating poverty in all its forms by 2030.

SOLUTIONS AND RECOMMENDATIONS

In an era of increasingly stakeholders' knowledgeable demands and expectations amidst the increasing global challenges, integrating economic and social goals will demonstrate corporation's real concerns and ability to achieve the "win-wins" of the shared value model, long-term sustainability, competitive advantage and economic prosperity. In order to give concrete meaning to the concept of CSV in developing economies, the companies must change the philanthropic way that CSR is presently conceptualized and organized because of its limitations in helping them to achieve competitive advantages and adequately address societal problems. Based on the shared value approach, companies in developing countries should restructure and prioritize CSR to be part of their organizational culture, value and core business strategy that emphasizes sustainability by redefining corporate leadership and integrating economic and social goals in their business pursuits in addressing societal problems. The integration makes CSR a core element of strategy, structure and process, eliminates distinct CSR functions in the organization and makes CSR a mutual responsibility across the firm - from top down and thereby increasing its credibility and implementation.

However, achieving shared value will require a radical and collective rethinking of management practice by all parties. There must be strong commitment at the executive, top management level and employees; Leading managers of global players as well as of small and medium companies in developing countries must discuss and take CSR very seriously by going beyond "green washing" or "window dressing". They must begin to embrace and transmit the CSV vision and ideology among all employees of their organizations through re-conceiving new products and services in new markets, improving productivity and developing clusters. Therefore, companies would need to incorporate shared value thinking into the operations of employees at all levels of their businesses to really transform capitalism and bring about

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inclusive and sustainable development. The realization of the SDGs in 2030 requires that companies in developing countries have a major mindset change towards the adoption of the CSV agenda. This will involve the companies working inside out and embracing top down leadership, commitment and strategy as well as a bottom up overhauling of the operating models to reflect total commitment; CSV takes time, energy, tenacity and patience to embed and thus the process requires change managers and skilled leaders rather than programme managers (Bockstette & Stamp, 2011; AT Kearney, 2015). In fact, achieving a successful, sustainable and scalable shared value requires significant changes in the way that corporations do business. Therefore, businesses in developing countries must change their business models and current CSR philosophy to include shared value creation and business value sustainability.

Government and regulators in developing countries should recognize their roles in helping businesses to create shared value by focusing on measuring environmental performance and introducing standards, phase-in periods and support for technology that would promote innovation, improve the environment and increase competitiveness of business simultaneously. They would need to limit the pursuit of exploitative, unfair or deceptive practices in which companies benefit at the expense of society. Governments can help companies create shared value by: creating enabling policies and regulations, showing collaboration by acting as knowledge broker, serving as convener of interested stakeholders, acting as operating partner for shared value strategies and incentivizing shared value investments. Regulatory authorities like the National Hydrocarbon Agency (NHA) in Columbia must promote shared value creation through its regulatory framework. Although local content presents one of the clearest opportunities to create shared value, governments in developing countries particularly those with rich minerals and extractive industries must collaborate with companies to access opportunities to deliver real value for business and society across different areas of investments based on shared value approach.

On the other hand, companies must take a long-term view toward solving societal issues that would benefit the business by investing in improved business unit operations' knowledge of societal issues. They should measure societal outcomes and their impact on the business, and work with other multinational companies, NGOs and governments to create shared value. They must also take concrete actions to shift the current dynamic relationships between the corporations and government from one that views for instance extractive companies as contractors who pay for the privilege of carrying out extraction to one that sees these companies as development partners who could help solve societal issues of concern to government and create shared values through direct engagement with various levels of governments and communities, capacity building and indirect support for independent, third-party efforts. Faculties and business schools would also need to broaden their curricula and teaching to include: efficient use and stewardship of all forms of resources, human and societal needs and how to serve non-traditional customer groups; because these would define the next-generation thinking on value chains.

CONCLUSION

The chapter examines CSV and the inclusive, sustainable development of developing countries The CSV is a (r)evolutionary strategic management thinking meant to enhance the companies' competitiveness while simultaneously advancing their economic and social conditions in the society they operate. It challenges the constrained corporate mindset of lip-service philanthropic CSR activities of business over half a century to making it a major solver of society's problems in a much beneficial and profitable ways through creation of shared values. Created shared value tasks companies in developing countries

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to go beyond CSR to addressing social and society's issues in addition to their pursuit of profits by incorporating social and societal values into their economic agenda. The shared values created by these companies in developing countries would give rise to long-term corporate profitability, competitiveness and sustainable development of host communities and countries. Interestingly, evidence abound of companies at least of global multinational and transnational companies in developed and developing countries, which have already keyed into the CSV enjoying immense profits, sales growth and sustainable competitive advantages through integration of social and economic goal while also addressing societal needs. Therefore, companies including extractive and mining industries in developing countries must begin to take a long-term approach to social investments and prosperity of company, host communities or countries by embracing the pillars of shared value of re-conceiving new products and services, identifying new market opportunities and enabling clusters development. It has been demonstrated that the created shared value has the potentials to foster unparalleled economic growth, prosperity and sustainable development in countries when companies start to think a new and look at decisions and opportunities through the lens of shared value.

Although, the created shared value approach is being embraced and applied by most global multinational corporations, there is no known study in Nigeria. Therefore a study of the current CSR practices is recommended on whether the shared value concept is already being practiced by indigenous companies in Nigeria, the influencing factors and challenges of creating shared value in turbulent environments.

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KEY TERMS AND DEFINITIONS

Corporate Social Responsibility: This refers to the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large.

Created Share Value: This is a paradigm shift in corporate social responsibility and sustainability strategy where business create economic values and values for societies through the simultaneous pursuit of economic, social and societal goals. Companies can create shared values through re-conceiving products and markets, redefining productivity in the value chain and building supportive industry clusters at the company's locations.

Shared Value: This can be defined as policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the community in which it operates.

Sustainable Development: This refers to development that meets the needs of the present generation without compromising the ability of the future generations to meet their needs.

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Chapter 84
New Perspectives: Not-for-Profit Organizations in the Advent of the 4th Industrial Revolution

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ABSTRACT

As social and environmental struggles intensify, the raising economic and social role of not for profits will continue to expand globally. Not for profit organizations have the potential to mobilize digitally-enabled communities and to work on various global challenges, overcoming the limitations of governmental institutions, local and short-term perspectives of public administration and private interests of business organizations. The present research aims to reassess the business models and value creation behind NFP operational models, their role for social innovation, the impact of the new technologies and the characteristics of the emerging digital communities. Further, there will be discussed the new perspectives for NFP development as innovative instruments, protecting social interests between government and private organizations, and contributing to solve increasing social problems.

INTRODUCTION

Not for profit – NFP or referred as well as non-government organizations expand globally and have become an important source of economic activity. While NFP organizations have long traditions both in developed and developing countries a recent economic phenomenon is their rising importance as providers of public goods and services (Aldashev, Jaimovich & Verdier, 2016). In the Organization of Economic Co-operation and Development (OECD) countries NFP have become the main public goods and services providers especially in sectors such as healthcare, media, education, arts and poverty relief (Bilodeau & Steinberg, 2006). Quite remarkably, NFPs employ about 7.5 percent of economically active population in OECD countries and even in Belgium, Netherlands, Canada, U.K., USA and Ireland their share exceeds 10 percent (Salamon, 2010). The NFPs sector contributes for 5.3 percent of the USA GDP, employing about 10.1 percent of the USA workforce (Salamon, Sokolowsky & Geller, 2012).

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At a time when public debt is rising and government funding for social services is decreasing globally the activity of NFP organizations and social entrepreneurship is assumed as an instrument to complement governments' financing of social welfare (Dey, Schneider & Maier, 2016). Thus, even in countries where welfare services are mainly delivered by the public sector, the initially auxiliary or complimentary role of private NFP organizations and social entrepreneurship augment. This trend comes along with the increasing attacks against the public sector and the rhetoric that public services in a whole are inefficient, costly and ultimately useless (Archibugi & Filippetti, 2016). Social entrepreneurship emerges as a promise to both generate commercial income and to solve social problems while becoming financially self-sufficient (Dey et al, 2016).

Social entrepreneurship nurtures further public expectation toward NFP's role, promoting social entrepreneurship as more efficient solution for social services procurement and wealth distribution. NFPs are therefore popularized as alternative providers of welfare services, managing deepening social and environmental problems. Moreover, the research in the field of NFPs is largely dominated by enthusiasts who restraint to make critique, over-emphasizing the political arguments and potentials or failing to analyze NFPs efficiency and impact (Chell, Spence, Perrini & Harris, 2016; Dey et al, 2016). Different reports highlight the real controversies and problems with NFP mode of operation, accountability and efficiency, both on local and on international level. For example, in the paper Small is Beautiful (Aldashev, Jaimovich and Verdier, 2016) discussed different problems that NFP organizations experience in the areas as resource allocation and efficiency when coping with environmental disasters.

Aldashev, Jaimovich and Verdier (2016) summarized findings of the humanitarian campaigns evaluations after the tsunami disaster in 2004 in Indonesia and Sri Lanka, comparing them with NFPs campaigns after the earthquake in Haiti in 2010. They concluded that even sufficiently financed humanitarian campaigns manifested numerous problems in relief activities, leading to inefficiencies in the distribution of funds, unsatisfactory plans, cost escalations and many coordination failures, leading to even more weak and inefficient national institutions and devastated local social systems. Several reasons for these fails were outlined, of which one is the rush of too many NGOs to carry out short-term but highly visible (for the donors) activities in disaster-prone areas. Aldashev et al. (2016) derived at a model proving that rent-seeking and ego-utility seeking motives can attract selfish individuals and organizations in the NFP sector, which in turn may end up crowding out and displacing intrinsically motivated agents. Furthermore, selfish motives and motivational crowding out can become increasingly severe as economies get richer and give more generously to the non-profit sector, as in the case of disaster attacks and many international donors. The findings indicate that as NFPs play an increasing role for state-aid allocation of funding, the efficiency and long-term effects on the operations of NFPs could benefit from further exploration.

Not for profit organizations, whatever their scope of operation is, have the responsibility and the commitment to justify their efficiency and capacity to implement development projects. Moreover, new technologies and Internet, social media and virtual communities, NFPs could further transform their financial and operational models for the benefit of all – donors, beneficiaries, public and private entities. Thus the increasing role of internet technologies and platform-oriented business models can additionally help to attain better social effect. Therefore operation of non-for-profit internet organizations and foundations like World Wide Web Foundation, Open-Source software movement, Wikimedia and others can serve as role-models proposing sustainable models for global collaboration and cooperation in a non-profit manner beneficial for all. Internet-based NFPss are global actors, work in international environment and promote global cooperation and services, improving access to knowledge, international cooperation, providing meaningful services to all. As NFPs business models can be successfully applied

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in Internet and IT sector, these technology innovations can enable further scenarios for activating users, developers, customers and partners to solve local, national and international problems.

The present chapter aims to analyze the nature of the NFP organizations and to discuss some of the operational models used by the sector. More specifically how NFP can adopt technology-enabled and networked business models, involving and better collaborating with different stakeholders and communities to provide better value on local, national and global level drive this discussion. The analysis of the platform business models will serve as a matrix for problem solving and value creation from NFP perspective. Providing insights into some of the issues of NFP organizations, are two main problems:

- How new technologies can enhance development of new business models and mode of operations for Non-profit organizations.
- How open business models of Internet-based organizations can be exploited in NFPs perspective.

While private organizations gain more instruments and resources to cope with the new coming economic revolution and to adapt to organizational change, many NFPs and public organizations often work under increasing financial and social pressure. This is due both on the raising expectations from the public and donors, and demand for better Return-on-Investments schemes. But moreover, as developed in Sedlarski (2013), public organizations and NFP work in more rigid institutional framework, slowly adapting to the environment due to many institutional settings (such as lock-in costs, path-dependencies, special-interest-groups pressure and lobbying). Thus providing theoretical research on NFPs business models innovations and analyzing in more details the value-formation mechanisms can help to better conceptualize NFP value-providing network and to reassess their strategies for development. Holistic thinking and a new approach to evaluate the instruments, policies and models could help to manage and to survive the coming challenges.

The chapter first provide a theoretical overview of the main definitions and terms, mode of financing and mode of control specific to not for profit organizations and then discusses business models concepts, value creation and key considerations for service-dominant logic, service provision and welfare services. Key business model characteristics and components which explain the main considerations that have to be taken into account for the NFP business model implementation. An overview of Internet business models used in some NFP organizations and the problems associated with such models will be outlined with a focus on value creation and mechanisms for value formation for NFPs organizations to conclude with emerging and innovative models of NFP financing. This chapter contributes to the understanding that NFPs as institutions, protecting interests of the social community and finally how adoption of emerging technologies can further empower NFPs and increase its perspectives.

BACKGROUND

Defining Not for Profit Organisations

Nongovernmental organizations (NGO) were established in 1945 as a legal form by United Nations (UN). They are any type of organization from non-profit sector that is actively engaged in international cooperation (Willetts, 2009). More specifically, NGOs were designated as group of players who are active in the efforts of international development and increasing the welfare of poor people in poor countries.

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NGOs work both independently and alongside bilateral aid agencies from developed countries, private-sector infrastructure operators, self-help associations, and local governments (Werker & Ahmed, 2008). However, today term NGO become interchangeable with NFP.

According to the UN, any kind of private organization that is independent from government control can be called NGO, provided that it is not-for-profit, non-prevention, and not simply an opposition political party. Not for profit organizations can be largely defined as any form of organization that is banned from distributing net earnings or profits to individuals who exercise control over it, such as members, officers, directors or trustees (Hansmann, 1980). The net earnings should be retained and devoted in their entirety to finance further production of the services that the organization was formed to provide. This basic characteristic of the NFPs is called nondistribution constraint and it is the main factor for differentiation from any other type of business or social organization (Hansmann, 1980). While most of the nonprofits are incorporated and act upon specific legislation framework, not for profit organizations, under the NGO umbrella term, include various forms of cooperatives, spin-offs, private or public organizations that acts under the clause of non-distribution constrain".

Policy-oriented UN defined the term non-profit institution (NPIs) to designate organizations that can be legal or social entities, related for the purpose of producing goods and services whose status does not permit them to be a source of income, profit or other financial gain for the units that establish, control or finance them (UN, 2003). Further non-governmental organizations (NGOs) are defined as private organizations characterized primarily by humanitarian or cooperative, rather than commercial, objectives. Under this definition, NFP pursue activities to relieve suffering, promote the interests of the poor, protect the environment, provide basic social services, or undertake community development (Werker & Ahmed, 2008).

Social enterprise (SE) and social entrepreneurship have emerged recently as alternative organizations in nonprofit sector (Nicholls, 2006). The global popularity of 'social entrepreneurship' is directly connected to 2006 Nobel Prize winner Muhammad Yunus and Garmeen Bank (Dey et al., 2016). As defined by (Dey et al., 2016), social enterprises are businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or community, rather than being driven by the need to maximize profit for shareholders and owners.

The main difference between social enterprises and other NFPs/NGOs is that SE addresses social or environmental problems by employing business strategies and innovative approaches, looking for innovative opportunities to raise funds. SEs are open for innovation and appropriate risk taking (Granados, Hlupic, Coakes & Mohamed, 2011). This means that the ultimate aim of the social entrepreneur is to reinvest revenues into their mission and in the same time to reduce their dependence on external sources of funding and becoming self-sustaining (Kerlin, 2013). The potential of social entrepreneurship become an increasing topic of research and consideration (Aziz & El Ebrashi, 2016).

Mode of Financing and Mode of Operation

As the mission of NFPs/NGOs is by definition to do good things (Werker & Ahmed, 2008), it could be hard to identify hidden inefficiencies or incongruities in the NFP official statements and charters. However, the models of financing and control behind NFPs largely determine their operation. Financing schemes predefine the models of interaction, the models of dependencies and the models of governance behind NFPs. Finally, the models of financing affects the mix of products and services, their quality and

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the efficiency of the invested resources (return on investment) transferred to social impact and social transformation (Aziz & El Ebrashi, 2016). Analyzing the basic models of financing for NFPs/NGOs Hansmann (1980) identify three basic forms:

1. Donative or grant-depending NFPs, receiving most of their incomes as grants or donations, mostly by individuals, other organizations or state. NFPs act as intermediaries who distribute products and services to beneficiaries, in behalf of donors. This is the main model of operation and sustenance for many international foundations and institutions, like Salvation Army, Red Cross, CARE and other working to provide relief of the needy
2. Commercial NFPs receive the bulk of their incomes from prices and fees, charged for specific services. Here NFP organizations are self-sustaining and support their activities by the incomes that they collect from members or customers, who pay a tax for the obtained services, like nursing homes, hospitals, member clubs and others. The main difference in this case is that the donors are in fact the main beneficiaries or end-users
3. Mixed type NFPs, or a combination of funding from donations and commercial services. Here the income comes both from donations and from paid services and fees. Usually this is the type of financing behind universities' NFPs, where part of the funding is paid by donations and alumni support programs, and another part is paid by the fees of the actual students.

To further discuss these approaches, the agency theory is explored. Both commercial and mixed models of NFPs can be highly competitive, outperforming successfully in many cases for-profit companies. However, the mode of financing and control largely depends from the main NFPs sources of income (or the big donors) whose will shall predefine and shape the NFPs policy and agenda. Hansmann (1980) determined that in specific cases people could have intrinsic reasons to prefer different social services (as education, healthcare, social support and others) to be provided by NFPs or public organizations. This can be explained by the contract failure theory of Hansmann (1980) that views NFP organizations as a response to agency problems between consumers and for-profit firms.

Contract failure arises when consumers face an informational disadvantage and are unable to evaluate accurately the quantity or quality of certain goods and services. In such circumstances, for-profit organizations have both the incentive and opportunity to take advantage of consumers by exerting less effort, producing lower quality, or delivering less than the promised quantity (Hansmann, 1980). However, it's not clear if NFPs can overcome these problems, as they are in fact "private" agents, but acting "outside" the main market forces. For example, according to data of US National Center of Educational Statistics available on (http://nces.ed.gov/fastfacts/display.asp?id=76) for the 2013–14 academic year, annual current dollar prices for undergraduate tuition, fees, room, and board were estimated to be $US15, 640 at public institutions, $US40, 614 at private nonprofit institutions, and $US23, 135 at private for-profit institutions. Thus taxes for universities and colleges in USA show how NFPs can act opportunistically.

Furthermore, grant-based NFPs meet other types of problems coming mainly from the intermediary character of the NFPs' activities and the indirect relationship between the donors and beneficiaries. The logistics of transferring donor's payment to final goods and services on behalf of beneficiaries can be very complex, involving various international organizations, environmental conditions, institutional pre-conditions and public authorities' approval. Usually these NFPs have to overcome various dependences and limitations, transferring money and support to the needy (Aldashev, Jaimovich, & Verdier,

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2016). To enhance the understanding of the complex issues, some of the main problems in financing structure and support and agency theory, public funding and government grants, support organizations are further discussed.

Agency Theory Funding and Operations

The agency relationship is defined as one, in which one person (the principal) engage another person (the agent) to perform some service on his behalf which involves delegating some decision-making authority to the agent (Hill & Jones, 1992). From methodological point of view, the principal-agent relation is closely related to risk sharing, hidden efforts, monitoring, hidden characteristics, screening, and self-selection (Spremann, 1987). The agency theory is well studied in the for-profit companies and private relationships (as problems between shareholder-manager, employer-employee and investor-investee). Further there are well investigated interrelationships due to hierarchy and information asymmetry (Spremann, 1987). The main assumption of the Agency theory is that the interests of the principal and the agent diverge. Thus the agent will try to maximize its utility function on the expense of the principal. This can lead not only to direct loss for the principal, but as well to not-realized potential gain. Thus the agency problem become a corner-stone for organizations and the agency cost occurring in these relationships is identified such as: residual loss, monitoring expenditures and agent bonding expenditures; Moreover it's worth to mention that agency theory asserts that natural selection processes favor governance structures that economize on agency costs (Hill & Jones, 1992).

Recent research on agency theory reflects the operation of NFPs/NGOs (Van Puyvelde, Caers, Du Bois & Jegers, 2012). While there can be classified six categories of principal-agent relationships in NFPs (Van Puyvelde et al., 2012), the most important issue remain the relationship between the donors and the NFPs principal activities. As authors further summarize some of the main problems for the nonprofit organizations include the lack of shareholders who are legally entitled to financially control their agents (in this case all the decision-making is in the hands of the NFPs/NGOs executives), the nature of the work projects that can be hard to control as they are complex, hard-to-define by objective functions; the difficulty to measure accurately the NFPs output and investments in operations, the lack of financial measurement of the managerial performance and the lack of effective control mechanisms. All issues can lead to significant agency problems.

Even if Steinberg (2010) concludes that the presence of multiple principals with different objectives hinders the potential of agency theory to resolve questions of nonprofit accountability, in many cases due to the Agency costs, donors can pre-define NFPs services and products provisions. Mainly by donating to a nonprofit organization, private and corporate donors become principals who delegate decision-making authority to the organization and thus can further effectuate control partly or fully on its activities. Therefore the agency costs will apply mainly to donor-NFPs management relationships. Thus agency costs, such as monitoring costs, bonding costs, and residual loss will increase the transaction costs, but in the same time these additional fees will predefine the donor's interests to support the NFPs/NGOs activity. Especially in the case of public/government funding, organizational funding or substantial private funding, donors will require specific clauses and contractual relationships that can control NFPs/NGOs activities. Some of the main agency costs for NFPs/NGOs are (Van Puyvelde et al., 2012):

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1. First, to improve the access of information, the principal may require additional efforts from the agent on providing evidences - information, monitoring and reporting, increasing paperwork and reducing capacity of the NFPs to perform its main work.
2. Second, there could be identified different ways to replace the compensation schemes from effort-based pay (for example – per hour) to outcome-based pay (paying for final product or outcome, as in many service or project-based contracts). But this can be difficult in the nonprofit context due to the problems of accurately measuring the performance and difficulty to define the final outcomes.
3. Another approach is by improving accounting and financial information from NPFs financial reports. Thus nonprofit financial reports can be divided into four categories: (a) efficiency variables that represent the degree to which the organization allocates resources to its mission, (b) financial stability variables that refer to the ability of the organization to continue operations if faced with a decrease in resources, (c) fundraising variables that serve as proxies for the amount of information available to donors, and (d) variables that represent the reputation of the nonprofit organization, such as the size or age of the organization.
4. Finally, from a signaling perspective, donors are willing to finance nonprofit organizations audited by a high-quality auditor, which further increase NFPs/NGOs transaction costs.

The findings suggest that in the case of NFPs agency costs can represent substantial transaction costs and can provide further problems for organizing the activity. Looking for overcoming this problem (for example, by orienting to one or two main donors) can be a question of long-term survival. This fact can further explain why NFPs are much more reluctant to provide short-term evidences and information reports to their donors, than to work for effective and long-term solutions for their beneficiaries (Aldashev, Jaimovich & Verdier, 2016). The nature of the relationships between NFPs/NGOs and their donors can further determine some additional and substantial limitations and obstacles for finding the best possible solutions for the needy.

In addition to agency theory Van Puyvelde et al. (2012) conceptualize the stewardship-based approach that stipulates that nonprofit organizations are motivated to act in the interests of their donors. Kelly (2001) proposed four stewardship strategies that nonprofit organizations can use to develop a favorable fundraising relationship with their donors: reciprocity, responsibility, reporting, and relationship nurturing.

1. Reciprocity requires that NFPs demonstrate gratitude toward their donors, like thank cards, note of appreciation or offering them a tax-deductible receipt.
2. Responsibility means that nonprofit organizations act in a socially responsible manner to their donors, for example, by considering them when deciding how to use their donations or by telling them which project their donations will fund so that they feel confident that their donations will be used wisely.
3. Reporting means that nonprofit organizations should inform donors about how they have used their donations by providing them with accurate financial information.
4. Relationship nurturing refers to continued relationship building with donors outside the fundraising context, for example, by inviting them to special events.

To mitigate the risk, NFP need adopt different tools, such as monitoring mechanisms, trust-building relationships, reputation, open-doors incentives, and sanctions in contract relationships to achieve goal alignment between the parties to the contract and reassess the Agency costs. Further, as Werker and

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Ahmed (2008) comment, the increasing professionalization of NFPs and the increasing management competences and abilities of the NFPs management boards allow them to develop their own professionalized class, better negotiating contracts and terms and conditions with the donor organizations.

However, the question from the Agency theory is about the relationships between donors and the efficiency of their operations and the quality of the goods and services provided to final beneficiaries. In this sense, it is worth highlighting the findings of Werker & Ahmed (2008). Werker and Ahmed (2008) argues that the strengths of the NGO model produces corresponding weaknesses in agenda-setting, decision-making, and resource allocation, further leading to the debate whether NFPs provide the best alternative for resource allocation and problem-solving.

State Aid, State Financing, and Public Funding

Global numbers show that public financing for both grant-based and commercial NFPs is increasing, and thus various NFPs can be subsidized through different public schemes. However, the policy efforts for *small governm*ent, public service outsourcing and government aids can have further implications both for NFPs, for beneficiaries and for the efficiency of the services, financed by public sources. On one hand redistribution of public funds and outsourcing of public activities through different competitive systems for state procurements make it possible for more NGOs to find competitive and more stable sources of income. On the other hand, the reduction in communication and transaction costs and better access to information has made it easier and cheaper for social entrepreneurs and NFPs to organize and to compete for public financing and procurement contracts on a global scale (Aldashev, Jaimovich, & Verdier, 2016). This combination has provided the fodder and catalyst for many NGOs to take off with a momentum of their own.

However, as discussed above, due to Agency-based theory, government funding can directly affect the work of the NFPs/NGOs in different ways as for example through undermining the independence of nonprofits (and their course of action) or pushing them to change their approach to client service or staffing. Moreover, as summarized by Marwell & Calabrese (2015) government funding creates inefficiencies and increases transaction costs for nonprofits and this can push away the private donors. Obtaining subsidies or state contracts can result in less fundraising efforts and costs, and thus many NFPs/NGOs prefer to work with public funds. However, as different authors outline, subsidizing authority can impose increasing requirements for monitoring and paper work and explicit restrictions on other fundraising expenses and thus can make NFP/NGO increasingly dependable, leading even to hidden subsidizing for public services, as proved further in the work of (Marwell & Calabrese, 2015).

State funding to NFPs can have some important political and social characteristics. As Salamon (1997) underline, in case of public/state funding, it's very important to make the difference between charity and provision of social rights. Thus, when nonprofits use government funds to assist individuals, nonprofits are not providing "charity" services but rather then they are securing specific "rights of citizenship". Therefore social rights, as distinguished from both civil rights and political rights are affirmative government guarantees of conditions of well-being for their citizens.

Marwell and Calabrese (2015) further open the debate about how government's provision of social rights for citizens can be secured by private non-profit organizations using public funds and whereas the state can properly be considered as a guarantor of social rights when nonprofit organizations have to fit this bill. Therefore, in their research they illustrate that poor mechanisms of state/public funding of NFP/NGOs further undermine their capacity to provide quality services and to guarantee the social rights to

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citizens. Moreover, government funding generates significant transaction costs for nonprofits in terms of additional personnel, required to manage the contracts and additional financial costs, caused by the delays in contract payments, requiring additional funding (obtained by private loans, bank financing, donors' funds and others).

Another problem comes from the fact that more government services are allocating state funding and policy provision to NFPs/NGOs organizations. Thus different public services tend to outsource aid delivery to NGOs, following the concept amongst all organizations to outsource their non-core functions (Werker & Ahmed, 2008). This initiative comes as well from the effects of devolution and privatization on government service provision. In part this is driven by market and political ideologies that have their roots in perceptions about greater efficiencies and innovations arising from the private sector and broader support for smaller government (Van Puyvelde et al., 2012). All these initiatives for further "outsourcing" public services, paid with tax funding, can both generate inefficiencies due to agency costs, and moreover, can artificially drive to "competition" among social/subsidized service providers, who will additionally compromise the interests of the final beneficiaries, especially in areas of complex services provision, where the quality and the amount of work is hard to be proven.

International Financing and State Aid Distribution

When discussing state financing, it becomes especially important to mention the rising role of the NFPs in international support, grants schemes and aid distribution. This is explained by the fact that state aid and international organizations support is increasingly provided through the form of NFPs project-based funding. Thus many international NFPs structures are extensively financed by state funds, replacing or substituting other forms of state aid. As explained by Aldashev et al. (2016), international NFPs started to act as large state aid intermediaries, becoming part of international public relations and intergovernment policy.

This trend is to a large extent the result of the growing disillusionment in government-to-government project aid, often considered to be politicized and easily corruptible (Alesina & Dollar, 2000; Kuziemko & Werker, 2006). Therefore, the rise of the NGOs intermediation in international aid provision and support has meant an increasing emphasis of project ownership, decentralization, and participatory development. Thus, the largest single financial contributor to non-governmental organizations is often contribution from national government (Werker & Ahmed, 2008). This can generate additional agency costs, as NFPs/NGOs have to increasingly conform not only to the best practices of delivering services to beneficiaries, overcoming day-to-day struggles in international environment, but should further respond on other policy implications both in donor countries, in government policy and abroad.

Raising Role of NFPs Support Ecosystem and Intermediary Organizations

In many cases, NFPs are financed and supported through more complex structured networks of intermediary organizations that can lead to substantial effect on their operations (Dey et al., 2016). More specifically, NFPs intermediary organizations provide not only funding, but different forms of support and environment, that can further stimulate social innovations, social entrepreneurship and forms of profit/not-profit/public and pro-bono cooperation. Especially in recent years, there are promoted different public-funded schemes that not only facilitate the access to resources, but allow more organizations and professionals to enter to NFPs and to develop social innovations projects.

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Intermediaries and NFPs support organizations can be further identified as organizations whose main purposes are to provide various forms of services and environmental support for NFPs and social innovations. Some of the activities can be structured as: raising awareness, organizing social innovation competitions and public events, distributing awards and promoting best practices, providing trainings, distributing various forms of loans and debt financing, establishing and lending subsidized workspaces, providing incubation services or networking and business services, designated for social entrepreneurship and NFPs. Intermediary organizations can provide as well more traditional forms of services and support, such as legal help, business planning, money or legitimacy promotion agencies, incubators or field building actors– as pre-eminent actors in defining the meaning of SE (Dey et al., 2016). This ecosystem shift toward more "social innovations" and social entrepreneurship leads to the consequence for the rising number of social entrepreneurships funding, and in a whole as raising the role of SE as suppliers of social initiatives.

However, many of these support initiatives and intermediaries programs are transferred from the vibrant technology innovation start-up ecosystem, successfully fueled by business angels, venture capital funds, private investors, university programs, science conferences and research initiatives, government support schemes and others. As current literature further insist, some of the critiques of social entrepreneurship is that "social change" is not specified whether it should be incremental (i.e., addressing market failures through innovative products and services), institutional (readjusting existing market structures) or disruptive activity (aiming at systems change, (Nicholls & Murdock, 2012) quoted in (Dey et al., 2016). Thus when discussing the raising role of social innovations intermediaries, more specific attention should be paid on their ways of directions for promoting specific social innovations and NFP activities.

Another aspect of the agency theory and the raising role of the NFPs can be further derived by the special forms of governance, control and public treatment of the NFPs. As defined in Hansmann (1980) the crucial factor of the NFPs/NGOs governance is the patron, or the person who constitutes the ultimate source of a non-profit income. While in the most cases the patrons for small NFPs are many donors (for donative NFPs) or customers (for commercial NFPs), the largest foundations and charity organizations depend more substantially from single-source private donors. In the previous paragraphs we discussed how government and public funding can increase the agency costs of the NFPs/NGOs and this can lead to further diminishing the quality of the services provided to the beneficiaries.

In the case of private-owned NFPs governed by wealthy individuals or patrons, it is evident that NFPs activities and programs for beneficiaries cannot hurt the interests of the patrons. The emerging agency problems in this situation come from the fact that sometimes the interests of the beneficiaries (and the society as a whole) and the private interests of the wealthy individuals (NFPs/ patrons) can differ substantially. Thus in many areas, where NFPs gain increasing impact as for example in the field of breakthrough research, new technologies and health care, education and others, private interests can be divergent from the public ones. Moreover, the increasing role of the NFPs both on national and international scene can further extend and reshape political and economic processes, hindering the role of the state to assure the democratic rights and promoting private-dominating practices.

As the legal form of NFP brings many in-kind, financial and social benefits to donors and patrons, they can be successfully used as tax haven for personal fortunes or as instruments for hidden political and economic dominance. As NFPs are subject of special legal and tax treatment upon specific conditions as for example favorable corporate income taxation, better rules for social security, unemployment insurance, minimum wage, securities regulation, bankruptcy, antitrust, unfair competition, copyright, postal

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rates and others (Hansmann, 1980). All this can further attract "selfish" individuals and profit-seeking agents that can try to exploit NFPs/ for private interests. More specifically different examples suggest that NFPs can accumulate and distribute significant amount of funds that can be further employed for economic and politic pressure on international and local actors and economic processes. For example, one recent investigation in press (Rossell, 2015) show up how two large foundations invested more than 196 Millions USD to "push Internet regulations". Moreover, the NFPs sources of political and economic influence can be invisible through different forms of networking support and hidden subventions that can be hardly followed.

BUSINESS MODELS, SERVICE PROVISION, AND VALUE CREATION

Business model describe the internal logic and the processes of organizing an activity for delivering value for end-user. The business model is the conceptual model of business functions, structure and systems that constitutes company´s operational and physical form (Osterwalder, Pigneur & Tucci, 2005). The business model is centered on the value provided to the customer and how it is produced and financed. The research on business models expands recently, both for profit companies and for non-profit organizations (Wirtz, Pistoia, Ullrich, & Göttel, 2016). The increasing interest to business models is due to ICT and Internet technologies that are considered as main source of differentiation (Ostenwalder et al. 2005). Thus both for profit and not-for-profit organizations can improve and enhance further the way they conceive business with adopting innovative and technology-based approach for connecting with clients, suppliers and value-defining network.

Lindgardt, Reeves, Stalk and Deimler (2009) states that business models consist of two main elements: value proposition and operating model. The value proposition stands for what is offered to whom, and it covers three main dimensions – target segment, product/service offering and revenue model (financial model). Therefore, the model of value proposition for NFPs/NGOs should strongly correspond to the interests of the beneficiaries. More specifically, as Aziz and El Ebrashi (2016) suggest, the main mission and value proposition for social enterprises (and for all NFPs as well) is to create "transformational impact", and their success should be measured by the magnitude of the provided social impact. Thus "value proposition" in the context of NFPs/NGOs should be understood as general transformation of the context, leading to meaningful, long-term impact and improvement of the situation.

On the other hand the operating model describes how to efficiently deliver the offering and include business choices of value chain, cost model and organization of value-delivering network. Thus the operating model of NFPs should discuss more specifically how to optimize the efficiency of the offering and how to extend services, involving communities and potential networks of interested suppliers.

While the research literature in the field of business models for social entrepreneurship is recently exploding (Wirtz, Pistoia, Ullrich, & Göttel (2016), we will further concentrate more specifically on new technologies and Internet and how they can extended business models of the NFPs/NGOs in order to optimize their value proposition (for beneficiaries) and their value offering (or efficiency of service provision). Therefore, more attention will be put on two main approaches – pipeline view of the business models (connected with traditional organizations) and the emerging platform view of the business, becoming popular recently after UBER (Van Alstyne, Parker, Choudary, 2016). NFPs offer value for customers and beneficiaries and the specific characteristics of value requires further discussion.

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Traditional Model

Historically, non-profits and particularly commercial non-profits emerged mainly as providers of services. Some of the reasons include the limitation to raise capital (due to non-distribution constraint) and the limitations to secure additional debt, in order to set more capital-intensive organizations (as for example manufacturing or industry organizations). NFP organizations operate primarily directly in the field of service provision (as in the case of education, healthcare, social care…) or in resource allocation (charity distribution), providing additional services for collecting goods (money, food, clothes and other) and distributing them to the needy.

As Van Slyke (2007) maintains, NFPs are usually specialized in social services that can be characterized as complex services, requiring substantial expertise and capacity to provide. He underlines a number of challenges for providing social services (Van Slyke, 2007). First, social services are more complex to evaluate than the industrial goods and their quality and efficiency may vary by both external and internal factors. Furthermore, it's more difficult to mitigate the risk in the service sector (especially in social services) and to measure directly or to evaluate indirectly the quality of the obtained services, as services are personal and labor-intensive and their reach cannot be assured. The main issue is that neither the efforts nor the quality of the service provider can guarantee the successful outcomes of the service systems and its final results (as for example – a scientific breakthrough in university research, or successful healing of every disease). Thus within the service-system focus should be put on improving the processes of service delivery and not the attainment of final assessments or results.

Service-Dominant Logic and Value Creation

Recently, many scholars contributed to the evolution of service science, clarifying some of the basic concepts behind the fast-developing service sector (Vargo & Lusch, 2004, 2016). In general, services can be defined as intangible, non-material transactional configurations that cannot result in ownership (Beltagui, Riedel & Pawar, 2008). While traditional definitions of services describe them as "activities, deeds and performance", the evolving understanding of services is the application of competences (skills and knowledge) for the benefit of another party. The benefit provided through service is value, that is, an increase in the viability of the system (individual, family, firm, customer) under consideration, which arises as actors in an exchange integrate their varied resources (Barrett, Davidson, Prabhu & Vargo, 2015).

The competencies to provide a service can be manifested in a complex combination of goods, money, activities and institutions within a complex and social service system (Ng & Maull, 2009, Vargo & Lusch 2004). The key characteristic that differentiates a service system model from the traditional economic transaction model is the interaction with the customers as active participants in the service process (Fitzsimmons & Fitzsimmons, 2006). It is important to note that the most important feature of the service system structure consists of institutions and institutional arrangements (Vargo & Lusch, 2016). Furthermore, based on the evolved S-D model, Vargo and Lusch (2016) defined 11 Foundation Premises (FP) that constitute the basic foundations of the service science. Three general perceptions of services which are:

1. Value is co-created by multiple actors, always including the beneficiary (FP6)
2. Actors cannot deliver value but can participate in the creation and offering of value propositions (FP7)

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3. Value co-creation is coordinated through actor-generated institutions and institutional arrangements (FP11).

Value System Model

Value is generally considered to describe either the importance of something or its worth (Yusof, 2010). In traditional literature, leaded by Good-dominant (G-D) logic, value is understood as intrinsic or exchange-based. The intrinsic value is constant and do not depends on circumstances or time, while the exchange value reflects the price variations at the time of the exchange (Yusof, 2010). Thus the intrinsic value is usually attributed to the product's costs and alternatives, while the exchange value reflects the market dynamics (Supply-Demand processes) and the prices of the competitive/complimentary goods and goods elasticity.

Goods Dominator

While within Goods-dominant (G-D) logic the producer is conceptualized as creator of value and the customer is a final user or destroyer of value, in Service-dominant (S-D) logic, the both parties are resource integrators (FP 9), actors in an "A2A" (actor-to-actor) relationship, who jointly co-create value (FP 6). However, resources are valuable only within particular social context and the respective social system. Moreover, as (Edvardsson, Tronvoll & Gruber, 2011) highlight service provision can lead to power and information asymmetries, including such phenomena as opportunism, deception, persuasion and seduction. Additional research have to focus on how power relationships influence service exchange and value co-creation, and how various actors perceive the value being created in the service exchange.

Service Dominator

Thus within the service-dominant logic the value is no longer characterized as value-in-exchange, even neither as value-in-use (Ng & Maull, 2009), but more specifically as "value-in-social-context" (Edvardsson et al., 2011). This means that an individual's value perceptions are, at least in part, dependent on the relative positions of the individual within the wider social context, depending on much larger extend to its social environment and its social role. Moreover as Vargo & Lusch (2016) underline, the most important features of the social structure consists of institutions "rules, norms, meanings, symbols, practices, and similar aides to collaboration" and, more generally, institutional arrangements and interdependent assemblages of institutions. Therefore the concept of value-in-social-context (Edvardsson et al., 2011) can extend our understanding about service-provision, as the value is due not only on the possession/exchange/use – but more specifically on the social context, defined largely by institutional premises;

Focusing more specifically on customer value, in traditional for-profit firm, it can be simply defined as what customers get (benefits, quality, worth, utility) versus what it costs him (price, costs, sacrifices) (Yusof, 2010). More specifically, to identify the term "customer value" Zeithaml (1988) explored the concepts of perceived price, perceived quality and perceived value and found out that customers thought of value in four ways: "value is low price; value is whatever I want in a product; value is the quality I get for the price I pay; value is what I get for what I give. Extending these findings to the case of NFPs/ there can be made the following observations. The NFP customer -the final beneficiary is not expected

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to contribute substantially to the costs (as they do not have to pay the (full) price, or their costs are substantially lower than in the market situations). However, from theoretical point of view, there should be a balance between what the beneficiary gets: "quality, worth, utility, benefits, anything that I get and what they give. As literature suggest, this equality will generally depend from more complex social and institutional context.

Institution Dominator

Thus, in the case of NFPs beneficiaries, the price of getting products and services could be much more socially-determined and linked to social elements and human standing in the social structure. Therefore becoming "beneficiary" of the NFPs services can have a specific social price as it can designate a person in a weak social status (illness, aging, poverty, need to be supported, addiction, social exclusion, ignorance, family problems, loneliness, lack of support etc.). This means that the status of beneficiary" of the NFPs can hurt person's social standing and social position, including his/her dignity, self-confidence and self-respect, social networks and motivation for improvement and change. Therefore, when considering beneficiaries and actual receivers of NFPs/ products and services qualified as charity, we have to admit the social and emotional price that they have to pay. That is largely influenced by social context and institutions (rules, norms, social practices and others). Thus the perception of value-in-social-context should lead to better understanding of the real social costs and social values associated with the work of NFP organizations.

Many NFPs provide public services that cannot be attributed to specific target users or where the impact could be evaluated only as long-term and for the benefit to all. Based on the taxonomy proposed by Simmons (1998) the not for profit activities can range in the fields such as: advocacy; information gathering and analysis; information dissemination; generation of ideas and recommendations; monitoring and watchdog role; service delivery; meditation/facilitation. There, the final impact of activities cannot be measured with terms such as value-in-context, as the results from activities as research, raising awareness, improving the social rights and environmental protection can lead to more general institutional change that can make a better life for all. Good examples of organizations that strive for institutional change can be Amnesty International, The World Conservation Union, Reporters without Borders and others.

Simmons (1998) maintained that in the early 1800s, the British and Foreign Anti-Slavery Society were the driving forces behind government action on the slave trade, and Anglo-Oriental Society for the Suppression of the Opium Trade were leading influential antidrug movement, that culminated in the 1912 Hague Opium Convention. Therefore, the work of the not for profit organizations should be defined as crucial for the institutional paradigm shift, in the way that NFPs organizations can actually change the institutional settings, overcoming the institutional dependencies and provoking new legislation frameworks, better understanding of social and environmental problems, breaking cultural norms and leading to more substantial transformational changes.

Operational Model of Business

To evaluate the operating models and how not for profit organizations mobilize resources to provide value for the beneficiaries and the society, the concept of Hansmann (1980), is discussed. Hansmann (1980) explored 5 specific situations, where NFPs can play specific role to:

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1. Act as intermediary organization, collecting and distributing goods and services from donors and delivering them to different recipients and end-use
2. Work for the procurement of "public goods" that would be difficult to be enjoyed by a single person, but can contribute for everybody (for example environmental protection, social rights, health research and others)
3. Finance NFPs working in the narrow fields of expertise or interest and operating in terms of price discrimination. In this case, it is observed the problem of subsidies (donations) and collected ticket prices for specific art events, museums and performances, where the final price is distributed on several groups of persons
4. Work in situations of implicit financing (as alternative for loans/debt financing), where the alumni donations actually represent additional payments to the reduced costs of the received services – as in the case of university education
5. Coordinate complex services that require better coordination of various contributing organizations and fields of expertise.

As many scholars have shown (Dey et al., 2016, Chell et al., 2016, Aldashev et al., 2016 to name a few) it is very difficult to set specific standards for measuring and determining the social value or the mechanisms by which NFPs operate for accomplishing their mission. Thus, the final goal is that invested money and efforts by NFPs organizations lead to more substantial transformational change and long-term impact for the beneficiaries and for the future development. One of the main problems, as recognized by Simmons (1998) is that NGOs become source of pressure and influence since they get increasingly financed by national governments, organizations and private interests. Thus NGOs, governments and multilateral institutions need to ensure public participation that draw on expertise and resources of NGOs, innovation, sense of purpose, commitment and freedom from bureaucratic constraints (Simmons, 1998).

Controversies With Business Models

There is abundant economic literature that discuss the controversies of NFPs organizations, their benefits and limitations. For example, one of the widely-discussed controversies comes from the fact that NFPs work largely with voluntary work, with non-competitive HR policies and staff incentives. Different studies pointed out that NFPs could use other forms of compensation of their staff as reduced labor service, non-material stimulus and others (Marwell & Calabrese, 2015, Aldashev et al., 2016). Moreover, as there lacks profit or financial results that can motivate the management body, different researchers pointed out that it would be difficult to attract competent experts in the field. However, empirical data prove that NFPs attract many professional employees and provide competitive salaries that are close to the public sector, but less than the private companies. Further, instead of working less, some in-house inspections of time schedules show that even the permanent staff of NFPs works voluntary and provide more services. Even the research of (Marwell & Calabrese, 2015) demonstrated how private NFPs subsidized in fact public funded services as social care. As Aldashev, Jaimovich, & Verdier (2016) state, NFPs work have to be primary intrinsic motivated, leaded by internal and altruistic intentions and mission-driven. Furthermore, in specific cases, the market dynamics and the easy access to (public) funding can attract some profit-oriented organizations and rent-looking entrepreneurs;

A major controversy is that non-governmental organizations, especially working as distributors of charities delivers goods and services to a population that provides little feedback on the range or qual-

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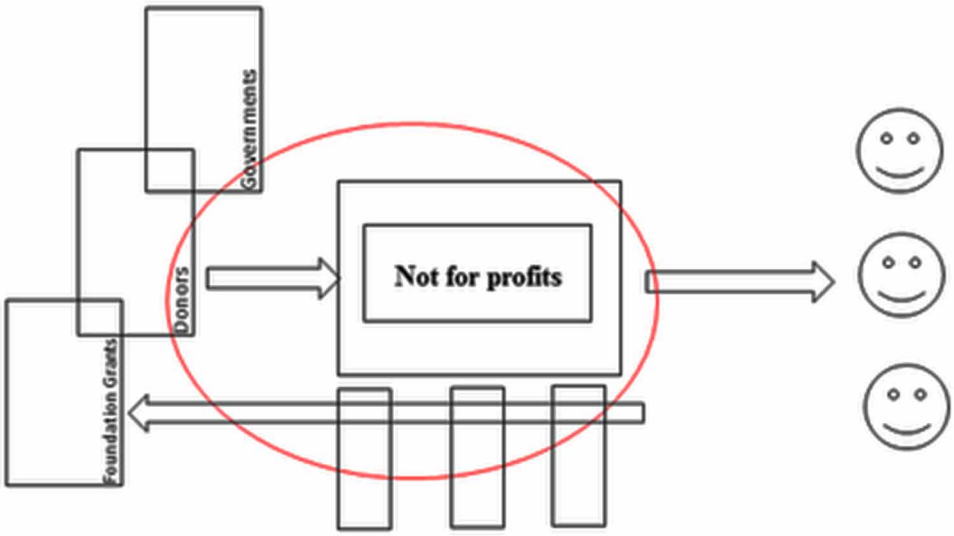
ity of the delivered products. This comes primary by the consequence that NFPs are more interested to guarantee donor satisfaction than beneficiary welfare. For instance, if donors expect that charity products or services should be with inferior quality than market-traded products/services, then NFPs should provide evidences about the wisely use of the donations. Indeed, donations are the only "market force" in the non-government sector industry, where donors can be viewed as desiring to improve the quantity and quality of the product of the NGO without having their donation expropriated. In this instance, the donor and funding base of NGOs will reveal the primary set of interests that a NGO is forced to manage (Figure 1).

Some other problems of NFPs operations come with the fact that it is in neither the interests of the NGOs nor the official donor agency, complicit as a funder, to publicize less-than-stellar results (Riddell & Robinson, 1995). In addition, public opinion of non-government organizations is is generally high in rich countries and poor countries alike, so the demand for rigorous and critique evaluation is correspondingly low (Barr & Fafchamps, 2006). Too many actors, lack of coordination to achieve efficient result, too many stakeholders separating fund-raising to actual work by subcontracting it to local NFPs where there can arise some agency problems and too many missions without clear understanding of NFPs efficiency impede improved operations of NFPs. Furthermore, fund and resource allocation and how these pass through multiple channels, from the taxpayer (public funding) to a bilateral aid agency, to an intergovernmental organization, to an international and finally to a local organizations before being finally spent on goods or services is increasingly a problem. Additionally, whether NFPs collectively are better at development than public or private-sector institutions is increasingly questioned. Moreover, as evaluations that allow for causal inference are rarer, substantiating the quality and effectiveness in NFP organizations, although increasing, remains a challenge.

Figure 1. Traditional (pipeline) model of financing, control and operation
Source 1 Antonova (2016)



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BUSINESS MODELS

Successful business models have in common that they are designed in a way to reduce the upfront investments, to accelerate the revenue/receivables and cash inflow and to obtain reliable customer feedback often and earlier. Chen (2009) pointed out that business model in the twenty-first century has to combine the capabilities of Web 2.0 as collective intelligence, network effects, user generated content, and the possibility of self-improving systems. He emphasized that Business Model 2.0 should include not just technology but also the networking and open business effect. Thus in coherence with Web 2.0 movement it is identified Open Business models. For the NFPs/NGOs, open business model mean business models that do not restrict the results of the innovation to the rest of humanity, open business models cannot be based on restrictive forms of intellectual property.

Open Business Model

Open business is in general the concept of doing business in a transparent way by intimately integrating an ecosystem of stake holders and abiding by a model of transparency. Often, small minorities harness the business benefits away at the cost of other stakeholders and the market. Open Business structures seek to rectify this. They activate personal productivity like no other organization can by simply redirecting the returns to those that produced them, and by their nature, the individuals themselves play a central role.

A more strict definition is inspired by free software movement, open standards, open source and open content, which implies that an open business, is a business whose business model is run on open standards, "free software" and "open source" software and open content principles, and focuses on creating `open´ products and services. This approach would guarantee that the business is run for the benefit of all, and not just for one group or stakeholders, whether shareholders, personnel, government etc. Also the strict application of open principles will guarantee that bankruptcy of a specific open business will not result in the loss of the fruits of its knowledge. Some of the basic characteristics of an Open Business Model are:

1. Transparent business exchanges and production of products or services, with transparent processes.
2. Majority-oriented as a commitment for the majority of involved people:
    a. Sustainable by caring for a sustainable local and global system.
    b. Wellbeing-oriented, giving the health and wellbeing of people the highest preference.
    c. Flexible, opening up space for people to grow, communicate, build trust and relationship.
    d. Flat, taking measures to devolve power over decision making in different ways.
3. Wealth-sharing, offering shared revenue.
4. Location-independent, encouraging distributive production.

Furthermore, it is important to state that open business models generated the momentum and paved the way to the emergence of more complex platform business models. As stated in (Van Alstyne, Parker & Choudary, 2016) the platforms businesses have existed for years, like malls that link consumers and merchants. However, the difference emerged with the ICT and the reduced needs to possess physical infrastructure and assets, as IT makes building and scaling up platforms vastly simpler and cheaper. This allows nearly frictionless participation that strengthens network effects, enhances the ability to capture,

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analyze, and exchange huge amounts of data that increase the platform's value to all. This can further explained the examples of platform businesses, from Apple iPhone, to Uber, whose spectacular growth abruptly upended their industries.

As Van Alstyne, Parker & Choudary (2016) further reveals, platforms have an ecosystem with the same basic structure, comprising main four types of players. *The owners of* the platforms control their intellectual property and governance, setting the main rules and interaction models. Providers serve as the platforms interface with users. Producers create their offerings, and consumers use those offerings. Thus the platform value-adding is based on the evolving networks interactions, where creating fruitful ecosystem become crucial factor for success. Main characteristics of platform organizations are listed below (Van Alstyne, Parker & Choudary, 2016):

1. Resource orchestration, instead of resource control.
2. External interaction, instead of internal optimization.
3. Ecosystem value, instead of customer value.

The main asset for the platform organizations is the community and the resources its members own and contribute, be they rooms or cars or ideas and information (as in the case of AIRBNB, Uber or Wikipedia).The main efforts for the platform organizations are to create value by facilitating interactions between external producers and consumers. Because of this external orientation they have to organize and master good ecosystem governance or setting appropriate rules and mechanisms for interaction inside the ecosystem. Finally, the platforms seek to maximize the total value of an expanding ecosystem in a circular, iterative, feedback-driven process. Sometimes that requires subsidizing one type of consumer in order to attract another type. Although researchers have attempted to reveal how external factors and institutions influence and have a leading impact on the performance of the NFPs (Aziz & Ebrashi, 2016; Muñoz & Kibler, 2015), it is crucial to highlight the opposite process – or what is the capacity of the NFPs to transform the environment, including existing social systems and institutions.

Institutions shape the social realm as they pre-define the social framework or complex set of rules, norms, meanings, symbols, practices, and similar aides to collaboration. Therefore, institutions form socially-determined understandings of what is good and what is bad, what is right and what is wrong and what is acceptable and unacceptable. Thus institutional transformation and social development is a difficult and complex process, involving substantial efforts and reassessment of evident" and well-proved traditional understandings. However governance of the ecosystem as a complex social mechanism. To this end, ecosystem governance, institutional change and platform model of operation require further vision development.

Social Entrepreneurship Model

It is anticipated that the role of not for profit organizations in the sphere of social entrepreneurship will continue to increase as not for profit organizations continue to adapt the operation of social systems and institutions. As the main mission for not for profit organizations and social enterprises are to create transformational impact on social or environmental ecosystems (Werker & Ahmed, 2008), its further success will largely depend on their mode of operation. Therefore, better understanding of the transformational impact that not for profit organizations have on social systems and institutional transformation is important. Successful business models for non-for-profit organizations need to orchestrate elements:

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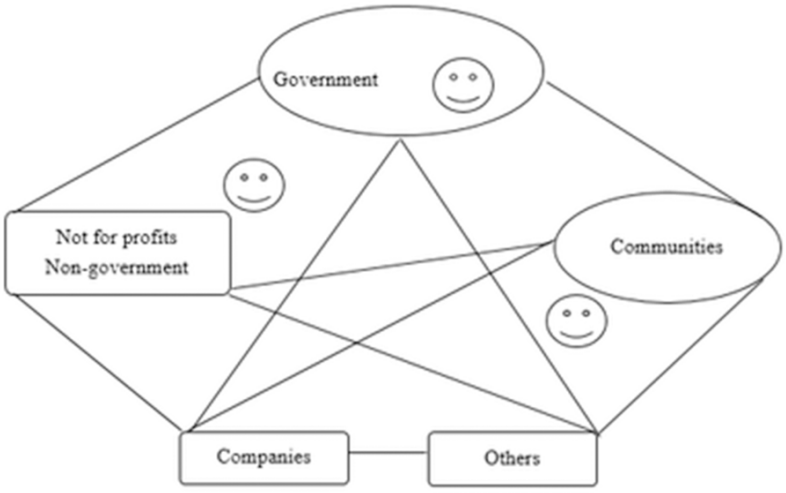
1. Good ecosystem governance.
2. Proper technology mastering.
3. Appropriate financing mechanisms.
4. Outperforming the agency problems.

Historically, NFPs played substantial role for institutional and social transformation. As described in Simmons (1998), different social movements and forms of social associations played substantial role for the abolishment of slavery, for drug control, for rising human rights, for introducing environmental protection and many others. If working for the interests of their beneficiaries and for their causes, NFPs can lead to large institutional changes, playing substantial role for shaping better "rules of the game". Thus in the advent of major economic transformations such as the 4th industrial revolution, where many new social issues will further emerge, NFPs can provide many incentives, knowledge and perspectives for shaping better rules in society. That is why there should be investigated more specifically the mechanisms by which NGOs/NFPs can assist the social transformation, successfully overcoming some of the rising problems such as agency dependency and private/narrow shaped interests of specific groups of donors, national/institutional funders, private interests and other funders and donors.

Platform Model

Analyzing the platform models for organizing NFPs activities provides a more successful way to mobilize resources, to deliver better value-in-social-context, and to set more transparent rules of interaction and governance. Communities, end-users, companies and for-profit organizations, public organizations and institutions can work together for delivering better services and better social perspectives for all. This comes to show that we need to change our thinking for NGOs/NFPs from pipeline (Figure 1) to platform-oriented (Figure 2) organizational models. As reveal (Van Alstyne, Parker, Choudary, 2016), discussing the uberization effect on the economy, when a platform enters a pipeline organization's market, the platform almost always wins.

Figure 2. Platform oriented model of operation multiple interactions between various partners
Source 2 Antonova (2016)



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As George & Reeds (2016) emphasize NFPs should try to build strong social networks and connections with partners, communities and stakeholders with broader power and decision-making abilities. It is important to highlight that ecosystem design and involvement of different stakeholders, as for example state and public institutions and civil society communities will largely differ from state to state, as historically the social institutions emerged differently and thus there are not available "one-fit-all" solution (Aziz & Ebrashi, 2016). Furthermore, defining the social design of a platform-based organizational model consists of making appropriate rules and architecture.

An *open architecture* allows players to access platform resources and to create new sources of value for them. *Open governance* allows players other than the owner to shape the rules of trade and reward sharing on the platform. Regardless of who sets the rules, a fair and transparent reward/motivation system is a key. If platform have an open architecture but do not share the some valuable compensation or rewards, potential platform participants will have the ability to engage but no incentives. On opposite, if rules are open but the architecture (the way of interaction is relatively closed), potential participants could have incentives to engage but not the ability (Van Alstyne, Parker, Choudary, 2016).

The critical strategic aim of the platform organization is the strong up-front design of the processes that will attract the desired participants, enable the right interactions (so-called core interactions), and encourage ever-more-powerful network effects. To that end, platform must define the access (whom to let onto the platform) and governance (or "control"—what consumers, producers, providers, and even competitors are allowed to do), fostering further interactions and the associated network effects as the ultimate source of competitive advantage.

Technology Factors and Internet Models

In order to design better organizational models for NFPs it is important to outline the important features of the Internet technologies that can further contribute for better communication, networking and communities' collaboration for the non-for-profit. As Rheingold (1993) states one of the surprising properties of the computing is that it is a social activity.

The driving force behind the rising internet economy is the demand-side economies of scale or the network effect (Van Alstyne, Parker, Choudary, 2016). These are enhanced by technologies that create efficiencies in social networking, demand aggregation and other phenomena that help social networks to expand. In the internet economy, platforms that achieve higher "volume" than competitors (or that attract more participants) offer a higher average value (value-in-social-context) per transaction. That's because the larger the network, the better the matches between supply and demand and the richer the data that can be used to find matches. Greater scale generates more value, which attracts more participants, which creates more value, and thus forming another virtuous feedback loop that produces monopolies (Van Alstyne, Parker, Choudary, 2016).

Furthermore, the wider application of ICT technologies and Internet contributed to the decrease of the transaction costs (Masanell & Ricart, 2007). Thus, Internet improved largely the information asymmetries and made the information accessible globally, decreasing communication costs, along with remote business operations, and transforming tremendously the global NGOs/NFPs realms. But more importantly Internet brought enormous leverage to ordinary citizens at relatively little cost, including intellectual leverage, social leverage, commercial leverage, and most important, political leverage (Rheingold, 1993). As the public sphere depends on free communication and discussion of ideas, the Internet can enhance NGOs/NFPs efforts for leading to institutional transformation by bringing open access,

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voluntary participation, generation of public opinion through assemblies of citizens who engage in rational argument, freedom to express opinions, and freedom to discuss matters of the state and criticize the way state power is organized.

Alternative Internet-Based Funding Models

One of the crucial factors for NFPs modes of operations are the ways for NFPs financing. As discussed above, the main transaction costs that occur in NFPs are purely related to agency costs – or the costs of getting funding, including communication and negotiation between the donors and the management of the NFPs. This is explained by the fact that many non-for profits invest considerable resources to collect donations, to develop fundraising programs or to apply for specific grant programs.

Some of the alternatives to reduce the agency costs and fundraising efforts for some NFPs can be to stick on some public financing programs (specializing in specific areas) or to attract investments and funding from wealthy individuals, but both of these models can lead to governance and management problems, hindering the ultimate goal – helping the end-users and leading social transformations. Thus we will discuss another funding alternative or crowdfunding that emerged largely as platform activity. Some popular web-platforms for crowdfunding are Kickstarter.com and Indiegogo.com, presenting many financing opportunities both for investors and for (social) entrepreneurs.

More specifically, crowd-funding is a peculiar form of funding with customers (or final users) acting as direct investors (Belleflame, Lambert & Schwienbacher, 2010). The data reveals that a large share of crowdfunding initiatives are based on passive investments, or investments with a promise of compensation but no direct involvement in the decision-making process, or provision of time or expertise for the initiative. But more importantly, crowdfunding is for sharing information and finding partnership, communities and networking. Furthermore, it is important to note that non-profit organizations tend to be more successful in finding and attracting crowd-funding financing (Belleflame, Lambert & Schwienbacher, 2010). Further, Wojciechowski (2009) discusses that donations via crowdfunding platforms increase and that social networks can become a worthwhile model for money collection for many charity organizations and NGOs.

Thus, using crowdfunding can improve not only fundraising for NFPs, but it can help to improve visibility and participation opportunities, including better options for transparency, evidences, credibility; inserting ratings and others, and leading to better organization and operation. All this will further decrease the agency and transaction costs for NFPs operations, providing better opportunities for organizations to increase their activities and to lead to substantial ecosystem transformations.

CONCLUSION

Recently the interest and funding for not for profit organizations largely increased in a global perspective and further augmented their possibility to exercise power both on political and economic processes. Thus, as not for profit organizations continue to become active players for social transformation and their share of social services providers raised not only on regional, but as well on national and international context. However, a small critical literature exists questioning whether NFPs are effective in improving lives or providing goods and services for their beneficiaries. Moreover, there is a lack of evidences and proper understanding of service providers and alternative public organizations or for-profit private organiza-

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tions which has resulted in a number of controversies about governance and management capacity of not for profit organizations. Some of the issues, reported by different researchers state that nobody has the interest to measure and report negative outcomes of the not for profit activities and it is very difficult to identify quantified approach and measures to assess the quality of the work of non-profits in large.

Even if social organizations can play increasing role for the institutional transformation and social development, this model of development of not for profit is not without challenges. Many researches prove that decentralized and multi-layered decision-making can lead to inefficiencies and furthermore – can create additional burden for public and social services funding. Thus, new technologies and emerging business models for not for profit operations can help the organizations to improve coordination, to reduce transaction costs and to increase visibility of services, increasing the focus on beneficiaries and end-users. Therefore not for profits must be considered as service integrators or platforms, connecting different actors, communities and stakeholders.

Further research is needed to identify how not for profit organizations interact with public organizations and how they actually influence political and institutional decisions. More specifically, it's important to investigate how not for profit organizations are financed by public funds or large private donors can undermine the social development, supporting status-quo or just defending the interests of the donors and not of the beneficiaries. Adopting more flexible, open and platform-based business model can enhance not for profit main goal, the potentials for social and institutional transformation.

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KEY TERMS AND DEFINITIONS

Institutional Transformation: New technologies and new business models for not for profit operations can help the organizations to improve coordination, to reduce transaction costs and to increase visibility of services, increasing the focus on beneficiaries and end-users. Thus institutional transformation should put not-for-profits as service integrators or platforms, connecting different actors, communities and stakeholders.

NFP Impact: Historically, NFPs played substantial role for institutional and social transformation, as for example - forms of social associations played substantial role for the abolishment of slavery, for drug control, for rising human rights, for introducing environmental protection and many others. If working for the interests of their beneficiaries and for their causes, NFPs can lead to large institutional changes, playing substantial role for shaping better "rules of the game".

Platform Model: It is enhanced by technologies that create efficiencies in social networking and demand aggregation that help social networks to expand. Platforms offer a higher average value when attracting more participants. The larger the network, greater scale generates more value, which attracts more participants, which creates more value, and thus forming another virtuous feedback loop that produces monopolies.

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Chapter 85
Socioeconomics of Solidarity: A Multilateral Perspective from the European Union

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ABSTRACT

This work deals with the Socioeconomics of Solidarity analyzed from a double public and private perspectives. The chapter begins with the guiding principles of this emerging economic thought based on the principle of subsidiarity, the search for the Common Good, and the necessary solidarity based on justice. After having grounded these principles, the author develops different solidarity-based public policies, mainly focused on the European Union, by including principles, objectives and stages of the European Official Development Aid, the European Development Fund, and the Common Framework for Joint Multiannual Programming and Efficiency. This analysis is complemented with the ideas rooted on the Socioeconomics of Solidarity that is analyzed following a private perspective, arguing that it is necessary to re-launch these School of Thought based on solidarity and justice to search for an economic world characterized by social welfare and economic wealth.

INTRODUCTION

Today, the business world is characterized by a strong "glocalization" (think globally, act locally), with a business policy development based on outsourcing. This business strategy is complemented with the launching of public Official Development Assistance (hereinafter, ODA), close with economic policy prescriptions, to achieve higher levels of economic and social welfare.

In this process, the Information and Communication Technologies (hereinafter, ICTs) have a key role to play, which have transformed the world as a global village (McLuhan, 1964). Following Rifkin (2011), we are now facing the Third Industrial Revolution, also called the Revolution of Intelligence or Knowledge Economy[1] (Marginean, 2009), which is defined by the transmission of real-time information through Internet over the world. Faced with the undeniable benefits associated with Internet, most notably:

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1. Real-time communication independently of the type of transmission used;
2. Higher levels of productivity;
3. More efficient academic work;
4. Networks rooted on personal and professional contacts;
5. Less operating and supply costs;
6. Further expansion of clients by opening new markets, and
7. The possibility of collaborative consumption, leading to a global social re-humanization.

As the world is immersed into a global village, economic crises have a deeper impact, as has happened in the First Global Crisis, beginning on 15 September 2008 after the Lehman Brothers'[2] bankruptcy. Given the negative effects arisen from this crisis, a reintroduction of values and guiding principles defining subsidiarity, solidarity and the common good, as well as a strengthening of ODA mechanisms, is necessary.

The Socioeconomics of Solidarity has recently emerged in Latin America and Spain as a complementary School of Thought to diminish the strong economic imbalances in terms of unfair income and welfare distribution existing in these countries. Fostering social entrepreneurship and welfare generates positive externalities (Leadbeater, 1997; Dees, 2001; Drayton, 2002), Braunerhjelm & Stuart, 2012), to combat poverty by implementing business strategies to maximize profit, such as applying Corporate Social Responsibility and the Triple Bottom Line. In fact, any initiative based on economic issues has a social impact (Certo & Miller, 2008; Mair & Schoen, 2007), whose intensity varies according to business and social characteristics in the country, being particularly important in the case of social entrepreneurship.

In this sense, and after having analyzed the entrepreneurial activity in 49 countries, Lepoutre et al (2011) show that countries with high levels of entrepreneurship, most of them are social enterprises focused on creating economic welfare with social value, while stimulating social changes by offering goods and services to meet consumer needs. All of this leads us to conclude that entrepreneurs create value to stakeholders. After having studied the Ashoka's 'hybrid value chain', and the 'holistic approach to development' conceived by Bangladesh Rural Advancement Committee (BRAC), Kim (2014) propose a global social entrepreneurship model both to fight poverty, and to highlight how entrepreneurial efforts can create opportunities for launching ventures to satisfy social needs, while balancing economic and social imperatives on a global scale.

Social entrepreneurship can be improved through solidarity focused on social needs. Good business practices are characterized by the implementation of policies based on social entrepreneurship seeking to "catalyze social change and social needs" (Mair & Marti, 2006: 37) and "social value through the implementation of new business opportunities" (Weerawardena & Mort, 2006: 25). This social value is translated into a higher quality of life for society, as well as a growing sense of self-worth and self-assessment individual sentiments.

This sense of self-assessment is enhanced by the desire of a continuous improvement in the pursuit of excellence through cooperation and self-competition. Actually, this fact is a constant pursuit of happiness for entrepreneurs and their immediate environment, leading to a constant search for quality and needs' satisfaction, not only for their customers and suppliers, but also for their own happiness.

Given these premises, social entrepreneurship can be fostered through solidarity addressing a variety of social needs. Generated from entrepreneurship, well-done jobs are a mixture of motivation, courage, determination, ethics, continuous learning, intelligence, passion, and entrepreneurship seeking the welfare

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of others to create a better society. Public-private initiatives are necessary to achieve this social objective. Achieving higher levels of entrepreneurship is one of the ways to accomplish this goal. The combination of a good capacity for innovation, strong working skills, and ability to develop new business ideas, guarantees socioeconomic development by creating opportunity and social successful entrepreneurs. As a result, it is essential for entrepreneurs to be associated with values, prosperity and happiness gained in the market, by developing successfully-oriented short and medium term business policies born from quality management strategies, and best practices based on efficient management principles resulting into increased turnover, profits, productivity and customer satisfaction. Also, business excellence identifies improvement opportunities, and areas of strength.

Social entrepreneurship is directly affected by entrepreneurial spirit, culture, and business policies carried out by strategic business plans for decreasing differences in terms of GDP per capita (*Beta convergence*) (Dolado et al, 1994), through opportunity entrepreneurship (Block & Wagner, 2010), that is directly influenced by education. As demonstrated by Kets de Vries (1985), cited in Hisrich et al (2007), and in Páez and García (2011), emotional and behavioral family conditions in childhood and adolescence influence entrepreneurial behavior, as entrepreneurship can be taught and learned (Kuratko, 2003).

The aim of this chapter is to analyze the Socioeconomics of Solidarity's guiding principles, and how solidarity impulses economic growth and wealth. To do this, and mainly focused on the private sector, we will begin analyzing how the guiding principles can optimize the efficient use of resources to achieving fair and caring societies. Then we will study public solidarity from a European perspective. Finally, the Socioeconomics of Solidarity will be analyzed, as a complementary driving source of solidarity from private and community initiatives. The chapter will be finalized with some conclusions.

BACKGROUND

First Guiding Principle: The Importance of Subsidiarity

From a sociological point of view, the term "Subsidiarity" (from Latin, *subsidiarius*) can be defined as "trend favorable to the subsidiary State involved in supporting private or community activities." Born in the EU law, the principle of Subsidiarity limits EU actions to only those cases in which the States alone are not effective for achieving an objective. Therefore, Subsidiarity creates and guarantees the space for personal responsibility and personal initiative, especially at the level of good governance (Horga, 2010). This level of responsibility is collective, because it is performed at a multilevel scale, so the implementation of the economic policy is made in any of the four existing Governmental levels (European, national, regional and local). As a result, the principle of Subsidiarity optimizes the efficient use of resources due to coordinated processes (Guerin, 2002). Therefore, subsidiarity increases welfare and wealth (Chowdhury & Garonna, 2007).

Along with these advantages, the Subsidiarity principle is connected with a social economy

… characterized by people focused on consuming and on producing goods or services, equipped with management autonomy and democratic organization (internal management and participatory decision-making power). This strategy gives services to the community, respects the environment, and favors labor in the distribution of surplus (García et al, 2006, p. 217).

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The aim of both the principle of Subsidiarity and the social economy is to maximize welfare through an efficient allocation of resources, taking into account a topic ignored by modern competitive economy: the perpetuation of values, whether person-centered (humanistic values), spirituality (religious values) or both. The absence of these values dehumanizes people. Hence is valid the sentence written by the Roman playwright, Plautus Titus Maccius (254-184 BC) who, in his *Asinaria*, established that: *Lupus est homo homini, non homo, quom qualis sit non novit*[3] to describe a reality of his time which continues even today. Sentence popularized by the English philosopher Thomas Hobbes of Malmesmury[4] (1588-1679) in his *Leviathan*, written in 1651[5], in which the author includes his *Theory of social contract*, where agreements are reached between the Government and the ruled. Social contracts continue today, implicitly, in modern democracies for seeking social harmony and the common good. When corruption, this social contract is violated, causing social unrest and, in extreme cases, anarchy.

The State must be guided by social justice, freedom and equality (Gallegos, 2008; Olives, 2011). Social interest is internationally-conceived, thanks to the implementation of ODA policies intended to benefit the poorest, and

… to ensure that values, such as solidarity, transparency and brotherly love, remain within the social conscience to fight against corruption through consensus and dialogue, and never under coercion and violence (Saiz-Alvarez, 2013a, p. 75).

As the behavior of economic agents is guided by merit and well-used values, they have a positive-negative polarity, unlike things that can only be positive. As a result, values can be classified as:

1. *Useful and pleasant-based values*, formed by convenience, comfort, pleasure and wealth;
2. *Vital values*, comprising health, fitness and longevity;
3. *Spiritual values*, subdivided in aesthetic (beauty), legal (justice), and intellectual (truth and goodness), and
4. *Religious values* expressed by holiness.

Therefore, every human action is based on values. But recently, a strong dehumanization process has fragmented and severely beaten today's societies. To avoid this loss of values, it is necessary to harmonize «all forces directed towards the common good, driven in a genuine respect for the supreme values of the spirit» (John Paul II, 1982, p. 3). This will make greater values-based countries to benefit citizens as a whole.

In implementing these objectives, education are of fundamental importance, both in the family and in the elementary school as first educational nucleus, and in upper levels, once the student has matured to internalize the use of values, and the deep thinking of axiology as a science. Now is the time to do it, before the flame of hope will be extinguished.

Second Guiding Principle: The Search for the Common Good

As a complementary way to Subsidiarity, searching for the common good is a guide to channel economic activities towards solidarity and mutual aid. This explains why the Social Doctrine of the Catholic Church defines the common good as "the sum of social conditions which allow people, either individually or col-

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lectively, to easily reach its full objective" (Pontifical Council for Justice and Peace, 2004). Therefore, the common good is what founds and legitimizes social communities and, by extension, economic policies.

To be fully comprehensive and effective in exploring common goods, a double spiritual (Christ-centered) and human (anthropocentric) vision must be performed, both based on the integral concept of the person as a whole. As a result, a comprehensive development of individuals and families, respecting their fundamental rights and dignity, will be achieved. A Christ centric vision gives meaning to life and sanctifies human actions and decisions in daily life. Without Christ, human life is impoverished of content, even reaching a spiritual void.

Values-based societies must be rooted on people guiding others always looking their well-being, which contradicts the traditionally idea advocated by Neoliberalism, where individuals are selfish, as they seek their own good, and only the "invisible hand" generate welfare through a self-regulating market process in which the anarchic behavior of private economic agents (producers and consumers), guided by their own selfishness, maximize their highest level of satisfaction or utility, and by extension, it leads to social welfare maximization.

Faced with this social vision, the Aristotelian-Thomistic tradition on the notion of the common good concerns about the good of people (Argandoña, 2011) and, by extension, of society, because the common good is formed by "the integration of civic awareness, political virtues, the sense of right and freedom, and any activity, material prosperity and wealth of the spirit, active unconsciously inherited wisdom, moral righteousness, justice, friendship, happiness, virtue and heroism in every individual are living on the community" (Maritain, 1951, p. 45). As a result, once the common good is achieved, both collective welfare and social justice are maximized. Without social justice, peace and social stability are threatened. A social peace needed to achieve stable levels of economic growth, and to increase the degree of happiness for the society as a whole.

For this reason, and only when justice and solidarity are pursued, economic management is not immune "to the fundamental principles of the Social Doctrine of the Catholic Church, which are: the centrality of the human person, solidarity, subsidiarity, and the common good" (Bertone, 2009, p. 1). Moreover, "in the era of globalization, economic activity cannot be done without gratuitousness, which fosters and disseminates solidarity and responsibility for justice and the common good among different economic players" (Benedict XVI, *Caritas in Veritate*, 38).

This economic democracy can be strengthened when companies strive for desiring common goods following a spirit of solidarity full of social justice and Christian charity. Working for the common good is dealing with love. When nations (*gentium*), cities (*polis*), institutions, and organizations are structured following a multiple juridical, social, political, and economical perspective, while fighting for social welfare and collective wealth, societies (*societas*) will be guided by empathy and mutual respect. When the source of love is Christ as a guide towards the common good, higher values are accomplished. So, "every Christian is called to practice this charity, according to their vocation and their abilities to influence the *polis*. […] The commitment for the common good, when it is animated by charity, has a higher value than a merely secular and political promise" (Benedict XVI, *Caritas in Veritate*, 7)

Today's society, part of which is characterized by its social dismemberment and its strong social irresponsibility towards future generations, must be based on the respect for the human dignity supported on justice, temperance, and culture. Therefore, styles and models of life must substantially change to preserve and to improve the social and political environment for future generations.

Although the last search is the common good, social wealth and economic profit are generated while working to achieve it. But when only profit is pursued, social wealth is destroyed, and poverty is created.

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This socioeconomic reality characterizes much of the current economic world defined by their high levels of job insecurity, by the existence of strong social inequalities, and by the unfair and unsupportive distribution of goods produced and/or marketed in global markets.

It is necessary to build a new economic world in which people, and not material goods, have a central position. No holistic development and universal common good can be reached, unless the support of spirituality and moral welfare. *Anima et corpus* acting together, according to the principles of subsidiarity and solidarity, and are directly focused on the common good and, by extension, on their personal sanctification.

Searching the common good and social peace must constitute a priority in economic policy, with the social inclusion of the poor, and the need for a social dialogue as a contribution to peace. The inclusion of subjects related to morality and ethics in Social Sciences and Law is a necessary step to re-humanize both economics and law. As an example of this dehumanization, among many other cases, is the so-called "zero-hour contracts" in the United Kingdom, based on the flexibility in the labor market where workers without contract (hence the name) can be called at any time of any day of the week to cover peak-hours.

Without going to this extreme, in other countries labor flexibility is widely used what dehumanizes people, especially if they belong to low educational backgrounds, have family responsibilities, and dispose of insufficient work experience. As a result, labor rights are depleted, and the provision of decent work is not guaranteed (Ferrajoli, 2013), a situation that does not change, despite the poor results obtained with this labor strategy, in terms of creating low degrees of wealth and welfare, reducing consumption level, and the impossibility of creating savings and investment (Gallino, 2014).

This globalization of indifference must be avoided by introducing labor-based strategies for achieving inclusive economies, where disadvantaged people are not left out (*cfr*. Pope Francesco, *Evangelii Gaudium*, 54), and economic development is rooted on peace, solidarity, and the common good (*cfr*. St. John Paul II, *Sollicitudo Rei Socialis*, 10).

Third Guiding Principle: A Necessary Solidarity Based on Justice

Along with the implementation of the principle of subsidiarity, a third guiding principle in the economy is given by solidarity with the goal of seeking market economies focused on the common good to achieve higher levels of economic welfare. In fact, "solidarity-based markets set the condition that family production units organized in community groups turn into federated social enterprises" (González et al, 2003, p. 32)

This process of economic development based on solidarity has been largely possible thanks to the building process of a united Europe, as we know it today, led by the launch of the Social Market Economy (in German, *Soziale Marktwirtschaft*) based on economic policy's recipes designed between the Market Economy and the Planned Economy. Alfred Müller-Armack (1901-1978), in his *Soziale Marktwirtschaft: Alternative Politische und Wirtschaftliche Ein Projekt* [Social Market Economy: an Alternative Economic and Political Project], affirms the Social Market Economy aims to maximize both social prosperity and economic welfare, to reach Pareto optimal situations for achieving values, such as economic freedom, individual initiative, and solidarity, always thinking on the common good and social justice to favor the weakest and most vulnerable, teaching them to act successfully in adverse situations. Moreover, and since the early seminal works of this Economic School of Thought born at the University of Freiburg (Germany), the Social Market Economy has been founded on four general principles, and three operational principles. As general principles can be cited:

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1. The promotion of private initiatives and responsibility to achieve economic and social skills;
2. The protection of private property, and the support of both legal security, free competition and economic freedom, with the establishment of control and supervision mechanisms to eliminate, or at least to reduce corruption practices and tax fraud;
3. The definition of the principle of solidarity and joint action for the common good; and
4. The creation of the principle of subsidiarity, as a tool to achieve social justice by achieving equity, equality and justice in the distribution of scarce resources.

Among the operational principles, should be noted (Olives, 2011):

1. The protection of consumers and/or producers by assuring clear information for proper and effective decision-making processes;
2. The implementation of the principle of individual responsibility to ensure free competition and regulated market prices; and
3. The design of an adequate and consensual labor policy agreed among governments, business organizations, and trade unions to achieve fair and decent wages.

These good economic and corporate earnings are even higher in cooperatives regardless of their economic productivity, commercial sectors they operate, and investment companies they socially interact and impact (Giovanelli, 2014). Thus, the mere utilitarianism is exceeded, which is gained in spiritual and moral values (Morelos, 2004). Throughout this process, the State has a major supervisory role, so that "their actions are geared towards promoting efficient competition without breaking, oversee undisturbed, without obstructing monitor and intervene without destroying. That is, intervention should be proportional and gradual in the exercise of the legal powers of control and monitoring legally granted" (Olives, 2011, p. 2).

The combination of good practices carried out by companies and the government paths the way to implement the so-called Socioeconomics of Solidarity, whose main driver is born from combining private and social initiatives. Conceived as a way of helping others in a worldwide scale, the EU's ODA is a must to foster richness and health in Third World countries, as seen in the next section.

SOLIDARITY FROM PUBLIC INSTITUTIONS: ODA AND THE EUROPEAN DEVELOPMENT FUND

More than half the money spent in the world to help the Third and Fourth Worlds comes from the EU, whose legal basis in terms of development cooperation are synthesized in [1] the Title III of the Maastricht Treaty, signed on February 7, 1992, with entry into force on November 1, 1993; [2] the general mandate and guiding principles referred in Article 21, paragraph 1 of the Treaty, and [3] the Article 4, paragraph 4 and Articles 208 to 211 of the Treaty on the Functioning of the EU or the Treaty of Lisbon, signed on December 13, 2007 and entered into force on December 1, 2009 after a lengthy process of ratification by the EU parliaments. In addition to ODA inserted into the Maastricht and Lisbon Treaties, aid assistance is supplemented by

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1. *Specific cooperation agreements*, like the Cotonou Agreement concerning the African, Caribbean and Pacific (ACP countries);
2. *Bilateral association agreements* referred to in Article 217 of the Treaty of Lisbon, and
3. Some *budgetary additional aspects* synthesized in Articles 312 to 316 of the Treaty of Lisbon.

This EU's ODA policy complements the provisions donated by the United Nations through the promotion and strengthening of a collective global partnership for development reaffirmed in

1. The "Millennium Declaration" (Resolution 55/2 the United Nations General Assembly, on September 13, 2000);
2. The "Monterrey Consensus" issued by the International Conference on Financing for Development held in Monterrey (Mexico), 18 to March 22, 2002;
3. The World Summit Implementation Plan on Sustainable Development within the Report of the World Summit on Sustainable Development held in Johannesburg (South Africa), from August 26 to September 4, 2002;
4. The 2005 World Summit Final Document, and
5. The Doha Declaration on Financing for Development, as the final document issued from the International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus (resolution 63/239, annex).

All this regulatory complexity aims to reduce poverty in the world. In fact, the main objective of the European ODA is to gradually reduce, and to ideally eradicate, poverty in the long term. Poverty reduction achieved after having applied a general framework of development characterized by following a purely economic endowments of aid and cooperation capped by four groups of beneficiary countries: the ACP countries (Africa, Caribbean, Pacific), South Africa, Overseas Countries and Territories (hereinafter, OCTs), and the Least Developed Countries. Such sectorial development policies promote both the protection of human rights and migration control, as an incentive, through the implementation of sustainable development policies for environmental protection and rural development, thus ensuring food security, and the right management of natural resources.

This ODA had a strong revival in the EU after the signing on December 20, 2005, by the Presidents of the Commission, Parliament and Council, of the so-called 'European Council' by which, for the first time, was defined the framework of common principles on which the EU will implement complementary development policies. With this Consensus, the EU undertook to increase budgets for ODA to 0.7% of GDP by 2015, with an intermediate target of 0.56% in 2010, half of this increase is intended for Africa's development.

Since the enactment of the Communication from the Commission to the Council and the European Parliament of June 21, 2007 (COM (2007) 349 final, not published in the Official Journal), there have been important changes regarding EU management policies development, by adopting strategies for stronger control, both on the methodology to be followed in evaluating results, and on the simplification of instruments for external assistance with the creation of the Financing Instrument for Cooperation Development (Regulation (EC) 1905/2006 of the European Parliament and Council of December 19, Official Journal L 378 of December 27, 2006, as subsequently amended by Regulation (EC) 960/2009 of 18 October, Journal Official L 270 of October 15, 2009) and the Instrument for the Promotion of

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Democracy and Human Rights (Regulation (EC) 1889/2006 of the European Parliament and the Council of December 20, 2006).

The ODA Principles

The European ODA launch has a double economic and political aspect based on the "principle of aid effectiveness" based on the integration of the European ODA into the Millennium Development Goals (hereinafter, MDGs) of the United Nations beneficiary States. This double involvement of European ODA is more than a mere "European Consensus on Development" (Official Journal C 46 of February 24, 2006), as the EU is really interested in accelerating the compliance of the MDGs following a spirit of complementarily, under the so-called "European Consensus," signed on December 20, 2005, to make the EU to remain the greater solidarity region in the world, by representing more than 55 percent of world's ODA.

The general framework of the European ODA is given from the joint declaration entitled "The European Consensus on Development" signed between the Council and the representatives of the Governments of the Member States meeting within the Council, the European Parliament and the Commission on the European ODA, with the aim of achieving the MDGs promulgated by the United Nations (Bourgignon et al, 2008), so that by 2015 the goal is:

1. To eradicate extreme poverty, and hunger in the world;
2. To contribute to good governance and respect for human rights throughout the world;
3. To encourage the creation of a global partnership for development;
4. To ensure environmental sustainability with the implementation of clean development policies and the fight against environmental dumping;
5. To achieve universal primary education in the Third and Fourth World;
6. To fight Acquired Immune Deficiency Syndrome (AIDS), malaria, malaria and yellow fever, among other endemic diseases;
7. To improve maternal health with decreased mortality rate of women during childbirth;
8. To promote gender equality and empower women; and
9. To reduce infant mortality.

The European ODA is founded on the principles of concentration, ownership and alignment. According to "the concentration principle," based on a limited number of priority areas for action to achieve best results, efforts have been centralized to increase quality. Thus, when a greater national ownership of the partner country is achieved, coordination and harmonization between donors and aid improvement in the recipient country systems and guidance based on the results are aligned. And all of this, in coordination and complementarily among donors, to implement a mechanism for joint multiannual programming.

Complementary to this principle, *the ownership principle* unites EU partners to exercise effective leadership over their development policies and strategies, while coordinating development actions, and *the principle of alienation* where EU donor countries base their overall support on strategies, institutions and procedures for EU partner countries' development. These principles were established in the Paris Declaration on the Effectiveness of Development Aid, signed on March 2, 2005.

An important solidarity-based aspect of the European ODA is mainly focused on Africa, having a multiple target:

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1. To have a sustainable economic development throughout the continent, especially in sub-Saharan Africa;
2. To undertake governance reforms that are necessary to launch and fuel sustainable development processes (Paris Declaration, point 20);
3. To work together for EU donor countries to establish mutually agreed frameworks for providing reliable assessments based on performance, transparency and accountability of the national systems of African countries (Paris Declaration, paragraph 19), and
4. To achieve the MDGs in Africa by 2015 (Communication from the Commission to the European Parliament, the Council, the Economic Committee and Social and the Committee of the Regions, COM (2010) 159 final, April 21, 2010, not published in the Official Journal) most notably, the commitment to increase spending on ODA to 0.7% of Gross National Income by 2015, aiming to allocate at least half of this additional funding for Africa.

Objectives and Stages in ODA: Towards a Greater Efficiency?

The implementation of these principles has resulted in the launch of three objectives through which the European ODA is channeled. These objectives are given by

1. Contributing to economic and social development of developing countries;
2. Improving neighborly relations with Northern Africa, Eastern Europe, and the Middle East; and
3. Reaching financial and trading agreements focused on trade cooperation, poverty reduction, respect for democracy and human rights, good governance, environmental protection, social services, and education and health development.

Initially, the European ODA was not part of any of the three founding treaties of the EU. Therefore, their incorporation into the European policy has been gradual over time, always seeking greater impacts derived from aid, as well as an increased presence of the EU in the world, as discussed below.

First Stage: Helping OCTs

European ODA began in the French colonies of Africa in the late 1950s seeking to encourage its development. Such assistance was channeled through donations, mainly carried out by the European Investment Bank, as well as the growing development of non-governmental organizations (NGOs) as part of the Third Sector. Being considered as donations, the EU action does not create foreign debt problems to avoid financial suffocation in much of the Third World. This sensibility contrasts to what is happening in other regions of the world financed by other means of support, mainly born in non-EU countries.

Second Stage: Food Aid and Generalized System of Preferences

Financed from the EU budget, food aid began in 1968 as a result of the obligations acquired by the European countries after having acceded to the International Grains Agreement signed in 1967. Food Aid that was definitively established in 1996 with the dual strategy formed by the combination of delivery of EU agricultural surpluses close with technical assistance for the production of local crops in the Third World. This food aid was complemented by reducing barriers to entry of manufactured goods from the

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Third World (mainly tariffs and quotas on imports), creating the Generalized System of Preferences. System established for all developing countries after the 1972 Paris Summit.

Third Stage: Development Third European Non-Governmental Development Organizations and Lomé Conventions

It began in 1976 when European NGOs could be able to get EU funding. Until then, only NGOs in the Catholic and in some Protestant branches had a strong development, so the involvement of the European ODA through civil society was a turnabout in policy, because it was channeled through political channels.

The signature of the first Lomé Convention between the EU and 46 African, Caribbean and Pacific (ACP) countries changed this situation, as it was based on three pillars:

1. Elimination of entry barriers (tariffs, and technical and legal barriers) for products exported to Europe by the ACP countries;
2. Economic and technical cooperation, and
3. The establishment of STABEX (compensatory mechanism for avoiding loss of export earnings in ACP countries, as a result of changes in international prices, according to arts. 186-212 of IV Lomé Convention), and SYSMIN (helping system to keep mines engaged in export, according to arts. 214-219 of the Lomé IV Convention).

Fourth Stage: Decentralized Cooperation

Decentralized cooperation involves the ODA democratization by various economic and social actors (universities, associations, NGOs, foundations, unions, business organizations, municipalities, and autonomous regions, among others) with the aim of getting aid to the Third and Fourth Worlds more efficiently. Since the entry into force of the Treaty of Maastricht on November 1, 1993, the European ODA has been centered into pushing democracy and human rights, as an objective of the European Common Foreign and Security Policy (CFSP).

THE EUROPEAN DEVELOPMENT FUND: A PAN-EUROPEAN INSTRUMENT BASED ON SOLIDARITY

One of the main European ODA instruments includes the European Development Fund (hereinafter, EDF) whose importance, chronology, composition and effects will be discussed below.

Importance of the EDF

Born in 1993, the EDF is one of the largest and oldest instruments of European ODA directed to ACP countries and OCTs. The EDF is not included in the budget of the EU, because its inclusion would add administrative arrangements for the disbursement of funds phases, which would threaten the ACP-EU long-term co-management arrangements by reducing allocations given by EU Member States to the EDF. Therefore, the EDF has its own financial rules, and a specific committee, and presents a definite timeline over time (see Table 1).

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Table 1. EDF chronology

Period	Convention
EDF I (1959-1964)	---
EDF II (1965-1970)	Yaoundé I Convention
EDF III (1971-1975)	Yaoundé II Convention
EDF IV (1976-1980)	Lomé I Convention
EDF V (1981-1985)	Lomé II Convention
EDF VI (1986-1990)	Lomé III Convention
EDF VII (1991-1995)	Lomé IV Convention
EDF VIII (1996-2000)	Lome IV bis Convention
EDF IX (2001-2007)	Cotonou Agreement
EDF X (2008-2013)	Revised Cotonou Agreement
EDF XI (2014-2020)	---

Source: Adapted from Eurostat.

The EDF is made up of grants, risk capital and loans given to the private sector. During the duration of the Lomé Conventions (II to VII FED) highlighted two programs: STABEX (from French, *Système de Stabilisation des Recettes d'Exportation*) consisting of a system of agricultural support, and the SYSMIN instrument (from French, *Système de Stabilisation Minière*) which dealt with aids to the mining sector. In short, the EDF covers cooperation with ACP countries and OCTs, and its main areas are economic development, social and human development, and regional cooperation and integration.

Today, and alongside the EDF, the Development Cooperation Instrument is a major source of funding through thematic instruments (investment in human capital, non-State actors and local authorities, environment, food safety and cooperation with third countries, migration and asylum) aimed to support States, NGOs and civil society groups for development. For the 2014-2020 period, the so-called "differentiation" will apply, which means that Middle-income countries, representing more than 1 percent of global GDP, will be graduated, that is, will be ceased to be eligible for funding EU bilateral grant-based aid. As a result, direct aid from the Development Cooperation Instrument has been replaced in 19 developing countries by differentiated development partnerships based on specific needs.

Finally, the EDF provides additional financing, called Incentive Amounts, to developing countries with histories of improved governance following a co-decision process, which is defined by including the approval of the European Parliament to enhance the democratic control of EU aid. In addition, and to ensure transparency in the granting of EU aid, the EDF is allocated according to a rotating schedule in which partner countries participate in setting priorities and cooperation projects.

The Common Framework for Joint Multiannual Programming and Efficiency

After the reform of the procedure for granting aid by the European Commission in 2000, the EU adopted a new framework for programming national and regional strategies in all developing countries benefiting from EDF, including TACIS and CARDS programs. The TACIS program, in operation from 1991 to 2006, mainly benefited the Slavic countries of the former Soviet Union (Russia, Ukraine and Belarus), and was replaced in 2007 by the European Neighborhood and Partnership for seeking a greater impact

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on the area[6]. These programs include the implementation of multiannual indicative programs defined by [1] relations between donors and partner countries; [2] measurable objectives to be achieved through the implementation of support mechanisms, and [3] the implementation of scheduled program executions.

Respecting the CARDS program, established by Regulation (EC) 2666/2000 (Official Journal L 306, of 7 December)[7], whose objective was the Assistance for Reconstruction, Development and Stabilization of the Southeastern European countries (Albania and the former Yugoslavia countries) was replaced in 2007 by the Pre-Accession Instrument. Before the CARDS program, can be included the PHARE program, created by Regulation (EC) 3906/89, and the OBNOVA program, established by Regulation (EC) 1628/96. These EU aid programs show a constant concern towards the Western Balkans since the breakup of the former Yugoslavia on May 4, 1980, and its continuous acceleration during the Balkan Wars, as follows: [1] The Ten-Day War or the Slovenian Liberation War (1991); [2] The Croatian War of Independence (1991-1995); [3] The Croatian-Bosnian War (1992-1994); [4] The Bosnian War (1992-1995); [5] The Kosovo War (1998-1999), and [6] Conflict in Southern Serbia (2001) and Macedonia (2001).

This EU strategic vision to economically and politically develop its Eastern and Southeastern European neighbors, is complemented by a threefold strategy:

1. The approval of an strategic document entitled "The EU Agenda for Change," signed in May 2012, which aims to increase the impact of the Official Aid in countries most in need;
2. The concession of financial aid following the "principle of differentiation" to take into account not only the economic results of the aid granted, but also the governmental performance done by each recipient country; and
3. The promotion of human rights, democracy, rule of law and good governance and achieving inclusive and sustainable growth, as the basic pillars of a sustainable development policy (Table 2).

Having analyzed the complexity of the European ODA, such financial aid should have a greater economic and social impact in order to achieve a Socioeconomics of Solidarity, at least in countries receiving EU aid.

Table 2. Overview of the EU instruments for development policy

Program	EUR Million
Development Cooperation Instrument Latin America, East Asia and Central, South Africa	19,700
European Neighborhood and Partnership European Neighborhood and Russia (since 2014, European Neighborhood)	15,400
IPA Balkans and Turkey	11,700
Cooperation with Industrialized Countries Industrialized countries (from 2014, Partnership Instrument)	955
European Instrument for Democracy and Human Rights Promotion of Democracy and Human Rights in the World	1,300
Instrument for Stability and Peace Achieving and Maintaining Peace	2,300
Instrument for nuclear safety since 2014, Cooperation Instrument for Nuclear Safety	225
Instrument for Greenland	184
ACP Countries and territories EDF	29,100
Total	**80,864**

Source: European Parliament (2015). Sheet on the EU. (2014-2020 Multiannual Financial Framework).

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SOCIOECONOMICS OF SOLIDARITY: A SOLUTION FROM PRIVATE AND SOCIAL INITIATIVES

Also called "Solidarity Economy," "Humanoeconomía"·(Loebl, 1978), "Popular Economy," "Economy Emancipated Work," "Solidarity Socioeconomics" (Arruda, 2005), "Social Economy," "Popular Solidarity Economy," "Social and Solidarity Economy," and "Economy of Reciprocity" (Carranza, 2013), the Socioeconomics of Solidarity can be defined as the kind of economy "complementary to the Green Economy" (Rosas-Baños, 2012, p. 91), mainly based on humanistic Christian-based (charity and fraternal love) and human-based (solidarity, not fraudulent or corrupt behavior, cooperation and mutual assistance) values, focused on producing sustainable goods and services benefitting people, and not only shareholders, and thus achieving fairer, more equitable, and more inclusive social groups (Saiz-Alvarez, 2013a).

Rooted on the sixteenth century's School of Salamanca[8], ethics and morality play a key role in the Socioeconomics of Solidarity, where "the value of a good depends on three factors: objective utility (*virtuositas*), scarcity (*raritas*) and consumer appeal (*complacibilitas*), i.e., the subjective utility" (Partridge, 2004, pp. 23-24). Within the rich set of theologians[9] who belonged to this Spanish School, mainly Jesuits and Dominicans, highlights the Dominican Francisco de Vitoria (1483-1546) who, more than two centuries before Adam Smith (1723-1790), founder of the Classical School in response to the so-called "the Paradox of Mandeville"[10], wrote in 1535 that:

Whoever does something good, or for the benefit of a particular, he/she also makes it for the common and public interest, but if he/she hurts a person, he/she harms the common good. Therefore, who favors an individual, the entire society must deserve praise and rewards him/her, although this person only thinks on his/her own profit (De Vitoria, 1535, pp. 1344-1345).

In fact, the same idea was written by Adam Smith in 1776 with other words:

When the [economic activity] is managed by maximizing products with the highest possible value, entrepreneurs just thinks on their own gain; but in this, as in many other cases, these individuals are led by an invisible hand[11] that guide them towards a goal which are no part of their intentions (Smith, 1958[1776], p. 402).

This social benefit is determined by solidarity, as the *homo economicus* is characterized for being social (*zoon politikon*, from Greek ζῷον πολιτικόν). In fact, the fifth Principle (*De Indis recenter Inventis, prior relectio*), enunciated by Francisco de Vitoria, affirms that: "It is good and lawful for man to have private property, but no one owns exclusively, as they should sometimes share things [...] and with extreme need, all things are common." This principle can be applicable today in the Socioeconomics of Solidarity.

The main difference between the Spanish theorists and the Classical economists is the ethical and moral behavior shown by the Spanish theorists (Santos del Cerro, 1998). As a result, Economics might be rooted on moral philosophy, a fact forgotten by the Classical School, as their authors condemned the ideas born in the School of Salamanca two centuries before, as the School of Salamanca condemned from a double moral and ethical perspective the use of interest rates on the exchange and, when interest rates are too high, usury-based economic transactions are created. Therefore, the Socioeconomics of

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Solidarity's precepts of moral philosophy are closely related with the Spanish School of Salamanca. As a result, the Socioeconomics of Solidarity goes well beyond the economic principles established in traditional and well-established Schools of Economic Thought, such as Neoliberalism, Social Market Economy, and Keynesianism in their different variants, which theoretically aims to reduce inequalities in income distribution by maximizing economic wealth of individuals seeking social justice, without taking into consideration any further moral issue (Table 3).

An example of solidarity-based socioeconomic development is rooted on communal lands (*Tupambaé*), community work (*Minga*) and the practical application of the Principle of reciprocity made with the Jesuit Missions (1609-1629) in the Guaraní region of Guayrá, now situated in Paraguay (Ossanna, 2008). Solidarity-based practices that preceded in more than three centuries the Rochdale Society of Equitable Pioneers created in 1844, as the first successful cooperative retail store made by working class members (Guerra, 2006).

These humanistic and axiological values inserted into the Socioeconomics of Solidarity leads to individuals come together with Christian values, as shown:

1. In the Encyclical Letter *Rerum Novarum*, written by Pope Leo XIII (1878-1903), in which the relations between capital and labor are studied;
2. The Encyclical Letter *Quadragesimo Anno*, written by Pope Pius XI (1922-1939), on the restoration of both economic and social order illuminated by Christian charity;
3. The Encyclical Letter *Mater et Magistra*, written by St. John XXIII (1958-1963), dealing with social issues;
4. The Encyclical Letter *Populorum Progressio,* written by Pope Paul VI (1963-1978), with the need for greater social progress through economic growth, and
5. The Encyclical Letter *Centesimus Annus*, written by St. John Paul II in 1991, to commemorate the centenary of *Rerum Novarum* and to build a Socioeconomics of Solidarity in his speech to the Economic Commission for Latin America and the Caribbean.

Introducing Christian values in economic thinking leads to the creation of a new economy based on solidarity and responsibility, leading to fair trade, ethical finance, responsible procurement, eco-villages, and networks based on Alternative and Solidarity Economy (REAS) (Roman & Loebl, 1979). Thus, love, empathy, and desire to help others lead to the birth of a Socioeconomics of Solidarity characterized by "another way of production, close with the basic principles based on collective property, capital and the right for achieving individual freedom. The application of these principles unites production in a class of workers who are equal capital owners in each cooperative or economic society. The natural result "is the combination of both solidarity and equality" (Singer, 2002, p. 10).

Table 3. Organizations in socioeconomics of solidarity

Special Employment Centers	Limited Partnerships	Labor Foundations
Cooperatives of Social Inclusion	Associations	Mutual Trade
Neighboring Communities	Street Vendors	Religious Organizations
Popular Economic Organizations (OEPs)	Social Emergency Care Solutions	

Source: Own elaboration.

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The term "solidarity" appears recurrently in the Socioeconomics of Solidarity with different meanings. In this sense, Razeto (1993) and Max-Neef (1997) with their "barefoot economy" and "human scale development," respectively, say that solidarity, love, mutual aid, brotherhood, family care, and neighborhood ties are ways to achieving higher levels of social justice, especially for small and popular solidarity firms, many of them informal ("the invisible world"), which creates a socioeconomic development based on a human scale for everyone, as "human needs, self-reliance and organic joints are the fundamental pillars of Human Scale Development" (Max-Neef, 1994, p. 30). A supportive behavior affected by the so-called "factor C" (companionship, community, cooperation, collaboration, communion, and coordination) (Razeto, 1998) determined by the letter "c" as the capital letter of Christ. When the factor C is fully developed, economic and business growth lead to a collective improvement.

FUTURE RESEARCH DIRECTIONS

The Socioeconomics of Solidarity is, in the background, a kind of internal democracy based on solidarity and the sharing of goods and services generated by individuals, in which there is "a collective identity aimed at a common goal" (Defourny, Favreau & Laville, 1998, p. 31). In fact, it is a kind of "economy at the service of the people" (Garcia, Vialop & Xirinachs, 2006: p. 167-178) where cooperative movements and solidarity-based firms are characterized by "in varying proportions, collective arrangements in the possession of the means of production, in the process of work and enterprise management, minimizing the presence of salaried relations, occurring mainly in the economies of the popular sectors" (Gaiger, 2004, p. 231).

The insertion of values in the Socioeconomics of Solidarity will move economics from *homo economicus* to *homo reciprocans* (Gintis, 2000) defined by companies headed by solidarity, mutual cooperation, and reciprocal trade. This process of exchange "structure social relations, links, and obligations within the movement of material, symbolic, and knowledge-based goods, through the triple obligation of giving, receiving, and returning, which describes other economic relations, which does not necessarily correspond to supply and demand, economic profit, balance, or market" (Carranza, 2013, p. 15).

Finally, the Socioeconomics of Solidarity is a complement to capitalism, so they can enrich countries. Economic systems work by both building horizontal and vertical production networks, as well as through exchange and consumption of goods guided by the principles of compensation and solidarity. Given these characteristics, it is expected that future researchers will suggest future research opportunities within the domain of this topic.

CONCLUSION

The EU is facing a challenge both in terms of ODA in the search for new models of development based on solidarity. While in the Central and Eastern European Countries, the EU's ODA have had their effect, Africa's extreme poverty continues to have entrenched in the economic and social fabric of the continent, so it can be a fertile ground for introducing community practices based on Socioeconomics of Solidarity that generate economic growth and social welfare. Aware of this fact, through the European External

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Action Service[12] inserted into the MFF 2007-2013, the EU simplified and rationalized its development portfolio by replacing the 30 programs and 90 budget lines in the previous frame for eight instruments development. Thus, the Directorate General for Development and Cooperation-EuropeAid (DG DEVCO-EuropeAid) of the Commission, created in January 2011 is, at present, the only body responsible for the programming and implementation of most of the instruments development of the EU, and its objectives: [1] the eradication of poverty and hunger; [2] the promotion of sustainable development; and [3] the support of democracy, peace and security.

The DG DEVCO-EuropeAid has adapted the European development policy to the current needs in the recent proposal "A dignified life for all by 2030," currently under review by the Council and Parliament. The Directorate General for Humanitarian Aid and Civil Protection (DG ECHO) is responsible for providing humanitarian aid, civil protection and crisis management tasks that formally constitute a separate ODA portfolio. Other organs of the Commission to help coordinate development instruments of the EU are: the Directorate General for Regional Policy, the Directorate General for Economic and Financial Affairs, and the Service for Foreign Policy Instruments.

European development policy promotes the harmonization of policies and better inclusion of the countries in the financial allocation process and scheduling through a "Code of Conduct on the division of labor in development policy" in 2007, and "Operational Framework on aid effectiveness" in 2011. In 2005, the EU also adopted the program "Policy coherence for development" to be applied into twelve different policy areas, including trade, migration, and transport. All this makes a re-launch of the European ODA, once community partners have improved their economic fundamentals, especially in terms of higher employment rates, and lower inflation needed.

In short, although the triple-C (combination of economic crisis, financial crisis, and crisis of credibility on economic policy) (Saiz-Alvarez, 2013b) has hampered the MDGs achievement by 2015, the Socioeconomics of Solidarity can help to recover the lost path. Therefore, and in conjunction with the private and community initiatives, efforts made on the European side to re-launch ODA are always welcome to reduce poverty gaps, and to accelerate the formation of united economic blocks. Moreover, increasing social, demographic and economic problems derived from higher poverty rates will cause greater and negative imbalances. And in this sense, the world's most developed countries have a moral obligation to avoid it.

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KEY TERMS AND DEFINITIONS

ACP Countries: They are made up of African, Caribbean and Pacific countries receiving Official Development Aid from the European Union.

Common Good: A natural law that leads to the creation of a common wealth that must be shared in order to achieve happiness and, in the case of believers, their holiness.

Millennium Development Goals (MDGs): Formed by eight goals for 2015, it is a global strategy driven by the United Nations to eradicate extreme poverty and hunger, achieve universal primary education, promote gender equality and empower women, reduce child mortality, improve maternal health, combat HIV/AIDS, malaria and other diseases, ensure environmental sustainability, and develop a global partnership for development.

Official Development Aid (ODA): The total amount of economic aid donated by the European Union to the economically weakest countries in the world.

Principle of Subsidiarity: Defined in Article 5 of the Treaty on the European Union, it ensures efficiency and effectiveness in decision taking as decisions are taken as closely to citizens.

Social Market Economy: A form of market capitalism by combining social policy and coordinated market economy. This type of capitalism was used in Germany after World War II, and it was responsible of the Austrian and German economic miracles.

Socioeconomics of Solidarity: A kind of economy based on Christian-based (charity and fraternal love) and human-based (solidarity, not fraudulent or corrupt behavior, cooperation and mutual assistance) values, focused on producing sustainable goods and services benefitting people.

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ENDNOTES

1 The First Revolution was the Industrial Revolution of the eighteenth century, which began with the creation of the steam engine by James Watt (1736-1819), the formation of large intensive manufacturing processes in labor generally underpaid and exploited occupationally lacking of labor rights. The Second Revolution, or Mass Media Revolution, was initiated in the early twentieth century, with the popularization of press, cinema, radio and television.

2 This bankruptcy has followed the provisions of Chapter 11 of the Bankruptcy Code of the United States. Until that date, the Lehman Brothers Group, formed by Lehman Brothers Inc., Neuberger Berman Inc., Aurora Loan Services Inc. SIB Mortgage Corporation, Lehman Brothers Bank, FSB and the Crossroads Group, was the fourth largest investment bank in the world measured by market capitalization.

3 The translation is: "Man is a wolf to [his fellow] man, [and he is] not a man when he does not known who the other is."

4 In his early works, he signed as Thomas Hobbs of Malmsbury. Malesbury or Malmsbury his place of residence and studio, as the English philosopher was born on April 5, 1588 in Westport, a small town belonging to the county of Somerset. Such county, situated in Southwest England, is formed by the towns of Westport and Hambridge, jointly having a total of 526 people.

5 The complete title of the book is: Leviathan or the Matter, Form, and Power of a Common Wealth Ecclesiastical and Civil.

6 Blanc (2007) critics the TACIS program since its inception given the limited socioeconomic impact of the program in the former Soviet Union, as it is more a technical assistance program than a cooperation program. All Soviet Union's republics, except Estonia, Latvia and Lithuania, have been TACIS members after the fall of the Soviet Union. The Baltic Countries have become full members of the EU after the signing of the Accession Treaty on 1 May 2004.

7 This EU Regulation was after amended by Regulation (EC) 2415/2001 (Official Journal L 327 of 12 December, Regulation (EC) 2257/2004 (Official Journal L 389 of 30 December), and Regulation (EC) 2112/2005 (Official Journal L 344 of 27 December).

8 From the abundant economic literature written on the School of Salamanca, see Pena (2009), Gómez and Robledo (1998), and Partridge (2004), as well as the classicals Gorosquieta (1941), Iparraguirre (1954), Schumpeter (2008 [1954]), Grice-Hutchinson (1952, 1982, and 1989) and, above all, Endemann (1874), the true discoverer of the School of Salamanca, and Ramola (1973[1885]) its popularizer in Spain. On the figure and the role of Francisco de Vitoria, see Ocaña (1996).

9 According to Grice-Hutchinson (1995) the complete list of authors is: among the Dominicans, Francisco de Vitoria, OP (c. 1483-1546), Domingo de Soto, O.P. (1494-1560), Martin de Azpilcueta (or Azpilicueta), OP (1493-1586), Diego de Covarrubias y Leiva, O.P. (1512-1570), Domingo Báñez, O.P. (1528-1604), and Tomás de Mercado, O.P. (1530-1576). Among the Jesuits, Luis Saravia de la Calle, SJ (? -1623), Francisco Garcia, SJ (1641-1685), Luis de Molina, SJ (1531-1601), Juan de Salas, SJ (1553-1612), Francisco Suarez, SJ (1548-1617), Juan de Lugo, SJ (1583-1660), and Antonio Escobar, SJ (1589-1669). They were complemented with the ideas of the Augustinian, Miguel Hall, O.S.A. (1539-1621), and the Franciscan Luis de Alcalá, OFM (1490? -1549). Outside these religious orders, we can mention Juan de Medina (c. 1490-1546) and Cristobal de Villalón (1500-1580).

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[10] Mandeville affirmed that market-based societies are not virtuous, because markets lead to the creation of private vices, though public benefits are generated. See Hurtado (2004) for a complete description of the evolutionary controversy arisen with this paradox.

[11] The "invisible hand" was firstly used on the founder of the Classical School, Adam Smith (1723-1790), is a metaphor used in his work *The Theory of Moral Sentiments* written in 1759, and its most famous work, *An Inquiry into the Nature and Causes of the wealth of Nations*, begun in 1763 and published on March 9, 1776.

[12] Created in 2009 under the Treaty of Lisbon, it aims to increase the ODA's external impact, mainly in Africa.

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Chapter 86
Social Responsibility, Shared Value, and Business Modelling: An Integrated Approach

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ABSTRACT

While more and more businesses incorporate sustainability in their core business strategy, there has recently been a shift from corporate social responsibility (CSR) to the notion of creating shared value (CSV). This thesis investigates the emergence of new hybrid enterprises and innovative business models. Starting from a literature review about CSR and its evolution into the "Big Idea" proposed by Porter and Kramer, the chapter will analyse the link between business and society, especially in the developing countries where this link is stronger. The main aim is to identify the most effective business models that enhance the competitiveness of a company, while simultaneously advancing the economic and social conditions in the communities in which it operates. The general idea is that enterprises should have longer-term perspective on how they operate in relation to the external society and environment, addressing societal needs and challenges through the business itself, within a business model.

INTRODUCTION

Businesses' responsibility in terms of economic, social and environmental impact has always been a very thorny subjected in the business community's debate, evidencing alignments and conflicts between external and internal stakeholders (Sheehy, 2015).

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Nevertheless, the recent global agreement on the importance of the role of business in society for the international development, economic growth and poverty reduction (Nwagbara & Kamara, 2015) has reached the audience and the attention of academics and industry experts.

Despite in recent years business has been increasingly viewed as one of the major cause of society's problems, the big idea claimed by Porter and Kramer (2011) presents a new business perspective that aims to reconnect company success to with social progress.

Adopting the concept of creating shared value is a journey companies need to embark on to overcome the "blindness" that made them ignore all the big opportunities that rise once this fundamental link is restored.

The solution lies in the shift from Corporate Social Responsibility, a concept still powerful but not efficient in the contemporary competitive environment, to a new paradigm of business focused on Shared Value principle that enhance company's competitiveness while simultaneously creates value for society. In any different conceptual framework the problem still remain how to help companies to response to stakeholder expectations through their management systems and value chain linkages (Visser & Kymal, 2015). This means, in the lens of Italian doctrine of Economia Aziendale, re-discover the company systemic relationships.

The logic of shared value becomes more influential when companies decide to operate into developing countries (Cavaco & Crifo, 2014) where the interconnection between business and society is definitely stronger, since these countries offer great opportunities to develop new business but they are also characterized by deep social disadvantages (Michelini & Fiorentino, 2011).

Thus, businesses' response to low-income markets problems has contributed to blur the lines between for profit and not for profit organizations and the rise of hybrid enterprises is one of the strong signs of this transformation (Beugré, 2017).

According to this new perspective, this research intends to identify the business models that allow companies to invest in new markets (mature or developing countries) adopting a shared value approach based on addressing social needs by creating economic value.

This study is exploratory in nature, since it aims to provide both theoretical and empirical backgrounds analysing the transformation process from Corporate Social Responsibility to Creating Shared Value and highlighting the distinctive features and the level of criticality of both the managerial approaches to sustainability.

Finally, not all societal problems can be solved through shared value solutions. However, shared value offers corporations the opportunity to utilize their skills, resources, and management capabilities to lead social progress in ways that provide economic and societal benefit both for businesses and the communities in which they operate.

BACKGROUND

From Corporate Social Responsibility to Creating Shared Value

Corporate social responsibility thinking has evolved over the past few decades from a traditional positioning, mainly focused on philanthropic initiatives, to a more strategic approach that incorporates social issues into businesses core strategies to benefit both society and their own long-term competitiveness

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(Blodgett, Hoitash, & Markelevich, 2014). Although corporations without good performance of CSR can make profits occasionally in a short term game, they have greater difficulty winning in a repeated game. The reason is that any stakeholders are not willing to deal with corporations that lack of CSR (Wang, 2014).

In addition, the expansion of corporate responsibility in the social environment is increasingly connected to the development strategies of the company, which to successfully pursue its business purpose, cannot ignore the characteristics of the context in which it operates.

In 2006 Porter evaluating the CSR theory, traditionally driven by reputational reasons (Plewa, Conduit, Quester, & Johnson, 2015), has pointed up the importance of going beyond the "doing good, being good avoiding risks" attitude, embracing a new management thinking that reinforces corporate engagement in society.

For this reason, the transformation process from CSR to CSV is necessary to reshape the capitalistic system (now under siege) and find new links that are profitable for both the company and the society (Kramer, 2011).

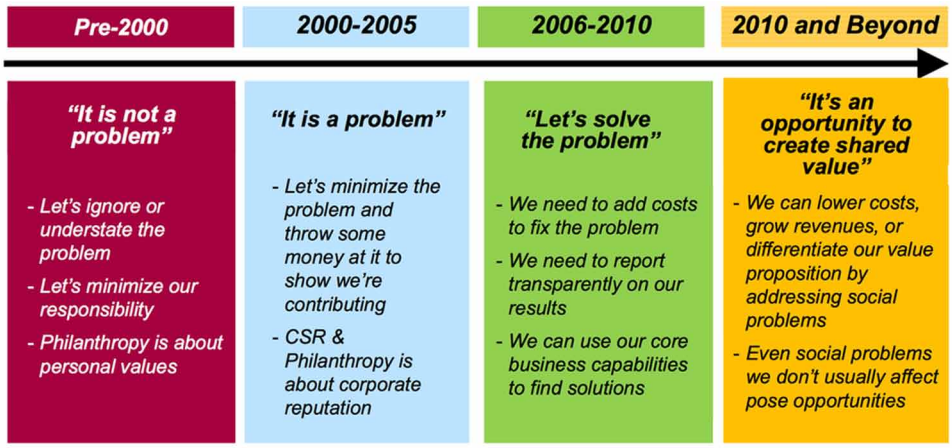
Figure 1, introduced by Porter at the Annual Summit for Shared Value Leadership, shows that not many years ago businesses were mainly focused on philanthropic activities, like donations to worthy social causes or volunteering. Philanthropy is about personal value or corporate reputation and usually understates the problems.

Progressively, businesses become more aware of societal issues and start to use their core resources and capabilities to find solutions.

At the very basic level, businesses are getting more sensible engaging in "good activities" that show off how they spend money for projects of corporate social responsibility. However, this approach presents some limits on the implementation of these perspectives inside and outside the organizations. This is the fundamental reason why recently companies have lost their legitimacy and have been widely perceived to be prospering at the expense of the broader community.

Hence, Porter's idea of a socially integrated company refers to the policies and practices that enhance competitiveness while advancing economic and social conditions.

Figure 1. Corporate Thinking Has Evolved Over the Past Decade
Source: FSG, 2011.



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In 2010 the transformation process seemed to be definitive: businesses began to embrace the shared value concept, meant as an opportunity to abandon the short term perspective and supersede the CSR logic by generating benefits for both companies and society. However, moving a corporation toward a shared value approach require a major mindset change that will differ for each company, depending on its goals, context and culture.

The concept of shared value can be defined as policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates. Thus, CSV focuses on identifying the connection between societal and economic progress that should always be addressed using value principles. Value is defined as benefits relative to costs, not just benefits alone (Porter & Kramer, 2011).

Although a growing number of companies have integrated the shared value concept into their business strategies, until now societal issues have been rarely approached from a value perspective but have been treated as peripheral matters. In accordance to Porter and Kramer point of view, CSV should supersede CSR in guiding the investments of the companies in the society and as a consequence assimilating economic and social objectives together in order to look at shared value through entirely different lenses.

In the past, all the corporate social responsibility programs have emerged as an attempt of the firm to improve their own reputation and their role of corporate citizenship, thus they have been seen as "necessary" costs. Basically, CSR initiatives are short term oriented and have a limited link to the business or sometimes a non-existing one. Shared value perspective, instead, is functional to the profitability and the competitive advantage of the company since profit maximization and investments in social issues are not separated (Kramer, 2011). Sure the boundaries, the overlapping or the contrasts between CSR and CSV is still discussed in the literature, in particular the CSV is questioned from scholars advocates for a strategic CSR, defining CSR in a different way of a corporate image management (Jean & Yazdanifard, 2015). Moreover, Dembek, Singh and Bhakoo (2015), after a greater literature review concludes that share value has spread into the language of multiple disciplines, but that its current conceptualization is vague, and it presents important discrepancies in the way it is defined and operationalized from scholars. The authors recommended for defining and measuring the concept even through case studies. Despite these critics and following the latter suggestion carry out by the authors about case studies, we are still moving in the context of the Porter's framework.

According to Porter and Kramer, one of the strengths of the shared value approach is its connection with the long-term business strategy of the company and for this reason Porter's idea could be defined as a real business model. In order to adopt a shared value approach a change of business strategy is needed: corporate engagement in society will lead to the next major transformation of business thinking.

The Three Level of Shared Value: How It Is Created

In general, companies can create shared value in three basic ways: reconceiving products and markets, redefining productivity in the value chains and enabling local clusters development.

For what concern the first level of creating shared value, it refers to the huge numbers of unmet social needs. For a company, the starting point for creating this kind of shared value is to identify all the societal needs, benefits, and harms that could be embodied in companies' products. Thus, meeting needs in underserved markets is a great opportunity for businesses to redesign their products or to enter in new markets that could offer strategy differentiation and company repositioning. In addition, the societal needs in developing countries or disadvantaged communities are even more pressing and the attention

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of big leading companies, focused on the needs of emerging markets, offers the possibility to access billions of new customers at the so called Bottom of the Pyramid (Panapanaa, Bruce, Virkki-Hatakka, & Linnanen, 2016; Ansari, Muni, & Gregg, 2012).

Every company had a well-developed value chain, made of primary activities like sourcing and procurement, inbound logistic, operation assembly and sales and customer services, and support activities, like research and development, human resources management and marketing and advertisement activities. In this case, opportunities to create shared value arise because societal problems can create economic costs in the firm's value chain. This leads consequently to a redefinition of the productivity of the value chain, definitely more effective, in order to avoid externalities or societal costs generated by companies that could compromise the health of the overall society.

Finally, the third way of creating shared value is linked to the external environment with which companies dialogue. Indeed, companies do not operate in isolation from their surrounding but their success is defined by the context in which they operate. To support clusters development, companies need to identify gaps and deficiencies in different areas, like logistics, suppliers, distribution channels, etc.. Focusing on these weaknesses that constrain company's productivity and growth will be the greatest opportunity to create shared value.

Hence, shared value creation is strictly related to the relationship between companies and local clusters that could improve businesses performances in terms of productivity, innovation and competitiveness, simultaneously generating benefits for the communities.

This three methods for creating shared value are mutually reinforcing, as they create a *virtuous circle* in which businesses tend to incorporate social issues into their core business strategies to gain social benefits and a long-term competitive advantage.

To sum up, the shared value concept arise new social needs to meet, new products to offer, new ways to refine the value chain, allowing companies to leverage their expertise and competences to drive economic and social development.

Shared Value Concept Into the Strategic Planning Process

A growing numbers of companies are adopting this new pragmatic approach and increasingly recognize that their contributions can be more effective if they align them with core competencies.

General Electric, IBM, Unilver and obviously Nestlè are pioneers in this corporate (re)evolution since they have already started to contribute to social problems redefying their own strategies and business models in order to create a connection between social and business performances.

Such companies seek to create "shared value" incorporating social issues into their core business strategies to benefit both society and their own long-term competitiveness as shown in Figure 2.

Shared value framework defines a new role for business in society that goes beyond the traditional CSR perspective, usually seen as a response to external stimulus, to government regulation or pending regulation. Shared value reconnects company success with social progress and could also drive the next wave of innovation and productivity growth in the global economy as it opens managers' eyes to immense human needs that must be met, large new markets to be served, and the internal costs of social deficits as well as the competitive advantages available from addressing them (Porter & Kramer, 2011).

Thus, Porter's concept is not just to redistributing value previously created through philanthropic or CSR activities, but consist mainly in having a robust strategy to solve social issues and make profit.

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Figure 2. Shared Value
Source: Bockstette & Stamp, 2011.

According to Porter and Kramer (2011), the logic of creating shared value could be defined as a re-shaped capitalism that, connecting companies' success with societal improvement, inevitably opens up new ways addressing societal needs while simultaneously create economic value in a long-term perspective.

Building Blocks

Creating shared value can be broken out into ten key building blocks that help any kind of businesses or organizations to build a strong and effective strategy (Bockstette & Stamp, 2011). Basically we can compare these building blocks to a sort of blueprint that translate the shared value idea into concrete actions (see Figure 3).

The shared value approach is unique for every single company and its strictly linked to the company strategy, context and competitive advantage. Nevertheless, FSG a non-profit consulting firm for leaders in search of large-scale, lasting social change, working with different leading corporations, has identified some common points to generate shared value.

Creating shared value starts with an explicit strategic decision by top management that need to delineate company's vision and ensure that all the business areas are actively engagement.

Vision is fundamental to the strategic long-term direction of the company; indeed the second step focuses on the strategy.

In order to create shared value, the vision needs to be translated into a robust strategy that identifies a clear focus and articulates ambitious goals. A good strategy should be tailored to reflect a company's unique positioning, capabilities, and competitive environment and should also identify social challenges that represent cost-reduction or growth opportunities.

The third block refers to the management of the delivery process that leverage and add value to the internal and external assets of the company.

Once ambitious goal are set, companies need to regroup all the business units and mobilize a wide range of internal and external resources. This process could be broken down into three essential practices.

- **Deploy a Range of Assets to Address the Issue:** These assets can include goods and services, skills, political influences, etc.. The most effective companies are the ones able to combine in a strategic way the different assets in the areas where they have an edge over other actors.

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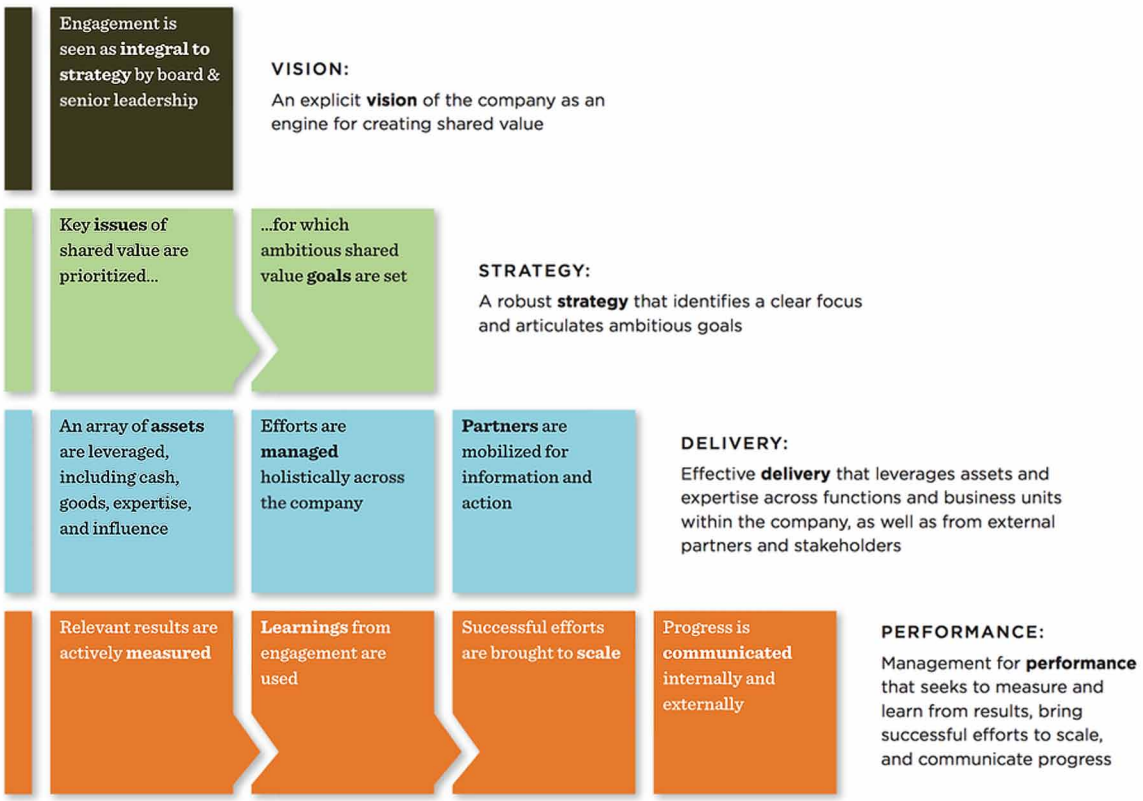
Figure 3. The Building Blocks of Creating Shared Value
Source: Bockstette & Stamp, 2011.



- **Manage Efforts Holistically Across the Organization:** In many companies' social engagement is not confined to an isolated silo, but instead is integrated into a wide variety of roles and functions, and often overseen at the board level.
- **Collaborate With Partners:** Creating shared value requires new and strong forms of collaborations. Indeed, most companies consult with stakeholders and work with NGOs to embrace competences and resources useful to the company's success.

Finally, the last building block of shared value is linked to the company's modus operandi that, if well manage, could deliver high performance.

Usually companies measure their progress and learn lessons from their activities, structured for continuous improvement.

New Business Models for Creating Shared Value

One central goal for companies nowadays is to create shared valued, for this reason new type of innovative business model are arising and represent a hybrid managerial choices between profit and non-profit oriented models. As suggested by Porter during an interview for the Western State Colorado University

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(Driver, 2012), new hybrid enterprises are rapidly appearing due to the blurring of the boundary between successful for-profit and non-profit organizations.

Hybrid enterprises are those enterprises straddling the boundary between the for- profit business world and the social mission-driven public and not for profit organizations (Daw, 2013; Wilson & Post, 2013). Thus, they belong to the Social Entrepreneurship category that could be defined as an important transitional vehicle toward the creation of shared value and a capitalist system in which meeting social needs is not just a peripheral activity but a core aspect of every business (Driver, 2012).

In other words, Social Entrepreneurship is a step of the creating shared value process through which a social oriented company gain the right competences in order to incorporate social issues into their core business strategies. Social Entrepreneurship may be defined along a continuum from the creation of positive social change to earned income in the pursuit of social change (Driver, 2012).

Despite Social Entrepreneurship concept is relatively new and still need to be properly defined it could open up new ways of doing business and bring a whole new sensibility and a whole new set of tools and attitudes to addressing social issues.

As previously mentioned, hybrid organizations strive to combine their own economic benefits to the societal benefits of the developing countries through managerial strategies and models, based on social entrepreneurship and shared value concepts. Indeed, social entrepreneurship includes the use of market principles and economic value to meet social needs of the underserved communities that should be considered not just as "exploratory territories" but as real markets with specific needs to address through ad hoc business models.

At this point in the study it is useful to underline the connections between hybrid enterprises and the rise of innovative business model, based on social innovation whose main aim is to improve community well-being while simultaneously guarantee economic and financial sustainability. Based on companies' decision to expand their businesses into low-income markets, Michelini and Fiorentino (2011) identified two innovative business models (social and inclusive business models) that generate shared value.

Social Business Model

Social Business Model represents a new way for the companies to address unmet social needs through combining business know-how with the desire to improve quality of life of the developing countries.

The Nobel Prize Muhammad Yunus introduce this new dimension for capitalism: a business model that does not strive to maximize profits but rather to serve humanity's most pressing needs (Yunus, 2010). Nevertheless, many authors agree that meeting societal needs is a governments' responsibility since they should represent all the society interests. Instead, the right kind of government regulation can encourage companies to pursue shared value investing in the economic and social development of the society.

Contrary to the traditional business models, in the Social Business Model there are no losses nor dividends for shareholders and the company is led exclusively by predetermined social objectives. Obviously there is still profit though it is only used to keep the company alive and further develop it. Investors should not focus only on profit from their own activities; they should also be incentivised by the success that could be obtained if their social needs were fulfilled.

The European Commission uses the term "social business" to cover

…businesses providing social services and/or goods and services to vulnerable persons (access to housing, health care, assistance for elderly or disabled persons, inclusion of vulnerable groups, child care,

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access to employment and training, dependency management, etc.); and/or businesses with a method of production of goods or services with a social objective (social and professional integration via access to employment for people disadvantaged in particular by insufficient qualifications or social or professional problems leading to exclusion and marginalization) but whose activity may be outside the realm of the provision of social goods or services. (European Commission, 2011, p. 3)

Social Business Model is characterized by two mains typologies: social business that includes all the companies that do not distribute dividends and social business adopted by all the companies whose mission is social oriented independently from the financial management (Clark & Brennan, 2012).

According to Yunus's idea, type one focuses on businesses dealing with social objectives only, as has just been mentioned. Type two, instead, can take up any profitable business so long as the poor and the disadvantaged, who can gain through receiving direct dividends or by some indirect benefits, own it.

The key element of the first type of Social Business Model is to not allow any dividends (share of profits) for shareholders due to the fact that profit seeking companies with a strong CSR commitment try to make their pursuit of profit consistent with social considerations (Yunus, 2007). Hence, even if this model could generate profits shareholders would not benefit of any dividend because all the revenues will guarantee company sustainability. Any surplus coming from company's activities will be return to the investor or reinvested into the company itself.

A concrete example of this type of social business model could be a limited company (Ltd) resulted from a strategic alliance between profit organization and no profit local organization. Sharing their know-how, both organizations realize together a sort of new activity, linked to the traditional business of the company while simultaneously creating social value in the community in which it operates. Indeed, social benefits derives from the company's goods and services (Kroeger & Weber, 2015).

Although the second type of Social Business Model is more profit oriented, its social purpose consists on making underserved communities autonomous in order to improve their economic and social condition through dividends and profit generated by the company.

In general, companies that adopt a Social Business Model are tied to the creation of a joint venture with local non-profit organizations: sharing resources and competences both companies and organizations create shared value.

Inclusive Business Model

As previously said, in attempting to apply the principle of creating shared value many companies have started to implement alternative models of governance and management, which can be referred to the social entrepreneurship concept. One of these models is the Inclusive Business Model that aims to build bridges between businesses and the disadvantaged communities for mutual benefit: making profit and improving social conditions of local population. Thus, the term "inclusive" refers to active engagement of low-income sector into the core business of the company and vice versa (Halme, Linderman, & Lima, 2012).

Inclusive Business Model has its roots into the Bottom of Pyramid Theory proposed by Prahalad, which is based on the concept of "serving the poor profitability" (Prahalad, 2004).

According to this socio-economic concept, that refers to more than 4 billion people all over the world living with less than 1 dollar per day, developing countries should no longer be considered as a territory

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to exploit but a market composed of producers and consumers with specific need, which could be met through innovative business models.

The main pillar on which the Inclusive Business Model is founded is the strategic relationship between a local dimension (the low income communities) and a global dimension (companies) that offers new opportunities to conduct business responsibly creating – at the same time – economic and social value (Hann, 2012).

According to the World Business Council for Sustainable Development definition, the Inclusive Business Model is:

one which seeks to contribute toward the alleviation of poverty by including lower-income communities within its value chain while not losing sight of the ultimate goal of business, which is to generate profits. (WBCSD-SNV, 2010, p. 2)

The integration of low- income communities into company's value chain could be represented by two broad categories (WBCSD-SNV, 2010, p. 3):

- **Low Income People as Consumers:** Companies male available quality goods and services which underserved populations need and want at prices they can afford;
- **Low Income People as Suppliers or Distributors:** Low income populations are business partners, suppliers and/or distributors. By including small local entrepreneurs in their value chain, companies create jobs and speed up the transfer of skills.

For this reason, the inclusive business model could be seen also as a co-working model, where goods and services come from the merger between the bottom and the top of the pyramid.

Inclusive and Social Business Models

Based on the definitions of these two models, it is necessary to outline the main characteristics of both Inclusive and Social Business Models highlighting common points and differences (Speiss-Knafl, Mast, & Janse, 2015).

Despite both models can create shared value their strategies and governance systems are completely aligned.

First of all, the main objective of the two models are different: Inclusive Business Model aims to economic and societal benefits; while Social Business Model focuses principally on societal benefit without excluding the economic ones. As outlined by Michelini and Fiorentino (2011), Inclusive Business Model could represent an evolution of the traditional business to a model based on a mutual co-dependence between the company and its social environment. Social Business Model, instead, can be considered as an advanced philanthropic approach that improves social conditions of the underserved communities while simultaneously pursuing companies' economic sustainability.

In accordance to the framework proposed by Michelini and Fiorentino (2011), it is possible to categorize these two models by using two variables: economic return on investments and social/economic benefits (see Figure 4). In the quadrant at the top left section of the matrix below are located philanthropic initiatives that do not represent a conventional form of business model since they aim to generate social benefit, without providing any economic returns for the company. Inclusive and Social Business Models

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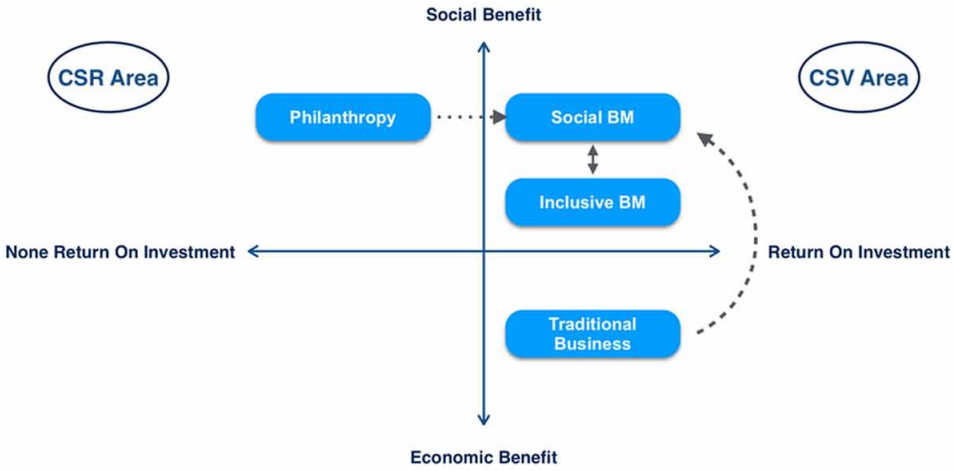
Figure 4. Social and Inclusive Business Models
Source: Adapted from Michelini & Fiorentino, 2011.



are positioned into the second quadrant at the top right of the matrix. Both models, indeed, are focused on addressing social needs generating positive effects for the communities and for the companies in terms of social and economic value. Finally, the traditional business model is located in the bottom right quadrant of the matrix and is solely profit- oriented without consideration of any social effects

Hence, due to the limits of the traditional business to embrace type of hybrid enterprises, where the social dimension is crucial, it is necessary to explore and consider alternative business models definitely more appropriate to the transformation outlined.

CASE STUDY ANALYSIS

Despite the growing importance of the issues previously analysed, the concrete examples of new forms of business models aimed at creating shared value is still limited. For this reason, this study intends to provide an analytical and exhaustive representation of the shared value concept and its role into the economic and social environment. Therefore, the aim of this study is to identify the key elements of OneSight's business model in order to define a new paradigm of business, focused on expanding the connection between economic and societal progress.

To accomplish this goal, a case study of a not for profit organization was conducted based on a qualitative analysis. This approach consists of two consecutive phases. The first phase aims to collect and explore different documents coming from internal and external sources. In the second phase, semi-structured interviews were conducted to a remarkable number of employees belonging to different business areas in order to have an homogenous and holistic point of view of the case study. Specifically the people involved in the interview were:

- **Lukas Ruecker:** *President Lux Vision Care EyeMed*
- **Paul Case:** *OneSight Sr Manager Clinics Operations Shared Services*
- **Emily Ryan:** *OneSight Sr. Manager Communications*

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- **Mony Iyer:** *OneSight Sr Director Strategy Shared Services*
- **Gloria Bondi:** *OneSight Fundraising Manager*
- **Mustapha Njie:** *OneSight Project Manager Gambia*

The method used is exploratory and is also characterized by a strong focus on resultus measurement, meant as fundamental tool of this research. Most interviews were conducted in English, face to face, some by telephone due to the inability of some employees to be physically present during the conversations.

The purpose of these interviews was to gain richer and deeper information about Onesight and its business model, for this reason questions were asked following a specific funnel: starting from the generic information about the overall organization to the most accurate ones. In each interview some open-ended questions were asked, so respondents were encouraged to speak freely, creating a dynamic relationship (Qu & Dumay, 2011).

In the following pages we meticulously explain the insights and outcomes linked to the adoption of the shared value approach by OneSight.

OneSight Profile

OneSight is an independent non-profit organization providing access to quality vision care and glasses in underserved communities worldwide, mobilizing eye care professionals, industry experts, volunteers and partners. The real strength of the company lies in its partnerships with global organizations, businesses and mainly with Luxottica, funding partner and global sponsor.

Luxottica's commitment to OneSight consists on funding administrative costs and providing annual operating support, glasses and engagement of its employees. Every year more than a thousand of Luxottica employees travel the globe to be part of OneSight programs, using their skills and expertise in day-to-day activities.

Since 1988, year of foundation, OneSight programs had impacted more than 9 millions lives across 41 countries. Thanks to partnerships with local health organizations, 8 sustainable vision centres, that provide permanent vision care access to two million people around the globe, have been opened.

Unfortunately, the number of people that require access to eye treatment continues to grow, for this reason OneSight is highly committed to pursuing its mission: eradicating the global vision care crisis and building permanent solutions to help the world see better.

Indeed, since every community is different, OneSight develops customized solutions to meet the local needs at best: patients can count on comprehensive eye exams and top high quality glasses coming from the OneSight's collection made by Luxottica. (OneSight, 2016).

Global Need for Glasses

Together with Deloitte (2015), OneSight conducted an extensive study to determine the number of people in the world who need glasses but are living without access to vision care. The study defined visual impairment in relation to a child's ability to perform well in school and an adult's ability to be productive at work; access is determined by the availability of glasses at an affordable price.

About 1.1 billion people around the globe need glasses but lack access; specifically the crisis is most acute in Sub-Saharan Africa and Southeast Asia. In addition, the research has outlined that 1 in 7 people

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across the globe can't get eye exams and thus do not have access to glasses due to the economic and social condition in which they live.

This situation brings necessarily not just physical consequences – an eye exam and a pair of glasses could definitely improve people's sight – but mainly psychological and social consequences since these problems are not linked only to a single person but in general address the whole community. For this reason, vision care is not just a healthcare issue; it is also an education and an economic development issue: 80% of learning is visual and in wider terms studies show that people are 35% more productive at work when they can see clearly.

In order to establish exactly the problems of each single country in which OneSight operates, Deloitte has suggested to refine the "vision-crisis sizing approach" to enhance and improve in a more strategic way OneSight's sustainable business model.

By employing a strategy of both immediate and long-term solutions, OneSight provides on-going, top quality vision care to adults and children throughout temporary and permanent initiatives, sponsored by capable local partners to serve each community's distinct needs.

In general, lack of access can mean not living near an eye doctor or not being able to afford an eye exam and a pair of glasses. As previously discussed, those who lack access are hindered by poor eyesight in school, in jobs and in relationships. Thus, to avoid all these problems OneSight offers two different solutions: charitable solutions (or the so-called Vision Care Clinics) and Sustainable Vision Centers.

At OneSight Vision Care Clinics, adults and children receive comprehensive eye exams and free eyeglasses over the period of a few days or weeks. Through more than 50 Vision Care Clinics each year, OneSight brings the right tools and expertise to both remote villages and bustling cities–wherever the need takes them. Naturally, in order to make these charitable solutions efficient - as Paul Case (OneSight Sr. manger Clinics Operation) said - it is necessary to partner with local governments, health departments and volunteers that actively contribute to the temporary equipment of the clinics and to the distribution of the glasses coming from the special collection made by Luxottica.

Because OneSight mission is to eradicate the global vision care crisis around the globe, short-term clinics are just one piece of the solution; indeed, OneSight has developed a new long term approach by building permanent clinics. The Sustainable solution brings together public sector, private industry leaders and no-profit partners to create a new optical micro-economy in underserved communities. In other words, by empowering and training local communities OneSight creates permanent and affordable Vision Centers that are independently run by local teams through existing hospitals and healthcare systems. Within this sustainable model permanent vision care access is guaranteed.

Despite OneSight's different initiatives could be included in the large category of not for profit organizations, it is possible to put into practice all the theoretical principles outlined before and try to define what is the most efficient business model for OneSight, always keeping in mind the "social nature" of the organization in a shared value point of view.

The Gambia Project

As previously stated, the main focus of this study is to analyse the strategical transformation process of OneSight from traditional and charitable solution to the new sustainable model.

Launched in 2013, Sustainable Vision Centers are revolutionising the way OneSight is operating in the underserved countries, creating permanent and autonomous system for local communities. During the interview, Paul Case outilined how in order to accomplish its mission and meet the objectives,

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OneSight strategy was transformed in a long-term plan, which basically consists in building permanent infrastructures with support from governments and local partners within their own healthcare system.

Through the Vision Care Clinics, OneSight makes a purely philanthropic investment whereas thanks to the adoption of a new sustainable business model, that is the Sustainable Vision Centers, it is clear that the organization is changing its mind-set into a shared value approach (Porter & Kramer, 2011). The idea at the behind these projects is to build specialized infrastructures that help communities to develop an economic independence and to acquire the right expertise.

To sum up, OneSight establishes sustainable clinics staffed by local, capable partners to serve each community's distinct needs and patients pay an affordable price defined by the local market. Central manufacturing and supply chains are centralized and support local demand for clinic supplies and glasses.

OneSight's first global sustainable project was developed in Gambia: the smallest country in Africa with 1.9 million inhabitants with 1/3 of the population living under the international poverty line of $1.25/ day. The situation is so critical that Gambia is ranked 151 of 160 on the "Human Development Index" (Deloitte, 2015).

Although the small dimensions, the need of eye exams and glasses is impressive: as stated by Mustapha Nije, OneSight Project Manager in Gambia, almost one in three Gambians need refraction error corrections (especially cataract and trachoma) but only half of them are aware they have a problem or do not have sufficient resources to afford an eye exam.

Unfortunately, people have to travel for kilometres just to have access to refractive correction services. On top of this fact one has to consider that the cost of a pair of glasses is prohibitive: before OneSight's project a pair of glasses where worth almost an entire month's pay. After OneSight's arrival, the situation has definitely improved and from 2013 up to now the project is continuously growing.

In total OneSight opened 6 vision Centers in all the strategic locations of the country (administrative regions) and one in-country optical manufacturing lab in Kanifing, providing access to all the Gambians. Also, OneSight volunteers cooperated to make this shift in execution feasible and thanks to all their support about 236 Gambians were trained, with the positive results of 186 new jobs created.

All these Vision Centers are equipped with the most modern and advanced equipment, in order to allow local doctors and optometrists to practice all the knowledge and skills acquired during the training period.

Throughout local marketing strategies, the level of awareness about how a pair of glasses can correct refractive errors and change someone's life, has generated an increase of sales (about 6 thousand pair of glasses were sold by OneSight) with also an increase of revenues re-invested in OneSight's activities.

The success of a sustainable project like the one carried out by OneSight in Gambia is not measured only by the number of people who receive access to vision care with an immediate effect, but also considering the long-term impact that such project could have on an entire country.

The case study of Gambia is explicative of the fundamental shift in execution from philanthropic initiatives, like the charitable solutions developed in the traditional clinics, to the most advanced permanent centers based on a model strategically sustainable with long-term objectives (Porter & Kramer, 2011).

Hence, this new type of business model is completely different form the previous one and as Mustapha Njie said, what OneSight is doing in Gambia has a deep significance: OneSight not only helps people to see better but also allows local underserved communities to gain new skills, develop their economic and makes each single country a better place to live in.

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OneSight Sustainable Model

OneSight business model is based on three important pillars: Access, Awareness, Affordability (OneSight, 2016).

The terms Access refers to the spaces provided by the government, hospital and existing health care systems managed independently by local teams (Optical Lead). Basically, once trained local teams introduce the new Vision Center into their own community and serve neighbours together.

In many communities, vision care is a foreign concept. People are unaware that vision care exists, that their poor eyesight can be corrected, or that there is significant value in investing in a pair of eyeglasses. For this reason, one of the main objectives of this project is to increase awareness on the Vision Centers and drive traffic to them across localized marketing strategies.

Finally, once the clinics are built in permanent and well-equipped infrastructures it is necessary to make them visible to the population with appropriate marketing and communication campaigns aimed at launch the activities. In general, patients pay an affordable price defined by local market. Indeed, despite the economic condition of the countries in which OneSight operates are extremely poor, all the services offered (eye exam, glasses etc..) are not free but have a "convenient" and value for money price for the target.

Therefore, if the eye exam and the glasses were free, patients and local doctors will depend on OneSight's philanthropic donations and in this case the model will not be sustainable anymore. At this point of our study we can confirm that a sustainable solution like the one promoted by OneSight requires a steady economic situation and a change of mindset of all the stakeholder involved, definitely more oriented to a social dimension of the problem and willing to build long-lasting relationship with local partners (Porter & Kramer, 2011).

In the analysis of the business case has been widely utilized the research developed by Deloitte to examine the first implementation of the sustainable model in Gambia (Deloitte, 2015)

Specifically, the aim of the study was to analyse Gambian current state operations to understand the viability and sustainability of the OneSight model and its applicability to other contexts, in order to learn from operations and inform future expansion.

The Deloitte team conducted over 128 customer interviews/focus groups and 28 employee interviews in Farafenni, Basse, and Kanifing as part of the in-country data collection process.

Results can be summarized in three different categories:

- **Sustainability of the Program:** The steady state model in the Gambia is sustainable since the revenues coming from Vision Care Centers are able to cover operating costs and the cost of goods sold with profits. Also, some profits are allocated for building a fund to cover long-term equipment maintenance to ensure program longevity.
- **Increased Impact:** When profits comfortably cover operating costs with a surplus, funds are freed for strategic investments to advance OneSight's mission (e.g., free glasses for extreme poor or children) Surplus funds also become available to support outreach and education or program expansions.
- **Replicable Model:** The business model is efficient and sustainable so should be replicable in other markets.

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In order to better evaluate the sustainability of the model in terms of market potential and cost structure, Deloitte has developed in detail what was the relationship between the need for eye care in Gambia (market penetration) and the ability of the National Health Program to cover costs through the revenue generated from the sale of glasses or from the services offered. Only through the correlation of these two indicators it can be assessed how the model adopted is efficient and effective.

In brief, we can affirm that OneSight can definitely provide access to vision care and top quality eyewear through the new sustainable approach based on strategic partnerships and the development of local clusters.

Should OneSight Adopt CSV Approach?

According to the theoretical background previously outlined, it is now necessary to delineate a business model framework to understand the interactions between OneSight sustainable model and Porter and Kramer's shared value approach.

Shared value creation focuses on identifying the connections between societal and economic progress and should be applied by all type of organizations across the well-known three operating methods. Hence, a new and stronger linkage between business and society is needed to create economic value in a way that also creates value for society by addressing its needs and challenges.

Moreover, this win-win relationship becomes more relevant when companies decide to expand their businesses into developing countries or low-income markets, that are characterized by deep social disadvantages but could also offer great opportunity in terms of developing innovative business model, like social and inclusive business model.

OneSight's sustainable model lies exactly between this two new business models and cover all the three ways identified by Porter and Kramer to create shared value (Porter & Kramer, 2011). Throughout the Sustainable Vision Centers Gambian population could benefit (at the very beginning of the project) of the access to the health care system and therefore of an improvement of economic and social conditions of the local communities: reinforcing local economies, re-launching productivity and also creating new jobs.

In order to evaluate the possible alternatives for a company to create shared value, this study postulates a new framework, based on the one already defined by Michelini and Fiorentino (2011), to graphically highlight the evolution of the shared value approach.

Figure 5 shows how the traditional business is definitely more oriented to create economic value than social value, focusing on maximizing profit per se and generating – as a consequence – "negative externalities".

Externalities arise when firms create social costs that they do not have to bear, such as pollution. Thus, society must impose taxes, regulations, and penalties so that firms "internalize" these externalities and influence many government decisions (Porter & Kramer, 2011). Meanwhile, philanthropic initiatives – by their nature – are mainly focused on societal needs not just conventional economic needs. The transition between these two distinct but correlated businesses, inevitably leads to the creation of shared value where the economic value accurately approximates the social value and vice versa.

Despite these models could be used by the same type of hybrid enterprises, they have different roots: Social Business Model, addressing predominantly social benefits, could be considered as a progressive philanthropic approach; while Inclusive Business Model has its roots in the traditional business given the emphasis on both social and economic benefits (Michelini & Fiorentino, 2011).

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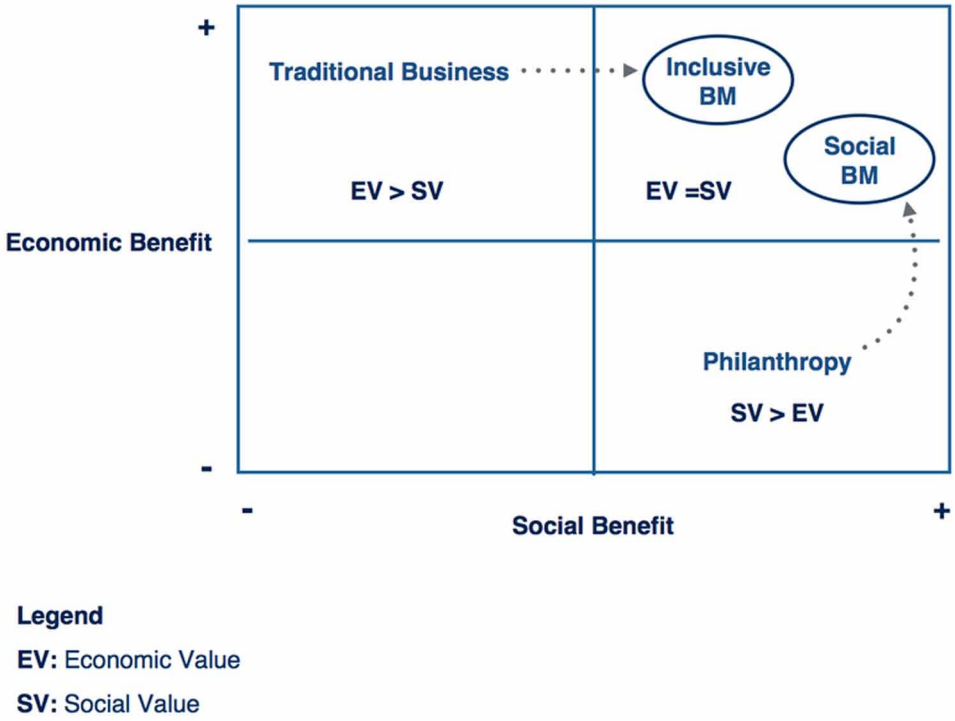
Figure 5. The evolution of social and Inclusive Business Models
Source: Our elaboration.



In addition to this theoretical framework, it could be useful to adopt the "building blocks method" to OneSight in order to clearly define which is the most efficient and effective strategy that the organization should pursue (Bockstette & Stamp, 2011).

Based on the blueprint developed by FSG, we can identify how the managerial approach of OneSight is intrinsically linked to the creation of shared value, although the not for profit disposition could lead to a philanthropic or CSR approach.

Figure 6 shows the steps of the creating shared value process, based on OneSight's sustainable model.

Each single block includes Onesight information on vision, strategy, delivery and performance so it is easy to extrapolate the business strategy developed in order to meet the goals and realize OneSight's mission.

Specifically, OneSight strategy aims to guarantee vision care access across the globe through sustainable solutions with support from industry experts, volunteer and partners.

Therefore, all the donations and support coming from partners and mainly form Luxottica, OneSight is able to manage in an holistic and cross-functional way the overall organization and the delivery of the planned initiatives.

To evaluate the sustainability of the business model, it needs to be constantly monitored highlighting its strengths and weakness. OneSight has a true P&L that brings together all the main KPI's to measure the results and the effectiveness of the plan.

Hence, the building blocks translate the shared value idea into concrete actions tailored to the context, the strategy and the measurement process.

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Figure 6. The Building Blocks of Creating Shared Value in OneSight
Source: Our elaboration.

CONCLUSION

First of all, despite the corporate social responsibility is still fundamental for the business management, the principle of shared value is becoming a growing trend into the contemporary economic environment.

According to the evolution postulated in this study, shared value holds the key to unlocking the next wave of business innovation and growth. It will also reconnect company success and community success in ways that have been lost in an age of narrow management approaches, short-term thinking, and deepening divides among society's institutions.

Due to its versatile nature, the concept of shared value blurs the line between for-profit and not for profit organizations and new kinds of hybrid enterprises are rapidly appearing into the broad category of Social Entrepreneurship.

Hence, this study contributes on identifying a theoretical framework useful to analyse the rise of new business models for creating shared value: OneSight's sustainable model belongs to this new category and is a prime example of Social Entrepreneurship.

In a high level interpretation of the case study, it is also possible to analyse how OneSight's sustainable model and Luxottica business model could be integrated. Indeed, thanks to OneSight's initiatives Luxottica realize its CSR approach primarily through creating and strengthening local cluster in underserved communities.

The finding of the research outlines some open points especially regarding the concrete implementation of these business model. For this reason, further research should strive to extend the analysis of the relationship between hybrid enterprises and society to deep dive the development of shared value approach to definitely more "challenging" areas.

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KEY TERMS AND DEFINITIONS

Building Blocks: A blueprint developed by FSG that help companies to translate the shared value idea into concrete actions tailored to the context, the strategy and the measurement process.

CSV: The concept of shared value can be defined as policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates.

Hybrid Enterprises: Hybrid enterprises are those enterprises straddling the boundary between the for- profit business world and the social mission-driven public and not for profit organizations. Hybrid Enterprises belong to the broad category of Social Enterprises.

Inclusive Business Model: Inclusive business models are commercially viable and replicable business models that include low-income customers, retailers, suppliers, or distributors in core operations, recognizing the untapped opportunities this market segment represents. Companies with an inclusive business model are directly contributing to reducing poverty and promoting shared prosperity through better income opportunities and access to goods and services for 4.5 billion individuals who are often called the "Base of the Pyramid".

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Social Business Model: Social business is a new category of business. Specifically is a cause drive business model. In a social business, the investors/owners can gradually recoup the money invested, but cannot take any dividend beyond that point. Purpose of the investment is purely to achieve one or more social objectives through the operation of the company.

Social Entrepreneurship: Social Entrepreneurship is a step of the creating shared value process through which a social oriented company gain the right competences in order to incorporate social issues into their core business strategies. Social Entrepreneurship may be defined along a continuum from the creation of positive social change to earned income in the pursuit of social change.

Sustainable Model: OneSight's sustainable model results from the transformation process from traditional and charitable solution to the new permanent vision care clinics. OneSight business model is based on three important pillars (Access, Awareness, Affordability) and it was developed for the first time in Gambia.

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Chapter 87
Understanding Social Business and Wellbeing at the BoP:
The Inspiring Case of Algramo

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ABSTRACT

The interest in poverty reduction has received scholarly attention from various academics studying developmental economics, the informal economy and the base of the pyramid (BoP). This chapter intends to engage with the BoP topic by reviewing research areas that are intertwined: the informal economy, the BoP and perhaps most importantly social business and wellbeing. The chapter introduces Algramo, a BoP venture from Chile that aims to reduce food poverty in Latin America. The focus of this chapter is on Algramo's activities in Colombia as a single case study to better understand the impact of three wellbeing aspects on the stakeholders involved. Although Algramo, a work in progress, is primarily focused on food poverty reduction; this chapter reveals that there are potentially much wider implications that are consistent with BoP literature. Wellbeing is important and merits further study when investigating BoP ventures. The chapter concludes with future research directions for BoP scholars and for those who are interested in the wider impacts of engaging with the BoP segment.

INTRODUCTION

Emerging markets have become an important context in the global economy over the last two decades. Management research has addressed emerging markets predominantly in two ways: 1) understanding the internationalisation of firms that originate from these markets and 2) how to alleviate or reduce poverty by serving poorer segments in these markets. The second topic, which is the focus of this chapter is known as the Base of the Pyramid (BoP). The BoP concept has attracted scholars' attention in the last decade. The topic was first introduced in 2002 by Prahalad and Hart in strategy+business, and initially

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labelled as the 'bottom of the Pyramid'. The BoP concept attracted a number of Multinational enterprises (MNEs), such as Cemex in Mexico and Hindustan Lever Ltd (a subsidiary of Unilever) in India to venture into this market segment.

BoP research only garnered attention in 2005 when Prahalad (2005) further developed the idea in his infamous book 'the Fortune at the Bottom of the Pyramid'. Current BoP research is influenced mainly by the work of Ted London who the authors regard as the most encouraging and insightful scholar at present, especially with the William Davidson Institute. Since the inception of the BoP concept, there has been a growing interest with respect to business models and understanding BoP as consumers. Scholars have studied companies that have attempted to design new and innovative business models that target the BoP. Much has been learnt and this is well pointed out by Simanis (2012). The shift from making 'a fortune at the bottom of the pyramid' as initially proposed by Prahalad (2005) to 'co-creation with the BoP' by London and Hart (2011), emphasises a change in our understanding of BoP ventures. This means that there should be a greater understanding of the impact and wellbeing of people at the BoP (London, 2016).

It can be argued that scholars have mainly concentrated on the theoretical understanding of business models for the BoP segment. The informal economy literature focuses on this company-centric perspective and this is not without merit. However, it is equally imperative to measure or at least form some kind of understanding with respect to the impact on consumers' livelihoods, and there are traces and hints of this view from the work of Prahalad (2010). This means that a consumer-centric approach becomes more important to understand the BoP more holistically, and to further enhance our knowledge with respect to the impact on BoP consumers' wellbeing, which can be divided into different types (explained later in this chapter). It is important to understand the wellbeing of people at the BoP as this can provide more certainty that the design of new business models is not only economically viable and profitable, but can provide a positive impact on the lives of those served. Only when we have a deeper understanding in a holistic manner are we then in a better position to more confidently argue for social business models, which is at the heart and ethos of BoP research.

This chapter will discuss important aspects related to the informal economy, BoP research, social business models and wellbeing, before delving into a promising case of a Chilean firm already operating in Colombia in the early stages with the aim of reducing food poverty. The chapter will conclude with future directions and conclusions. The authors begin with information on the informal economy.

BACKGROUND

The Informal Economy

The purpose of this section is to provide some important aspects of the informal economy, where the majority of poor people reside. The research and literature on the informal economy provides a backdrop for BoP research. The more that is known and understood about the informal economy, the more one can better understand and justify the need for BoP enterprises and for further research on this topic. The use of the term 'informal' when describing an economy is heavily used by the Peruvian economist Hernando De Soto. De Soto views the economic activities that occur in the informal economy as those that take place outside of formal institutional boundaries, but remain within informal institutional boundaries for large segments of society (De Soto, 1989).

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There is a plethora of definitions for the informal economy, and arguing for one over the other is fruitless. Webb, Tihanyi, Ireland and Sirmon (2009) explain that the informal economy as illegal yet legitimate activities through which actors recognize and exploit opportunities (Portes, Castells & Benton, 1989; Feige, 1990). A very large amount of activity takes place in the informal economy, and these activities can account for up to 10–20% of gross domestic product (GDP) in mature economies and between 40-60% in emerging economies (Schneider & Enste, 2002). This is similar to the estimates put forward by The International Labour Organization (ILO, 2002; Webb et al., 2009).

One of the most intriguing issues is that the informal economy is largely under researched in management research (Bruton, Ireland & Ketchen, 2012; Webb et al., 2009; Godfrey, 2011). There are two dominant schools of thought when viewing the informal economy: the dualist and structuralist (Chen, 2012). The dualist approach views the informal economy as separate, distinct and not related to the formal economy; while the structuralist approach views the formal and informal economy as intertwined (Chen, 2012). It appears to be logical that informal and formal firms are connected together in an exchange system (De Castro, 2014). There is debate as to whether the informal economy should be formalized and how this should unfold. While the World Bank is in favor of formalizing the informal sector, Professor Susanna Khavul (2016) a leading scholar on the informal economy, argues that moving the informal to formal is only a small part of the story and that there is no quick fix for this (AOM conference, 2016). If one looks more closely at literature in the entrepreneurship field and perspective, the literature is heavily focused on the study of small firms in the formal sector. There is a need for these journals to encourage scholars to study micro/small enterprises operating in the informal sector.

The growth and importance of research on the informal economy (e.g. Webb et al., 2009; Webb, Ireland and Ketchen, 2014; Bruton et al., 2012; Godfrey, 2011) clearly identifies the challenges we face with poverty and provides a backdrop for investigating the Base of the Pyramid. Most of those who live at the BoP are excluded from the formal sector, and the objective of BoP research is to eradicate or alleviate poverty through new innovative solutions. Microfinance is a clear example that offers finance to those who cannot obtain credit or loans from conventional banks, a pioneering example of this is Grameen Bank from Bangladesh. The chapter now turns to the BoP literature.

The Base of the Pyramid

It is important to recognize that it is unproductive to argue whether capitalism reduces or creates poverty. The authors acknowledge that there is promising research on sustainable economic models, reinventing capitalism, and reality checks of our current economic model which is advocated nicely by economist Tim Jackson. However, the current reality is that poverty exists and the current aim of BoP authors is not to challenge existing economic systems, but rather to find innovative solutions within the existing system we find ourselves in. At the heart of BoP research is poverty reduction or alleviation through financially profitable activity (Kolk, Rivera-Santos & Rufin, 2013; Prahalad & Hammond, 2002). There is no unified BoP definition, and it has been pointed out that studies adopt different values and figures which makes the comparison between studies difficult and this leads to inconsistencies (London & Hart, 2011). Kolk et al. (2013) confirm that the term 'the poor' is often used and so the BoP definition is unclear. This makes comparisons between studies difficult as there is no consensus on what constitutes 'the poor'. For example, in Colombia there are people with different incomes that live in different strata divisions. There are six divisions with one being the lowest (very poor) and six being the highest (rich).

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We cannot just blindly assume that the main problems and issues with people at strata 1 to be exactly the same as those in strata 2.

The authors agree with London and Hart (2011) that trying to define a strict definition for the BoP, especially based only on 'income' is unproductive and unlikely to reach consensus as 'income' is an imperfect indicator which is used for convenience. A wider view of the BoP is needed and based on characteristics (London & Hart, 2011). This means that the BoP is the world's population that is excluded from the global capitalism system, and therefore refers to the 'low-income socio-economic segment that is not well-integrated into the formal economy' (p. 8). London and Hart (2011) argue that the BoP population are those with the least amount of income and living primarily in the informal economy and can be considered as vulnerable communities. This population lack access to basic goods, services, and opportunities to generate an income (Hammond, Kramer, Katz, Tran & Walker, 2007). The authors believe this to be the most sensible approach when defining the BoP (Sánchez-Barrios, Giraldo, Khalik & Manjarres, 2015).

Sheth (2011) states that this century will be focused on marketing to emerging markets, in the same way that the last century was dominated by marketing to the rich. Despite BoP research being an intriguing proposition, scholars are still learning about how MNEs or SMEs can serve this segment in an appropriate way. Prahalad (2005) emphasizes that firms can attain profits by serving BoP segments, and by doing so companies can alleviate poverty. Paviera and Khalik (2015) point out that the industry type will have different impacts on the poor. Healthcare and education should not be classified as similar to consumer retail in terms of impact. The aforementioned authors referred to this as 'sectorial paths and the base of the pyramid'. Different outcomes are a result of the type of service offered by a BoP venture. The venture may contribute to poverty alleviation or consumer satisfaction; the latter is more focused on enhancing the experience of the poor when making purchases. However, all types of business are important, but some are more pertinent than others.

Karnani in a series of publications criticizes the BoP concept (Karnani, 2007a, 2007b, 2008, 2009a, 2009b). Karnani (2009a) makes some notable points, such as buying from the poor would be more rewarding instead of selling to them and treating people at the BoP as consumers. He stresses the importance of job creation through employment. Furthermore, Garrette and Karnani (2010) argue that BoP consumers are price sensitive. This is based on the view that BoP consumers spending most of their insufficient income on food, clothing and fuel, which are basic needs. This would leave people at the BoP with insufficient funds to spend on extras, which non-BoP segments would regard as luxuries. This advocates the lower quality and lower cost sold in high volumes as an approach. However, what is clear from what we have learnt is that firms cannot sell lower quality products at low prices in large volumes as this is not a long term sustainable view. Prahalad (2010) argues that BoP consumers are becoming more sophisticated and supports the view that companies offering low-cost products will fail to develop profitable businesses. Poor people do not want cheap products, but risk free solutions. Therefore, companies need creativity and courage, not generosity (Kayser & Budinich, 2015).

It is clear that here we can start to identify a change in our understanding of the BoP concept since its inception. Initially, the BoP concept explained that there are untapped opportunities for firms to serve and we have learnt that this is not so straight forward. Prahalad (2005) brought the topic of poverty alleviation to the attention of management scholars. The concept has changed from merely viewing people at the BoP as consumers to engaging with them through 'co-creation' as pointed out by London and Hart (2004). The next section highlights two vital and integral features learnt from BoP research: Mindset and Networks.

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The Importance of Mindset and Networks for BoP Success

With respect to mindset, it is clear that different approaches are needed and vital for firms to serve the BoP successfully. Prahalad (2010) stresses reinventing marketing strategies. Scholars exploring BoP markets have established guidelines for firms targeting people at the BoP (Simanis, Hart & Duke, 2008; London & Hart, 2011; Prahalad, 2005, 2010; Sheth, 2011). This is very logical and a step in the right direction as BoP consumers are different due to high illiteracy, limited income, and live in areas with poor infrastructure. This means that a differentiated approach to this segment is needed.

From marketing research, most scholars and practitioners are aware of the infamous 4Ps (product, price, place and promotion) by McCarthy (1960). However, the 4As framework (availability, affordability, acceptability and awareness) was introduced by Anderson and Billou (2007). The 4As framework is not merely a reshaping of the initial 4Ps, but necessary when dealing with BoP markets and echoes the view that managers must change their mindset when addressing BoP markets (Prahalad, 2010). For example, Godrej's Chotukool refrigerator which is portable and catered for BoP customers in the Indian rural market. The success is due to 'co-creation' and goes beyond carrying out traditional market research. The company immersed itself in the community and even the women from the community were involved in the development of the product, selling and servicing (for more information see Whitney, 2011). The company did not provide a cheaper product, at a lower cost sold in high volumes and treating people at the BoP as consumers. The company spent time and effort technically inventing an 'acceptable' product tailored to people at the BoP as they were involved in the design. The product was 'affordable' and rather than using conventional promotional and distribution channels, "awareness' and 'availability' were raised through the involvement of the community. This is a completely different model and mindset from serving the Top of the Pyramid (ToP).

Networks or partnerships are pertinent for success when serving the BoP (London & Hart, 2004; London, 2016). A number of authors argue for a more inclusive approach with other partners and the need for rigorous governance (London & Hart, 2004; Kayser & Budinich, 2015). People at the BoP should not be viewed as consumers, but need to be included especially in the form of 'co-creation' if BoP initiatives are to succeed (Simanis & Hart, 2009; Hart & London, 2005). This idea of co-creating or co-building with poor people is a shift in our understanding with respect to the BoP concept. People at the BoP should be viewed as co-producers, and this can lead to employment and income. Rangan Chu and Petkoski (2011) explain that with training, people at the BoP can take part in different activities along the value chain, such as transportation, retailing and distribution. The aforementioned authors cite the examples of Nestlé and Mars working with farmers.

An interesting study by Ghauri, Tasavori and Zaefrian (2014) even explore developing a network of relationships with non-governmental organizations (NGOs) which can not only support, but contribute towards the internationalization of firms targeting the BoP in emerging markets. The findings reveal that MNEs through network of relationships have focused on the neglected needs of people at the BoP and delivered sustainable solutions. The focus of the MNEs began with social value creation (related to mindset) and delayed value capturing. It is argued that while MNEs possess the technical knowledge and financial resources; collaboration with NGOs have enabled MNEs to gain valuable insights in to the BOP's specific needs due to NGOs' knowledge and good relationships in this market. Partnerships, collaboration and networks appear vital for success and this is stressed as the way forward for firms targeting the BoP (London & Hart, 2011; London, 2016).

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Many studies that focus on the BoP view the poor as consumers. There is less understanding of the poor as being able to generate an income, or involving people at the BoP along the value chain, such as distributors or suppliers (Kolk et al., 2013; Paviera & Khalik, 2015). Having established the evolution of the BoP concept from selling lower quality products at cheaper prices in high volumes to the BoP and regarding this target market as consumers; the approach has changed to one that emphasizes different mindsets, involvement, and networks. However, what also needs to be discussed is the impact on the wellbeing of the BoP population. The chapter now turns to social business and wellbeing.

Social Business and Wellbeing

Taking into account the ethos of serving the BoP, particularly the reformed view: a fortune with the BoP, rather than a fortune at the bottom of the Pyramid reinforces the idea of impact and wellbeing. It is important to scale BoP ventures and understand how it can affect wellbeing (London, 2016). The key point authors need to bear in mind is 'co-creation' or at least the involvement of BoP consumers. The BoP concept offers companies the opportunity to rethink their strategies and operate differently to the way they have done so in the past. In our current capitalist system that focuses on growth, two types of organizations with contrasting goals can be identified. One that focuses on profit-maximization and the other on creating shareholder value (Yunus, Moingeon & Lehmann-Ortega, 2010). BoP ventures is the bridge between these two extremes, the new organizational form operates in the same way as a profit maximizing business (not a charity), but the goal is not only to be focused on profit, but social objectives. Social businesses need to recover their full costs in order to be self-sustainable (Yunus et al., 2010). Ghauri et al. (2014) refer to this as corporate social entrepreneurship.

The impact of BoP initiatives is important (London, 2009; London, 2016). Kolk et al. (2013) show the lack of understanding in the literature with respect to the economic impact on the firm. The social impact of BoP ventures is still in its infancy and mostly been measured in terms of the impact on the local populations (Kolk et al., 2013). The literature shows that different assessment criteria has been used from education, to healthcare, access to water and sanitation, to employment and income generation, and empowerment. This is a pressing issue given that one of the fundamental points of BoP research is to reduce poverty. Systematic and objective assessments of BoP ventures are needed and more empirical evidence of the economic, social, and environmental impact of BoP ventures is essential. (Kolk et al., 2013).

One way to start addressing this is to look at wellbeing. This is a complex term that is not properly defined even beyond management research. Wellbeing is a perplexing concept and this is highlighted in a recent publication titled 'The challenge of defining wellbeing' in the journal of wellbeing by Dodge, Daly, Huyton and Sanders (2012). If we look at businesses from a marketing perspective, it is clear that advertising and selling can be viewed at times misleading. It can be seen even at times as damaging or disregarding consumers' wellbeing, even simply by neglecting groups of people in need (Fisk, 2009). However, it can be viewed that when a business interacts with a consumer during a value-creation process, then there is strong potential for wellbeing outcomes to occur for both: company and consumer. This includes aspects such as access, health, life satisfaction, power, respect, and happiness (Anderson, Ostrom, Corus, Fisk, Gallan, Giraldo & Shirahada, 2013). Sánchez-Barrios et al. (2015) studied informal lending to people at the BoP and the impact on their wellbeing from the aspects of access, convenience, financial literacy and social communities. The findings show that informal service offerings result in unintentional positive effects on wellbeing at the individual, collective, and relational levels.

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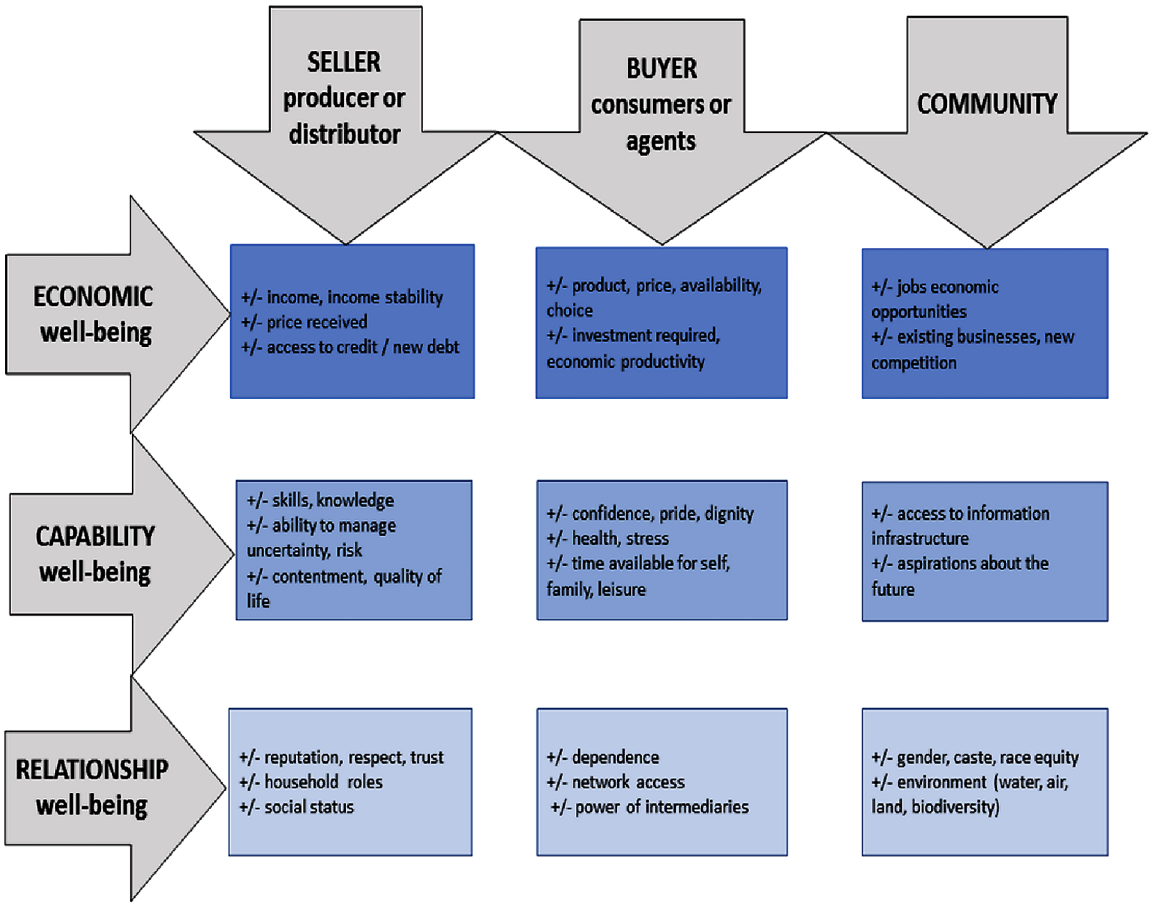
Aiming to establish one definition for wellbeing is as pointless as trying to define the BoP in a strict manner. The authors view that the most sensible approach is to look at wellbeing from the BoP literature (context of study). London (2016) explains that it is important to understand BoP ventures and their effects on the the BoP population, and introduces three aspects of wellbeing. London (2009, 2016) introduced the BoP Impact Assessment Framework (see figure 1) with the William Davidson Institute, and this is a useful tool that provides a more holistic view of value created by BoP ventures. It allows firms to continually improve their business model, and therefore meet the needs of those they serve in a more suitable manner. The framework, known as the BoP IAF introduces three broad aspects of wellbeing: economic, capability and relationship for three local BoP stakeholders: sellers (producer or distributor), buyers (consumers or agents) and communities. In addition to this, one can assess the wellbeing impact on each stakeholder in terms of magnitude (high/low), Likelihood (high/low) and attributes (positive/negative). Therefore, the framework encourages a more comprehensive approach than the earlier work undertaken on the BoP.

Figure 1. BoP impact assessment framework
Source: (London, 2016).



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The following section of this chapter introduces the case or Algramo, a BoP venture that aims to alleviate food poverty sustainably. Algramo is in the early stages of operating in Colombia and is still learning about the market. In order to better understand the organisation's goals, objectives and experiences in the market; interviews were undertaken, documents reviewed, and observations by visiting a number of stores selling Algramo's products in Barranquilla, Colombia. The information is then related back to some of the wellbeing aspects introduced by Ted London. We begin by introducing Algramo.

THE CASE OF ALGRAMO

A clear and evident problem when discussing the topic of poverty is food. For the BoP population, food that is affordable is hard to come by. Algramo, which translates to 'by the gram' in Spanish is a BoP venture that began in the outskirts of Santiago, Chile. Algramo's philosophy is to deliver sustainable high quality food to impoverished Chilean and Colombian communities. The entrepreneur behind Algramo is Jose Manuel Moller, who is also an economist by background. The idea of Algramo first came to light in 2011 when Jose, along with some friends moved to the outskirts of Santiago and witnessed firsthand how poor communities live. A shocking observation is the cost of food at stores in rural areas. Obviously, there are a limited number of supermarkets and food obtained from small, local stores and kiosks can be up to 40% more expensive, and this was nicely labelled by an interviewee as a 'poverty tax'.

To start up the venture, Algramo obtained funding buy winning an entrepreneurial competition (run by Chivas Regal) and Algramo also used 'Indiegogo', a crowdfunding website as pointed out by one of the interviewees. Algramo has been successful, not only due to the energy and entrepreneurial flair of owner Jose Manuel Moller, but due to the mindset of the company from the get go. There are three impact objectives: 1) Economic: improving margins by offering high quality essential products at fair prices to BoP consumers, 2) Social: families will be able to pay at least half of what they used to pay for food products, 3) Sustainable: the neighborhood contributes to a reduction in carbon footprint with 100 percent returnable containers (Algramo website). It is clear that this has wellbeing implications that are discussed later on in the chapter.

Algramo buys essential products such as rice, lentils, sugar, chickpeas and beans in large quantities from suppliers and distributes the products to local grocery stores in the form of vending machines. The machines were tweaked, this can be referred to as incremental innovation, by Jose's business partner Salvador Achondo who is an industrial designer with a degree in innovation. The machines dispense essential food products into sustainable plastic containers. This makes essential products available to the poor in a more affordable manner in the areas where the BoP population live. People at the BoP can buy the quantities they need according to their income at a given time, and this is different to the single unit approach, which is more expensive over time.

One way the products are much cheaper is by Algramo cutting out expensive marketing, packaging often associated with supermarkets, and layers of distributors. Algramo has streamlined the traditional supply chain to buying from food products form the source and delivering them directly to the stores, which poor people can access directly. The company further cuts costs by providing only essential food products that poor consumers need. The products selected by Algramo are non-perishable which reduces risks with the inventory (e.g. fluctuations in demand). Algramo is truly innovative as they plan to further improve the machines and offer other products to BoP consumers, such as cooking oil and detergents. The reason for using machines is that it is more hygienic, practical, and avoids shopkeepers from cheating,

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for example, the rice grain quality might not be controlled. Algramo agrees the price with the owners, and therefore Algramo delivers a consistent quality. Algramo installs the machines, refills them, and shares the margins with shopkeepers.

Algramo does aim one day to perfect the model through learning and perfecting the concept so that it can be available in other continents such as Africa. So far, Algramo has been so successful that their products are sold in over 400 stores in Chile according to one interviewee. The plan is to further expand and test the model in other Latin American countries, such as Colombia, Mexico, Peru, and Paraguay. Algramo has already internationalized to the city of Barranquilla in Colombia in 2015 and the firm is meeting its targets. One difference in Colombia is that currently the machines are not available in shops, but rather biodegradable containers that can be reused. The machines will be installed in the foreseeable future according to one interviewee.

Colombia was chosen due to the networks available to support the company, which is a factor in firm internationalization literature. Jose has attended many conferences, established relationships with different foundations, engaged in public relations, universities, and even utilized AIESEC; an organization that aims to activate the leadership of potential young people. From the interviews undertaken, observations and documents it is clear that Algramo view themselves as more than a simple organization that reduces food poverty. Algramo believes in building networks and long lasting partnerships to create a better ecosystem for all involved. This appears to be the key to success, impact and sustainability, and it echoes qualities of a recent economic view known as the collaborative or shared economy (see Botsman & Rogers, 2010) for more details. Having introduced Algramo as a promising BoP venture; the authors turn to understanding the experiences, insights and impact on wellbeing, with a focus on the activities in Barranquilla, Colombia. Wellbeing will be considered from the perspective put forward by London (2009,2016). It is important to note that when speaking to a representative at Algramo, no real way of measuring the impact of their venture at this stage is in place. However, this is something they are currently working on.

BEYOND FOOD POVERTY REDUCTION

This section of the paper looks at the three aspects of wellbeing in the relation to the stakeholders (see Figure 1), by assessing the case of Algramo. The authors begin by looking at the economic wellbeing for sellers.

Economic Wellbeing for Sellers (Producers and Distributors)

In Algramo's case we can consider the company in Colombia as a distributor of essential, and affordable non-perishable food products to those in need. From the company's perspective, it is clear that Algramo is starting to contribute to their own wellbeing by exceeding targets in rural areas in Barranquilla. It appears that there is income stability as was achieved in Chile, and this is evident by Algramo purchasing products at a price they require for their venture to work. In terms of the wholesalers, Algramo are buying the products in bulk at a fair price from the same producers to achieve consistent quality, and therefore increasing the income and stability of the producers. It is not clear if there is a positive or negative impact on economic wellbeing with respect to credit for Algramo or the producers at this stage. The following quote highlight these points:

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We buy in bulk and so we guarantee big purchases from those that supply us. This is good for them. What I mean is that they are assured of big purchases from us and this is good as they can sell more. Remember we see our organisation as building relationships as that is at the heart of our company. If we work well with others, then we both do well and so things will run more smoothly.

At first we sometimes work with a few producers until we find the right ones. The right ones are those that we can trust and build a relationship with. Our producers or wholesalers that understand what we are doing can see the benefits for them. We are including everyone in our value chain as a team.

Here it appears that the magnitude, likelihood for both stakeholders involved: producers and Algramo are high and there are positive attributes at this stage with the potential for improvement as Algramo grows. This could lead to more income for Algramo to develop and innovate aspects of their model. For the producers, they can earn more income stability and selling products at a fair price.

Economic Wellbeing for Buyers (Consumers and Agents)

In the case of Algramo there are two important buyers. The shopkeepers (agents) that stack up the food products and the actual customers that are the end users of the product. An observation both authors identified at the stores visited with an Algramo representative was the simple signs outside the stores that have the Algramo logo (meaning that the products are sold there). The impact on wellbeing for the shopkeepers is illustrated by the following quotes:

We are adding products to the shopkeepers' portfolio based on needs and so when we choose oil for cooking we find out about the size and how much they need, for example one litre or more or less. This is not yet based on survey results, but from talking with the community shopkeeper about product development. I see this as a way of the shopkeeper attracting customers to the store and so more traffic. By coming to the store, customers can purchase other products also so he can earn more money.

The shopkeepers theoretically should earn more. The idea is that with us they purchase the product at a lower price and sell it at a lower price that is still less than competitors, even if he raises the price slightly, they should be able to bring in more customers, and by selling essential products at a cheaper price, the shopkeeper will gain more money and more customers and so more income without having to put his hand in his own pocket.

Bearing in mind that Algramo has only been in Barranquilla for a short time, it is evident that the shopkeepers' magnitude and likelihood for economic wellbeing is at a medium level with potential to increase. There are positive attributes at this stage with a real potential for this to increase. The shopkeepers have potential to earn more money, not only by attracting more customers to the store, but by customers visiting on a more regular basis. The shopkeepers are buying essential products at a lower price and can earn more money so they could potentially save. Shopkeepers could further promote the availability of Algramo products, and they provide more choice for customers. There is a high potential for more economic activity with little investment required. There is further evidence that measurements through surveys are needed as advocated by the BoP IAF framework. For consumers, who are the end users of Algramo products, there are opportunities for them to access essential food products at affordable prices.

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The products are easy to access in a convenient way as they are available in their own neighborhoods. It could be argued that as Algramo offers more than one product item, consumers have a wider choice. The following quotes illustrate the economic wellbeing for the end users who consume the products:

The idea is for people to save money, they are on a very low income so every penny is vital and substantial for them. If they have extra money, because our prices are lower than they can spend that money on other basic needs they will have. Remember that our products come to them, where they live.

The supermarkets are not in sight and so they do not have to travel to buy products that they need. They save as well by buying our products which are what they need at lower prices.

It is evident that there is economic wellbeing for consumers. There are more products available to them and we can see evidence of the 4As by Anderson and Billiou (2007). Consumers are aware of acceptable products that are affordable and available to them in their own neighbourhoods. It could be argued that the economic benefits in terms of magnitude and likelihood are high. There are positive attributes that can increase dramatically when Algramo grows. The BoP population can escape the so called 'poverty tax' and use their income for other purposes, while saving money on transportation.

Economic Wellbeing for the Community

Community as a stakeholder is interesting and here the community can be defined as small neighbourhoods in Barranquilla. Algramo divides areas up in the city into smaller neighbourhoods to serve. The greatest contribution Algramo can make here is job creation and there are opportunities for this. As Algramo has only been operating in Colombia since 2015, it is hard to assess the full benefits. However, while visiting two stores in Barranquilla, the authors witnessed a number of local people approaching the Algramo representative and talking to him. The following quotes indicate small impacts made and the vision for the future:

We have in Algramo Colombia admin staff who are mainly young people with work experience and who have graduated from college, but we work with the relatives of shopkeepers and others from low-income neighbourhoods where Algramo sells. A foundation in Colombia that works with low-income people make recommendations to us.

We have thought about developing some micro-franchising model with people from the communities we work with. For example, if we serve a neighbourhood called La Paz, then we hire someone from there and he will do the distribution to all the stores that work with us. The person will do the distribution through his house so the distance he has to cover is much shorter than what we have to do. We give them a tuk tuk through the united nations development programme and other things like baskets to transfer the items, including a helmet and uniform. We send the products to their houses and we pay them for each unit of our products sold. If you want to earn 2 million pesos (US$672) then you have to sell a certain amount and so on. The main idea is to work with people from the same community, so the security is higher and it is cheaper. This way we have more impact on the communities. One person per 10 neighbourhoods, there have been 4 people working on this model since June. We are testing this model in Colombia, and then we might do that in Chile also.

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It is evident that the impact of economic wellbeing is still in the early stages. However, it appears that as Algramo grows and further immerses itself in the community economic benefits will occur, and this is particularly true in terms of jobs. There could be potential for existing businesses to emerge in the form of micro-franchising. Currently the magnitude is low, but with the likelihood to be high with positive attributes for the community.

Capability Wellbeing for the Seller (Producer and Distributor)

Capability wellbeing is not as evident from the available data, but with potential more for Algramo than the producers. The producers could gain some skills and knowledge from working with Algramo. On the other hand, Algramo would still be at the stage of managing uncertainty and risk as they are the first of their kind in the market. The following quotes illustrate this:

Like I said before everyone is part of the team. All of them are involved with what we are trying to achieve. I think producers can learn some skills from us, but in the latter stages where maybe we work with some of them on new products that the poor will need.

Algramo has risks, there is no model to copy and we deal with uncertainty all the time. Talking to shopkeepers, consumers and working out ways to improve distribution always happens. We are happy with what we have achieved and we are learning new things all the time and working out solutions. For example, we are thinking in using bags as well as reusable containers to sell our products at the grocery stores. Two weeks ago, we met with a plastic provider and recently, he bought an amount of something called "Green plastic" which is a plastic made from sugar cane. The material is not biodegradable, but has a positive carbon footprint. The use of that plastic allows us to get the certification called "I'm green", which means that at least 51% of the material used in the production of it is green plastic. Having the certification and having more than 50% of the product made with green plastic is good, but we want more than that. We want 100% green plastic (despite their cost), because it is the right way to do the things.

It is clear that for the producers that provide the essential food products, the capability wellbeing in terms of magnitude and likelihood are low, while the attributes are neither positive nor negative unless 'co-creation' takes place. However, one could argue that by selling more to Algramo, producers can grow, diversify, and even invest in new technologies. However, there is no clear evidence of this. For Algramo, the magnitude and likelihood are very high and the attributes are positive as they are an innovative company with no existing model to replicate.

Capability Wellbeing for the Buyer (Consumers and Agents)

Capability wellbeing for the shopkeepers and consumers are similar here. Both sets of stakeholders can gain confidence, pride and dignity in what they sell while relieving stress. They can both save more money that can be put toward healthcare and education of their children, while being able to spend more time with their families. However, shopkeepers can learn new skills, such as marketing and sales by working with Algramo. The following quotes illustrate some of these points.

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Shopkeepers can improve the store layout and learn from us and with us. They can learn how to promote their products and sell to their customers. This is not just for our products, but for all the products they sell in their stores. Since our products cost less, over time they should have less stress we hope.

Many of them (shopkeepers) develop more awareness about their own role as a shopkeeper. They become more aware of the importance of selling products, and some financial skills by working with us.

Shopkeepers and customers should feel happier and live with more dignity. With the money saved there should be extra funds to put toward their families' healthcare or children' education and for entertainment purposes. Shopkeepers have money assured and if they know they will have money by the end of the month they are better. Both can sleep better, they don't have to take on many jobs and have more certainty about their financial situation, so it can help their personal and family relationship.

The magnitude and likelihood for both sets of buyers are high and the attributes are very positive for both. The case of Algramo shows that capability wellbeing is an important aspect when studying wellbeing. Algramo can improve capability wellbeing of shopkeepers and end users that goes beyond food poverty reduction.

Capability Wellbeing for the Community

There is no strong evidence that capability wellbeing for the community occurs just yet. Although it can be argued that as economic wellbeing for the community enhances, there can be a stronger impact on capability wellbeing for the community. There is no strong evidence to support better infrastructure on a notable scale and aspirations for the future are hard at this stage to evaluate. One could argue that as Algramo grows, there might be stronger evidence of this. Shopkeepers may be able to have aspirations about growing their stores. With the money saved by end users, these consumers may be able to think about other productive ways to spend their money. In time, Algramo may be able to diversity and offer training courses to shopkeepers on how to keep track of their stock and train consumers about how to spend their finances more wisely with money saved. However, from our research this aspect appears to be in the infant stage.

Relationship Wellbeing for the Seller (Producer and Distributor)

This is an important wellbeing aspect for Algramo, who see themselves as a networking organisation. Algramo aims to build long lasting relationships with all those involved. It is clear that they have built a good reputation, are well respected and are trustworthy as they are transparent. Algramo buys products from producers that they trust and can work with long term which shows qualities of relationship wellbeing. The following quotes illustrate this:

We are doing good for those around us, business is growing and customers are happy. Many of them are excited about the machines we will install. We are selling something that is already known in a new way. Many see it working and they get excited about participating. This is why we have around 170

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shopkeepers in 20 neighborhoods. This would not be the case if the shopkeepers and customers did not trust us. They see what we are doing and we are always talking to them to build a strong relationship, which gives us more information for us to improve…

We explain to the shopkeepers and talk to customers about what it is that we do. It is important to explain and show them everything. They can see the results and there is a trust. They know what Algramo stands for and so we have a good reputation and I would say that through trust we have earned their respect. No one else is doing what we do and it is benefiting them.

Algramo has worked hard to become an insider, build relationships, earn the trust of shopkeepers and end users. They have built a solid reputation and they are transparent about what they do. As Algramo grows, the organisation will develop more relationships with more partners and this should be fairly easy due to their very good reputation. The magnitude and Likelihood are very high with very positive attributes.

Relationship Wellbeing for the Buyer (Consumers and Agents)

Relationship wellbeing for the buyers is related and connected to the relationship of the sellers, in this case Algramo itself. Algramo's business model allows shopkeepers to depend on them and gain access to essential products at lower prices. Algramo delivers the products directly to the shopkeepers. The end user relies and is dependent on these stores to access essential food products more conveniently. Algramo obtains information from shopkeeper about end users and Algramo talks to end users directly. The following quotes illustrate some of these points:

Since we have the reputation we have, the shopkeepers and end users rely on us and we cannot let them down. As I said before, we are always looking for feedback, so we talk all the time to shopkeepers and customers.

Algramo is where the customers need us to be. The relationship with the shopkeeper is critical as they are between us and the customer. They learn the most about the customer, so the more we talk with them and make them feel part of the company, the more they will share with us.

The authors would argue that the magnitude and likelihood for relationship wellbeing with is at a high level with positive attributes. However, from the buyers' perspective (shopkeepers and end users) a negative attribute might be that the buyers can become too dependent on Algramo. There are no other companies offering something similar, so if anything happens to Algramo then the buyers may suffer from being too dependent on this relationship.

Relationship Wellbeing for the Community

In terms of relationship wellbeing for the community, the authors find no evidence of this so far as Algramo is still in the early stages, and the benefits found in one neighbourhood community have not spilt over to another or connected them yet. However, as Algramo aims to be a social responsible enterprise

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by reducing their carbon footprint, the company is taking care of the environment in the neighbourhoods they serve and maybe in the long term can educate the poor about impacts on the environment. However, one thing that is evident through relationship building is the aim to bring a better understanding of each stakeholder to the other. This last point is illustrated by the following quotes:

Algramo is a good idea, but is our people who are the real rock stars. When I say 'Our people' I'm talking about our employees, our shopkeepers, our customers. I think Algramo is not for everyone, it requires something more than being able to buy food product. It requires sharing a philosophy. Maybe it is not for everyone, but I do feel that we are changing little by little how people think and act and more people will come together and be more involved.

Stronger relationships between us and shopkeepers, and shopkeepers with consumers are happening, but it is still in the early stages. Algramo interconnects all of these important players together, and provides a better understanding of each ones needs and this should benefit the community as a whole.

The authors believe that the magnitude for relationship wellbeing at the community level is low at this stage. However, the likelihood for this to happen is very high and with positive attributes that go well beyond offering essential food products at affordable prices.

Algramo Findings and the BoP Literature

Having assessed Algramo according to the three aspects of wellbeing and in relation to the three stakeholders, it is clear that the framework by London (2009; 2016) is very relevant for understanding BoP ventures. However, one needs to study Algramo as the company progresses over time to see if there are stronger impacts for the wellbeing of the community.

It is clear that Algramo does confirm findings in the BoP literature, particularly the importance of mindset and networks. Algramo does not follow traditional models, and instead caters for the specific needs of the BoP population. This is in line with Prahalad (2010), who argues for reinventing marketing strategies when addressing the BoP. The findings in this study also confirm the 4As by Anderson and Billou (2007).

Finally, in terms of networks, Algramo views all stakeholders as part of a team and has established networks, relationships and partnerships. This is essential for BoP ventures to succeed and advocated by a number of scholars (London & Hart, 2004; Kayser & Budinich, 2015). The authors now turn to future research directions.

FUTURE RESEARCH DIRECTIONS

BoP research was introduced in 2002 by Prahalad and Hart (2002) and more extensive research only began after 2005. The BoP field is still young and requires much more work to move the agenda forward. We recommend more in depth case studies: either single or multiple, along with more survey research. The authors advocate that future case studies or even surveys need to be conducted from each stakeholder's perspective. This will allow academics and practitioners to understand the impact of BoP

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ventures more holistically. Although this chapter covered Algramo's activities in Barranquilla, Colombia to date, tracking Algramo over time is needed to assess progress and barriers. The authors would have liked to conduct more research on Algramo and study their activities to date in Chile, but resources and time were key constraints.

As BoP research, has moved away from viewing the BoP population as merely consumers, the authors advocate that wellbeing becomes an important topic to consider. The authors recommend more studies delve into understanding the wellbeing of sellers, buyers, and the community as advocated by Ted London and the William Davidson Institute. BoP ventures tackling similar issues will need to be compared so that scholars and practitioners can learn more about effective and innovative business models that work. Successful business models that have a track record need to be replicated in other contexts to eradicate the struggles faced by the BoP population on a larger scale.

It is important to research entrepreneurial and innovative ventures as this will provide further insights for the entrepreneurship field. There is a need to focus on researching formal entrepreneurial ventures that are interacting and serving the BoP population in the informal economy, such as Algramo. In addition to this, scholars should study informal entrepreneurial ventures and how they operate in the informal economy to learn more about how these ventures operate in unique settings.

Finally, there are opportunities to study the internationalisation of BoP ventures. The intersection of two fields related to the context of emerging markets: internationalisation and BoP research. This was advocated by Paviera and Khalik (2015), and the authors have only identified one study that has addressed this (see Ghauri et al., 2014).

CONCLUSION

This chapter reviewed literature related to the informal economy and the BoP, before highlighting the importance of social business and wellbeing. The chapter focused on the company Algramo in Colombia as a case study of a BoP venture that aims to alleviate food poverty. It is clear from the research undertaken that Algramo does more than simply offer low cost products in large quantities to the BoP population. Algramo builds networks, relationships and forms partnerships. It is clear that positive wellbeing unfolds for the different stakeholders involved, although this is hard to assess quantitatively and from the perspectives of each stakeholder involved.

More research is needed on Algramo as they further expand in Colombia, and especially if they internationalise further to other markets, such as Mexico and Peru. The chapter does support most of Ted London's perspective on wellbeing. It further supports the latest BoP view of co-creation and partnerships. BoP research is about 'a fortune with the BoP'. The authors hope that this chapter will encourage other scholars to engage with BoP research and carry out further case studies or even survey research, especially by investigating the impact of wellbeing on all stakeholders. Contributions are most likely to come entrepreneurship and BoP scholars that focus on wellbeing. Innovative and entrepreneurial companies like Algramo deserve attention as they are tackling neglected issues and problems in our world. The authors would like to end this chapter with a touching quote by one of Algramo's representatives:

We do what we do because it is the right way to do things. You could say that we prefer the harder right than the easier wrong, and that is what makes us who we are.

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Chapter 88
Translation Learning Environments for the Future: Online Collaborative Practices

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ABSTRACT

This chapter describes how recent years have seen a growing interest in so-called collaborative translation. This is the subject of an open debate in translation studies, where matters such as translator training in social translation or the motivation of volunteer translators are all widely discussed. This chapter recounts a teaching experience performed at a key stage of a localization course. It describes the social constructivist methodology used and the findings obtained from a qualitative analysis to bring collaborative translation into the classroom and to introduce students into new translation models and practices.

INTRODUCTION

In 1996, Dr Minako O'Hagan published her book *The Coming Industry of Teletranslation*. Under this suggestive title, she painted a new horizon of communication for translators and language service providers, underpinned by new telecommunications systems. Changes in society and the arrival of new technologies were bringing in a new panorama for the world of translation. The coming of the Internet and the subsequent appearance of social networks represented a new starting point, not only in communications between clients and providers of translation services, but also in exchanges of information *per se*. In the words of Perrino (2009):

Teletranslation will exploit the global networking capabilities of telecommunications technology to bring language service providers (using both human and computer resources) and their customers together. In doing so, it will help overcome many otherwise insolvable language problems. (pp. 61-62)

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Almost a decade later, O'Hagan (2013) delved into the role even newer technologies play in translation studies. This author (2013, p. 27) refers to a "technological turn" at the heart of translation studies (Cronin, 2013; Fernández Costales, 2012), where technology as part of the world of work has led to undeniable changes in translators' daily lives and, therefore, likewise in the teaching of translation (Bowker, 2015). These changes, which have affected both the means of communication and the translation process, have led to new translation models and practices (Jiménez Crespo, 2015, p. 33).

The Internet has made it possible for the number of texts being translated to expand into new realms. Due to this undeniable expansion, new translation scenarios come into play, for example collaborative translation or website localization. As highlighted by Fernández Costales (2012), crowdsourcing and online collaborative translation are important features in the current translation landscape. The same author is also quite categorical when he states that these new practices are in no way passing trends, asserting that "we have to consider the possibility that community translation is here to stay" (p. 22). This new technological panorama gives rise not only to new translation tools, new text genres and new translation models, but also to a change in the actual players involved in the translation process. With the evolution from Web 1.0 to Web 2.0 – the latter term coined by O'Reilly (2005) – the user, previously passive, became an active user capable of controlling and sharing information with other users in a way that would have been unimaginable not so many years before (Cronin, 2010). In the same vein, these users work voluntarily most of the time without pay and for nonprofit organizations.

The growing influence of technology has also led to changes in the way we access information. Translation has made us a multilingual society where almost everything can be translated, not least digital products in all shapes and forms: software, websites, video games and so forth. The origins of the localization industry – an activity defined by Schäler as "the linguistic and cultural adaptation of digital content to the requirements and locale of a foreign market, and the provision of services and technologies for the management of multilingualism across the digital global information flow" (Schäler, 2011, p. 157) – trace back to the United States in the 1980s. Due to the wide success of their products in said country, companies like Oracle and Microsoft set their sights on foreign markets such as Japan, France, Italy, Germany and Spain. And the localization industry is now unquestionably one of the most promising fields for translation graduates. Academic institutions are aware of the localization demand the industry market is shaping. As a result, many institutions offer learning programs focusing on the processes, tools and development of strategies involved in localization (Folaron, 2006). Nevertheless, full support to include localization into the translation curriculum is an extremely challenging task due to the specific constraints it poses, such as the heterogeneous profile of students or the specialization that trainers should have.

Collaborative translation and crowdsourcing, other activities emerging on the scene even more recently, are playing an increasingly important role in the world of translation and in the localization industry. Translators from around the globe are gathered into communities who – for a variety of motives – help to generate multilingual content, which ranges from literature to software. This form of voluntary translation is particularly important for humanitarian work and emergency situations, with thousands of users enabling certain people, for example indigenous communities, to access vital information[1]. For organizations such as Permondo (Spain), The Rosetta Foundation (Ireland) and Kiva and the Mozilla Foundation (USA), granting volunteers a key role in their translation and localization processes is an established objective. These are examples of institutions working to "relieve poverty, support healthcare, develop education and promote justice through access to information and knowledge across the languages of the world" (The Rosetta Foundation). Collaborative translation and crowdsourcing are therefore areas that

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demand further exploration; in terms of localization, these collaborative practices require knowledge of the collaborative work platforms (e.g. Launchpad), online translation management systems (Pootle, POEditor) and specific formats (e.g. po – portable object) used for working on open-source software localization processes and projects.

This chapter seeks to describe a study carried out in the translation classroom aimed at contributing to the debate on the existing relationship between translation and technology and providing a teaching framework to accommodate new emerging models in translation such as collaborative translation. It is divided in four parts. Following on from the introduction, the second part looks at the general panorama for translation resulting from new technologies and the arrival of the Internet. Under this section, localization is examined as a core activity in our field and the current era, one that has brought about important changes in our conceptions of translation processes and products. Collaborative practices in translation are also described, together with their main implications for the translation environment. The third part examines how collaborative practices in translation provide a learning environment to implement a social constructivist approach in translator training. In light of the benefits collaborative practices in translation can bring to translation students' development and the undeniable presence they have as a 21st century translation practice, this section gives a detailed description of the study carried out, which applied a social constructivist teaching methodology to a group of students enrolled in the 4th year optional Localization course as part of the Bachelor's Degree in Modern Languages and Translation Studies (University of Alcalá, Spain) during the 2015/2016 academic year. This section ends with the main results from the experience, including the perceptions of students and the course instructor. This is aimed chiefly at providing the field of translation studies with insights to fuel the existing debate on new realities in professional translation. The last section highlights the importance of adapting collaborative translation projects as part of translator training.

DIGITAL TRANSLATION PRACTICES: BEGINNING, PROGRESS AND FUTURE

The Internet has gained an inexorable presence in the current day and age. Its influence extends deep into most professional sectors and it is an indispensable aspect of everyday operations. The field of translation is no different, and the digital revolution has brought new challenges and possibilities. In 1980, when Tim Berners-Lee created a small piece of software called 'ENQUIRE', few could have imagined it would be the seed for something as great as the World Wide Web (Ryan, 2010, p. 105). Not only this, the architect of the Internet also created Hypertext Markup Language (HTML), based on Standard Generalized Markup Language (SGML), and began the development of the software for a browser and an editor. And this – while abridging the story to the extreme – was how the Internet came into being, a net that catches us on a daily basis and lets people explore beyond all imagined limits. The Internet has become the greatest ever repository of information, exceptional for its speed and accessibility, facilitating the tasks of communication, documentation and production. It removes physical boundaries and makes information accessible from almost any location.

According to O'Hagan (2013), the Internet and other new technologies have impacted on the entire translation ecosystem: they affect both the micro environment (i.e. the translation tools and platforms) and the macro environment of translation processes, with an expansion of text genres and translation practices:

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Technologies have significantly affected both the translators' microcosm, shaping their immediate local work environment, and also their macrocosm of global operating contexts in which new technologies are creating new content or products which require translation, as well as affording new ways of doing translation as illustrated by the current trend of crowdsourcing. (Howe 2006, 2008) (O'Hagan, 2013, p. 503)

Regarding the micro environment, the main impact from technology is seen in the development of new tools and documentary resources for translators. In addition to computer-assisted translation (CAT) tools – the subject of many descriptions elsewhere – translators have at their disposal a great array of computerized applications to aid their work, such as term bases, glossaries (monolingual, bilingual or multilingual), shared translation memories, various types of corpora (monolingual, parallel, comparable, etc.), electronic dictionaries, machine translation (MT) tools, and the list goes on. As regards the macro environment, and as a consequence of globalization, technology has enabled information to be accessed in a wider range of formats. Translation has moved on from concentrating on linguistic mediation to become a multimodal discipline (Fernández Costales, 2012) – an assertion that appears well-founded. Translation has widened its scope, focusing not only on the relationships between languages, but also on the adaptation of non-textual, semiotic and cultural elements. This is an idea close to that mentioned by O'Hagan (2013, p. 506) in reference to the impact of technology on the translator's macro environment and the development of new translation models and processes. A good example can be seen in localization, an activity examined more closely in the pages that follow. Conceived as the linguistic and cultural adaptation of a digital product to the demands of a certain market or 'locale' (Schäler, 2011), it is a discipline that clearly exemplifies the multimodal characteristic Fernández Costales (2012) attributes to translation. The term localization comes from the industry, and some debate has arisen regarding its relation to translation and, more specifically, regarding its inclusion within translation studies (Jiménez Crespo, 2013). Leaving such arguments to one side, what remains clear is that localization has opened the door to new kinds of formats (software, websites, video games or mobile apps), requiring specific tools rather than a mere text processor or CAT tool.

Although translation activities are technology-oriented nowadays, it can be stated that technology has been underrepresented within theories of translation (Munday, 2009; Williams, 2013). Scholars have tried to introduce the topic (Alonso & Calvo, 2015; Cronin, 2003; O'Hagan, 2013; Quah, 2006), concluding that technology plays an indispensable role in translation today and that it is much more than a supporting tool for translation practice. The most recent attempt is exemplified by O'Hagan (2016), who draws on the framework developed by critical theory of technology (CTT) to uncover the relationship between technology and translation. After reviewing CTT's theoretical foundations, whose roots can be found in the critical social theory of the Frankfurt School, O'Hagan considers that CTT provides "an analytical framework to understanding technology by combining philosophical (substantive) and sociological (constructivist) viewpoints" (2016, p. 934). In this sense, technology is a key factor transforming social and professional practices.

The next section introduces localization and collaborative practices in translation as new forms of the relationship between translation and technology.

Translating in the Digital Era

The growth of the World Wide Web together with societal, political and economic changes have significantly increased the need for localized content (Bowker, 2015). The emergence of localization – an

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industry-oriented discipline – dates to the late 1970s, when leading US computer companies started producing for foreign markets. By the 1980s the localization industry had reached a stage of strong growth and wider recognition.

Closely related to the term 'locale', which represents a specific combination of language, region and character encoding (Esselink, 2000), localization is a core concept in our globalized era. A locale defines "all regional standards supported by a software product, such as date/time formats, sorting standards, currencies, and character sets" (Somers, 2003, p. 67). In order to distinguish locales, we name them by language-country pairs such as French-Canada, French-France, etc. (Cadieux & Esselink, 2004). Spanish and English language locales will be distinguished in a similar fashion (e.g. Spanish-Mexico, English-United States, English-Australia). The more locales there are in a given language, the more potential for the localization industry in that language.

Localization is closely related to GILT, an acronym which stands for Globalization, Internationalization, Localization and Translation. Since the rise of the Information Technology (IT) industry in the 1980s, the term GILT has been increasingly recurrent. Becerril (2013) mentions that professionals usually describe GILT as a series of industry processes that are interdependent and must function as a whole to create efficiencies. In the context of the marketing of digital products, none of the processes and strategies should be understood separately, and a variety of factors (linguistic, extralinguistic, cultural and technical) should be taken into account.

Within the localization context, translation can be defined as "the process of converting written or displayed text or spoken words to another language" (Esselink 2000, p. 4). More aspects need to be added to this definition, as translation processes are complex and involve various specific skills. A translator is an individual who has mastered linguistic, extralinguistic and cultural aspects of a given domain; translators do not merely engage in a "word-for-word 'global replacement' process", to use the same author's expression (Esselink, 2000). When it comes to conveying ideas and their meanings in localization, translation truly "requires that the full meaning of the source material be accurately rendered into the target language, with special attention paid to cultural nuance and style" (Esselink, 2000, p. 4). Translation in localization acquires certain additional characteristics, as it is typical for localization projects to involve numerous file formats. Technical knowledge is needed to deal with such formats and specialized software. Furthermore, the objectives of translation projects and localization projects can vary. Tasks that translation projects entail – besides that of transferring content from one language to another – can include proofreading, page layout, editing, and terminology searches. In localization projects, however, there are more activities that come into play: multilingual project management, conversion of translated documents to other formats, engineering and testing of software and online help, or multilingual product support (Somers, 2003). Localization projects typically contain a large number of items, such as software, sample files, online help, online and printed documentation, collateral materials such as product boxes and disk labels, and multimedia demos. In most cases, translation starts before the source material is final, so in localization projects the source files are updated several times during the translation. (Somers, 2003). Another difference between translation projects and localization projects is the level of adaptation. In this regard, the basic premise is that all local characteristics of the target market need to be implemented in the final product. In addition to language and culture, it is necessary to implement every type of regional standard possible, for example date/time formats, address formats, default page sizes, custom calendars, currencies, character sets, etc. (Somers, 2003). Regarding the translation environment, translators normally use CAT tools in their translation projects. The localization industry

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additionally implements tools for the extraction and management of terminology, and MT systems and software localization tools for user interface translations.

Localization

Many scholars and institutions have offered definitions for the term localization. The Localization Industry Standards Association (LISA), which was by far the most recognized and cited organization in this area, gave the following definition:

Localization involves taking a product and making it linguistically and culturally appropriate to the target locale (country/region and language) where it will be used and sold. (LISA, 2003, p.13)

The definition made by Esselink in 2000 was in some senses narrower: "Generally speaking, localization is the translation and adaptation of a software or web product, which includes the software application itself and all related product documentation" (Esselink 2000, p.1).

Four years later, in 2004, Anthony Pym wrote his book *The Moving Text: Localization, translation and distribution*, in which he does not talk about products, but "texts". In his theory "text" is the key concept; "translation" is not consigned to being just one step in the localization process, but instead occupies a more influential role. Pym (2004, p. 1) defines localization as follows: "Localization is the adaptation and translation of a text (like a software program) to suit a particular reception situation". Dunne (2006, p. 115) describes localization as "[t]he processes by which digital content and products developed in one locale (defined in terms of geographical area, language and culture) are adapted for sale and use in another locale". Unlike the first edition (published in 1998) of the *Routledge Encyclopedia of Translation Studies*, the second edition by Mona Baker and Gabriela Saldanha in 2011 did include an entry for "localization". It was written by Reinhard Schäler, main researcher at the Localisation Research Centre at the University of Limerick, who defines localization as "the linguistic and cultural adaptation of digital content to the requirements and locale of a foreign market, and the provision of services and technologies for the management of multilingualism across the digital global information flow" (Schäler, 2011, p. 157). Dunne's "digital content" is also present in this definition. Indeed, in the same entry Schäler (2011, p. 157) goes on to explain that:

What makes localization, as we refer to it today, different from previous, similar activities, [is] namely that it deals with digital material. To be adapted or localized, digital material requires tools and technologies, skills, processes and standards that are different from those required for the adaptation of traditional material such as paper-based print or celluloid…

In other words, the emphasis is on the medium in which a text is conveyed.

From a practical perspective, localization projects involve tasks such as translation of software, translation and desktop publishing (DTP) of help and documentation, and linguistic and functional testing of software and help. In other words, the localization industry deals with very specific tasks, which ideally should be carried out by trained professionals. To sum up, the main purpose of localization is to make the final software product appear natural in a specific locale. Localization is linked to translation, but it goes further, since it also considers the technical aspects of the target locale. It is outside our scope of research to provide a detailed description of the different types of localization. However, it should

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be highlighted that the ever-widening range of digital products such as software and video games have expanded the localization market significantly. What is worth noting here is the new challenges the different types of localization (web localization, software localization, or video game localization) entail in terms of processes, tools and translator training (Folaron, 2006).

Internationalization

Internationalization is essential for the creation of functional products such as web sites or computer games. Esselink (2000) defines the process as a way in which the software is designed during its development. Such design must "allow for translation into other languages without the need for re-design or re-compilation" (p. 1). As part of this process, the text and the source code are separated, to prevent translators from making inadvertent changes to the program's code.

Corte (2002) explains that internationalization consists of the identification of all local information included on the website (or product). Such information depends very much on the language and the culture of the country in which the product is originally designed. Elements such as dates, numbers, currencies, etc. should be saved separately to allow for their adaptation to other languages and locales.

Becerril (2013) lists some of the benefits of internationalization, such as reduced time and costs, presentation of a single source code for all applications, simpler maintenance, improved quality and code architecture, and simultaneous launch (sim-ship) of the product in a number of countries. In light of this, the importance of internationalization, otherwise known as enablement or localization-enablement, is clear.

Globalization

In the GILT industry, the term globalization is used to integrate localization and internationalization as one process, as illustrated in the diagram shown in Figure 1, showing the interrelation and interdependence of the two processes within the GILT industry.

The term globalization is used in many domains. Within the localization industry context, globalization refers to "the business issues associated with taking a product global. In the globalization of high-tech products this involves integrating localization throughout a company, after proper internationalization and product design, as well as marketing, sales, and support in the world markets" (Esselink, 2000, p. 4).

Significantly, globalization is never "all-encompassing", that is to say, it is impossible to target all countries or all languages. Typical globalization projects seldom target more than six languages at a time out of around 6,000 languages used in the world today (Cadieux & Esselink, 2004).

Regarding the globalization of websites which have already been designed in a way that allows them to be used in different countries without the need for major changes, only minimal alterations are required. As such, the task of globalization is more related to sales and marketing areas than it is to the technical area.

Collaborative Practices in Translation: Translation Crowdsourcing and Online Collaborative Translation

Due in great part to the multicultural and multilingual society we live in, the translation industry continues to grow. The rapidly increasing use of MT and collaborative translation environments are proof of the current demand for translations; project management platforms that incorporate collaborative translation

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Figure 1. Globalization chart (LISA, 2011)

environments (Wordbee, POEditor, SDL Cloud Translation Solutions) are good examples of this (Drugan, 2013, p. 101). Recent explosions of technologies have facilitated not only access to information, but also voluntary collaborations on a variety of tasks. One need not look far to see that voluntary collaboration in the world of professional translation has always existed in one form or another (O'Brien, 2011), in translator associations, mailing lists, email exchanges, forums, and so forth. As noted by Gaspari (2015), "Usenet-based newsgroups were early online communities organized in hierarchical categories around topics of interests to their members, and designed to share textual messages via the nascent Internet infrastructure" (p. 579). The evolution towards collaborative forms of work represents a role reversal in translation's social processes. As pointed out by Cronin (2010), "the consumer becomes an active producer or prosumer[2]. It is no longer a question of the translator, for example, projecting a target-oriented model of translation on to an audience but the audience producing their own self-representation as a target audience" (p. 4).

The phenomenon of voluntary collaborative practices in translation – without entering yet into discussions regarding the terminology – is a direct result of technological, social and cultural changes. The Web 2.0 scenario provides a considerable number of opportunities for Internet users to take part in different online activities, contributing to the idea of translation democratization and shaping technology (O' Hagan, 2016, p. 934). Consequently, this participatory landscape has also opened new directions in translation. We live in a connected world in a constant technological progress and, as mentioned above, this has had its effects on the fields of translation and localization. As indicated by Tawileeh (2010), collaborative translation is "an innovative approach that responds to the rapidly changing trends in content production and dissemination by transforming the translation process to become more open,

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inclusive and collaborative." (p. 2), and companies such as Twitter, Facebook, Google and TED Open Translation Project make use of volunteer translators from all over the world (McDonough Dolmaya 2012; Ray and Kelly, 2011).

The origins of these voluntary collaborative practices can be found in the activity known as 'crowdsourcing', whose beginning can be traced back to the business market. The neologism 'crowdsourcing' is attributed to Jeff Howe, who introduced it in a magazine called *The Wired* in June 2006. The author defines the term as the activity performed by a company or institution which outsources a task to an undefined and large network of people in the form of an open call. Since Howe (2006), other authors have focused their research on crowdsourcing. The 'undefined and large network of people' is referred to as 'collective intelligence' by Brabham (2013, p. xix). This author defines crowdsourcing as "an online, distributed problem-solving and production model that leverages the collective intelligence of online communities to serve specific organizational goals". Crowdsourcing represents a practice firmly grounded in the participatory nature of the Web 2.0, and it has been used by business, organizations, institutions, or collectives to harness the intelligence of the crowd, being it a large group of amateurs, experts, volunteers, professional, fans, or citizens, to accomplish a given task for free (Jiménez-Crespo, 2017). This is a practice that tends to be used by a variety of companies and institutions trying to find ways to lower costs. Its legal and ethical principles are not yet clearly defined though. Estellés Arolas and González Ladrón de Guevara (2012), after reviewing different approaches and definitions on crowdsourcing, provide the following definition, which includes the three key concepts of online activity, voluntary participation, benefits for the initiator and the participants:

A type of participative online activity in which an individual, an institution, a non-profit organization, or company proposes to a group of individuals of varying knowledge, heterogeneity, and number, via a flexible open call, the voluntary undertaking of a task. The undertaking of the task, of variable complexity and modularity, and in which the crowd should participate bringing their work, money, knowledge, and/or experience, always entails mutual benefit. The user will receive the satisfaction of a given type of need, be it economic, social recognition, self-esteem, or the development of individual skills, while the crowdsourcer will obtain and utilize to their advantage what the user has brought to the venture, whose form will depend on the type of activity undertaken. (Estellés Arolas and González Ladrón de Guevara, 2012, p. 197)

Estellés Arolas et al. (2015) gather the main achievements of the use of 'collective intelligence' and confirm the consolidation of a new area of research focused on studies analyzing the applications of crowdsourcing[3].

When looking at collaborative practices in translation, one must inevitably also discuss their terminology. Providing a clear definition for crowdsourcing is a task made harder and more uncertain by its relative newness and the fact that it is constantly evolving (Jiménez Crespo, 2017). O'Hagan (2011), meanwhile, asserts that doubts regarding the concept arise from its changeable terminology. 'Social translation', (Tawileeh, 2010, p. 2), 'wiki translation' (Cronin, 2013), 'volunteer translation' or 'amateur translation' (Pym, 2011; O'Brien & Schäler, 2010), and 'CT3' (community, crowdsourced and collaborative translation) (DePalma & Kelly, 2008) are some of the terms used to refer to various forms of this activity.

In terms of definitions, García refines Howe's (2006) original definition, describing the concept as "[r]oughly meaning the delegation to (unpaid) volunteers of tasks previously reserved for profession-

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als" (García 2010, p. 1). However, other definitions add more characteristics to the concept. O'Hagan (2011) defines crowdsourcing as the result of volunteer translators coming together in some form of collaboration as a group of Internet users or an online community. Declerq meanwhile, refers to this new activity as "the outsourcing of a task (or several tasks at the same time) to an undefined, generally large, group of people or community, mutually connected through an e-medium" (2014, p. 46). In all these definitions, terms such as collaboration, Internet and community are used to narrow and delimit the scope of this new translation model. The definition provided by Jiménez Crespo (2017) appears as a good solution to the problem of identifying the crowdsourcing concept: "Collaborative translation processes performed through dedicated web platforms that are initiated by companies or organizations and in which participants collaborate with motivations other than those strictly monetary." In contrast, the term 'online collaborative translation' is defined by the same author as "collaborative translation processes in the web initiated by self-organized online communities in which participants collaborate with motivations other than monetary" (Jiménez Crespo, 2017, p 76), with activities such as subtitling, open source localization or fansubbing.

Taking into consideration the definitions given in the various works mentioned above, the fundamental differences between translation crowdsourcing and online collaborative translation can be seen as rooted in their starting points. In the case of crowdsourcing, it is a company or institution that initiates the translation process, with the objective of reducing production costs (e.g. Facebook, Twitter, and LinkedIn). In contrast, the starting point for online collaborative translations is the volunteers who, motivated by a range of factors, unite towards a primary objective of enabling other communities of users to access content in their own language. In the words of Fernández Costales (2012), "users are interacting or collaborating in order to disseminate a message into other cultures" (p. 8). In this regard, the relationship established in crowdsourcing is of a vertical and hierarchical nature, whereas the norm for collaborative translations is a horizontal relationship, with processes established between equal peers. Online collaborative translation is similar in many ways to activities such as 'fansubbing' (Díaz-Cintas & Muñoz Sánchez, 2006; O'Hagan & Mangiron, 2013), its equivalent for comics, 'scanlations' (Ferrer Simó, 2005), and the collaborative work performed on certain websites such as Wikipedia (McDonough Dolmaya, 2012).

TEACHING METHODOLOGY

This section is focused on social constructivism as the teaching methodology used in the study and the description of the teaching experience carried out. This ties in closely with calls for greater attention to discussions over teaching that focuses on the inclusion of new translation models (Fernández Costales, 2012) and the use of technology (Rico, 2017) in translation classrooms.

As in institutions, organizations and online communities, the popularity of translation as a social activity has also grown within the discipline of translation studies, and various research efforts have been made (Cronin, 2010; Desjardins, 2011; Fernández Costales, 2012; Jiménez Crespo, 2015, 2017; O'Hagan, 2011; Perrino, 2009) to give more visibility to social practices in translation. They reflect the progress made in our field by, for instance, focusing attention on the description of the implications of social translation within different translator training programmes (Desjardins, 2011; McDonough Dolmaya, 2012; Sánchez Ramos, 2015). Other works, such as those by Baker (2009) and Morado Vázquez et al. (2011), debate the wider role of volunteers in translation; and others focus on more specific matters, such

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as the factors that motivate a group of volunteers to get involved in this type of translation (Fernández Costales, 2013; O'Brien & Schäler, 2010). Désilets (2007) focuses on the figure of the translator and the main challenges presented by online collaborative translation. Desjardins (2011) offers a descriptive work about a teaching strategy used in a range of courses and advocates the integration of social media – specifically Facebook – as part of translator training. She concludes that the inclusion of this kind of technology encourages teamwork and collaboration among students, as well as the creation of a "community" within the learning environment. A study by Gough (2011) looks at the attitudes of translation professionals towards the new collaborative environments. And focusing on translator training and social media, Olvera Lobo and Gutiérrez Artacho's (2014) article explores the use of the 'Ning' platform to create a customized social network for the teaching of legal, economic and commercial translation (English into Spanish). Several authors have also approached the issues of ethics and quality. Drugan (2011), for instance, explores the context of the professional and non-professional code of ethics. McDonough Dolmaya can also be taken as an example. Her article entitled 'The ethics of crowdsourcing' tries to answer questions such "how participants are remunerated, how the perception of translation is affected, and how minority languages are impacted" (2011, p. 97).

Collaborative translation is an innovative activity that has arisen in response to new trends and needs in the production and dissemination of information, making the translation process one that is more open and cooperative. The introduction of these new models into translation classrooms seems closely aligned with guidelines from the European Higher Education Area (EHEA), where the objectives include the achieving of competences, these being understood as sets of skills, knowledge and attitudes, all of which are very much oriented towards students' learning processes. When it comes to university translation studies, one of the primary objectives is to prepare graduates to enter the professional market, where they are to perform their work effectively and with an optimal level of quality. Professional translation – being a cognitive, social and communicative process – requires the development of a range of skills and knowledge if one is to pursue the occupation with any success (Schäffner, 2000). This set of skills, generally known within translation studies as 'translation competence', has been the object of various studies and has been given a range of different definitions. However, there is some consensus on the definition of this competence as a macro-competence, encompassing many more competences and sub-competences (Kelly, 2002).

In terms of training, the social constructivist theories ushered in by Kiraly (2000, 2016) argue in favor of project-based real translation work, such as tasks performed under situational approaches. Kiraly's (2000) approach represents one of the most influential theories in translation teaching. His social constructivist theory promotes "teaching methods that foster responsibility, independence, and the ability to see alternatives" (Kiraly 2000, p. 33). Translation teaching reaches its most dynamic pitch under this theory, aiming towards the construction of knowledge, a shift from knowledge transfer to knowledge construction, from teacher-oriented approaches to methodologies focused on the learner. Social constructivism attaches much importance to collaborative work, active learning, and authentic tasks and projects. A clear element of so-called situational learning (Vienne, 1994) can be seen in Kiraly's work (2000). The learning environments endorsed by social constructivist theories consist of collaborative contexts in which students can work on situations that resemble the professional reality. This fosters interaction with technologies and fulfillment of the roles involved in professional translation, such as project managers, terminologists, reviewers, etc. It seems logical to reason that the social constructivist approach is tightly connected to the philosophy of the digital and Web 2.0 era, in which users do not merely upload content and share information online, but they also interact and work together (Desjardins, 2011, p. 179).

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If we transfer the social constructivist approach to the translation classroom, there are certain aspects that must be taken into account (Kiraly, 2000). Orchestrating a social constructivist classroom involves different factors. An appropriate physical environment will be necessary, together with an interaction framework for students who – in their role as translators – will be able to work and interact with other participants and employ technological and language resources. The right environment will facilitate the construction of learning based on interaction and responsibility shared between team members (Robinson, López Rodríguez, & Tercedor Sánchez, 2008, p. 100). Activities designed under this approach may be project-based or task-based. However, project-based learning (Thomas, Mergendoller and Michaelson, 1999; Moursund, 1999) appears to offer a suitable opportunity to create a scenario that resembles a professional work setting – in the case of this chapter, that of collaborative work.

CASE STUDY: PROCEDURE AND PARTICIPANTS

The study described here took place in the first half of 2015 and was conducted on the 4th year optional Localization course of the Bachelor's Degree in Modern Languages and Translation Studies at the University of Alcalá (Spain). The class was divided into different groups in order to collect qualitative data to examine the attitude of students towards different collaborative practices. The main objective was twofold: firstly, to offer a teaching framework that would accommodate new models such as collaborative translation, and secondly, to promote critical attitudes, encouraging students to reflect on the diverse range of aspects related to collaborative translation and initiate a debate on new translation models and their implications for the professional market. The course was worth 8 ECTS credits, requiring 25 hours' work per credit per student. A total of 20 students were enrolled on the course, who were organized in teams of five students each.

The students enrolled on this course had already completed courses such as translation and technology involving the use of CAT tools, MT or corpus management software, and other courses focusing on specialized translation (scientific and technical translation or legal and business translation) and project management. All of the participants worked from English or French into Spanish. The activity in question was carried out towards the end of the course, so the students had already developed a fair understanding of localization and some applicable technical knowledge. For example, they had worked on the localization of websites, software and video games, as well as social translation and open source software (introduction to the gettex system and file types .pot, .po and .mo).

The data were collected through two different processes in which the activity was carried out: a) two sessions of two hours each, where the four groups worked on their different collaborative translation projects; b) a one-hour debate session, where the different groups discussed the activities and any implications for the world of professional translation. Before the activity, students attended a theoretical lecture where they were introduced to the main concepts related to crowdsourcing (definitions, typology, organizations, actors involved, etc.) and collaborative practices in translation. In both data collection processes, the course instructor was what Massey & Brändli (2016, p.184) called "a minimally invasive facilitator", answering questions and clarifying doubts during the two sessions. Assuming this role, and using note-taking as the main instrument for gathering data, the teacher was the main data collector, as solving problems and answering queries revealed students' attitude to teamwork and to the activity. After the two sessions focused on the activity, the debate session was devoted to discussing and reflecting upon

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the activity performance and the topic of collaborative practices in translation. The main idea underlying this type of data collection instrument was to set the classroom as a discussion and debate-focused learning environment. Both the group work and the final debate were especially useful for discussing the controversial issue of collaborative practices in translation and the role the translator plays. In terms of data collection, the main instruments were the different notes taken by the facilitator (teacher) during the three sessions and the concluding debate.

Before performing the activity, the students received instructions on how to use the collaborative platforms and on the translation tasks they were to perform. Following Jiménez-Crespo's classifications (2017), it was decided to provide two different environments of collaborative translation: crowdsourcing translation and online collaborative translation. The activity proposed for the course consisted of getting involved in a community of translators and participating in one of its projects, thereby finding out about the workflows and processes of two online collaborative platforms (Trommons[4] and Pootle[5]). The former is an example of a collaborative platform developed by The Rosetta Foundation (De Wille, 2014), while the latter is an open source platform mainly used to translate open source software. In this sense, collaborative tasks using Trommons are an example of crowdsourcing translation as there is a massive open call initiated by a non-profit organization, and the collaborative task using Pootle is an example of online collaborative translation as the massive call is triggered by a community of volunteers.

Due to the teamwork structure of the activity, students were able to explore the different platforms in groups and to interact among each other. Group 1 and Group 2 would work with a crowdsourcing platform, and Group 3 and Group 4 would do the same by using a collaborative platform. Each group was encouraged to divide tasks, with one of the members being responsible for organizing, planning and assigning the tasks. It was up to them to exchange information or discuss problems with the group accomplishing the same task, that is, the one using the same platform.

Groups and tasks were distributed as shown in Table 1.

Groups 1 and 2 worked using the collaborative platform created by The Rosetta Foundation[6] (Figure 2).

Group 1 was given the task of participating in a translation project from French into Spanish, the description for which was shown in the interface. To start with, the students were given the word count (approximately 2,000 words), the deadline, the NGO it came from and a preview of the text (Figure 3). Before they began translating, the platform asked them to commit to providing the translation.

Group 2 was given the task of revising a translation from French into Spanish from a different project (around 2,000 words), and followed the same steps as Group 1. The students further decided to divide

Table 1. Tasks and groups' distribution

Activity on Collaborative Practices in Translation	Type of Platform Used	Duration	Task
Group 1 (Crowdsourcing translation)	Trommons	Two sessions (two hours each)	Translation from French into Spanish (around 2,000 words)
Group 2 (Crowdsourcing translation)	Trommons	Two sessions (two hours each)	Revising a translation from French into Spanish (around 2,000 words)
Group 3 (Collaborative translation)	Pootle	Two sessions (two hours each)	Translation from English into Spanish (around 2,000 words)
Group 4 (Collaborative translation)	Pootle	Two sessions (two hours each)	Revising a translation from French into Spanish (around 1,500 words)

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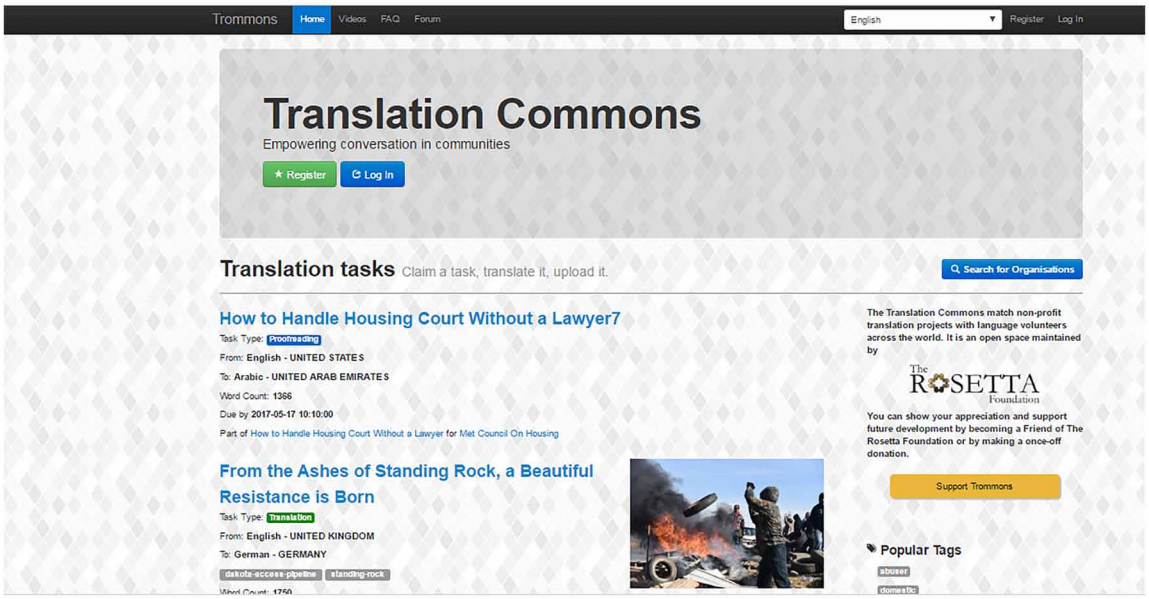
Figure 2. Translation Trommons'



themselves to share the different tasks involved: translation, looking for parallel texts, looking for terminology, editing, proofreading, etc.

Group 3 was asked to work on a translation from English into Spanish as part of a larger project. Students had to create an account and look for the translation project assigned. They organized all the tasks they had to carry out. In this sense, one of the students worked as a project manager and distributed the different tasks. Once they were logged in, they had to work on the TuxPaint project, the translation of a bitmap graphics editor for young children. Students were encouraged to visit the webpage provided by the developer and use the editor before translating. Spanish is a very popular language in Pootle and almost all projects were nearly completed. Tuxpaint had a total of 16,157 words, and only half of the project needed to be translated. Students were asked to translate 2,000 words. Although the platform incorporates an interface very similar to a CAT tool (Figure 4), users can also work offline and download the files in .po or .xliff format to work on them using a suitable program and then upload their output. An example of the source code (.po file) is:

#: browser.py:606
msgid "Loading..."
msgstr "Cargando..."
#: browser.py:849 browser.py:850
msgid "This web page could not be loaded"
msgstr "Esta página web no puede ser cargada"
#: browser.py:851
#, python-format
#, python-format
#, python-format,

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Figure 3. Translation Trommons' interface

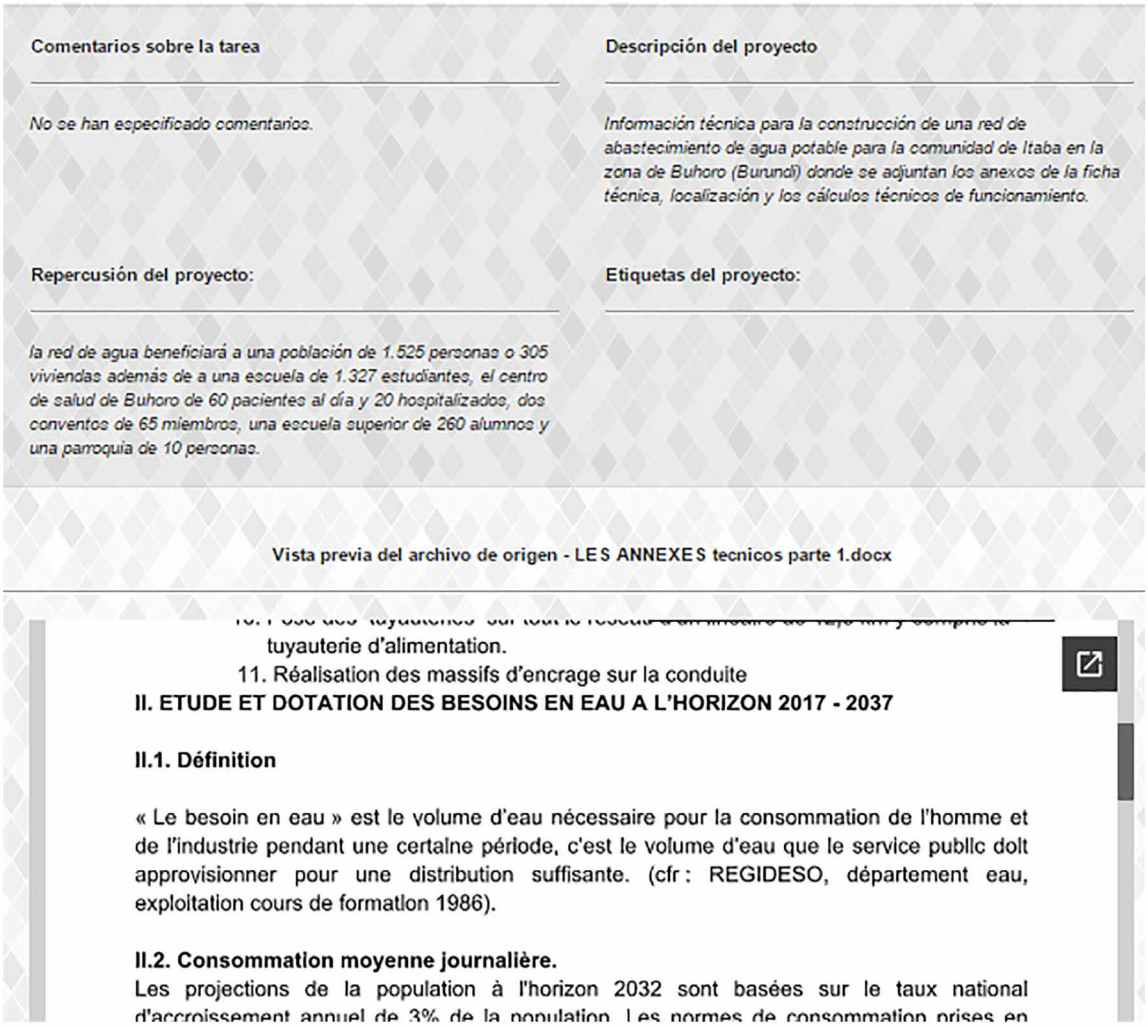
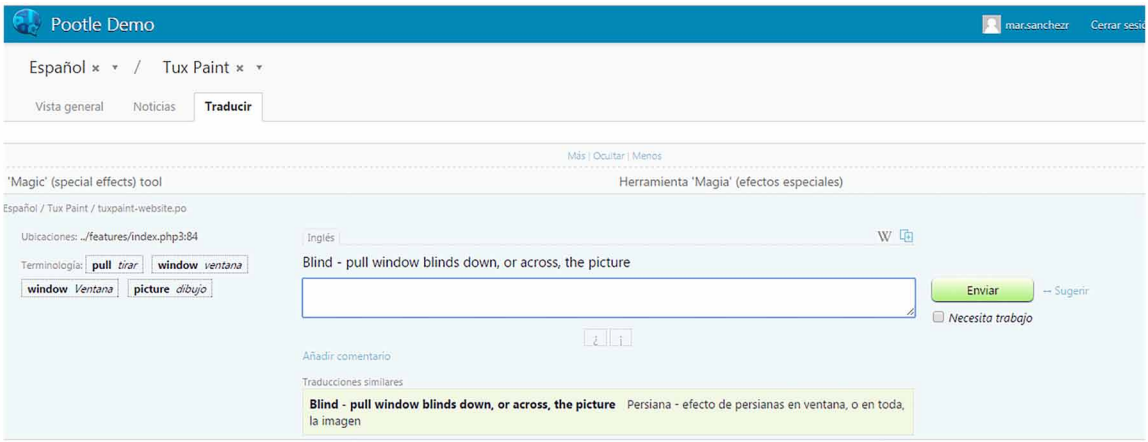


Figure 4. Pootle's translation interface



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msgid “”
“\”%s\” could not be loaded. Please check for typing errors, and make sure “
“you are connected to the Internet.”
msgstr “”
“\”%s\” “

Group 4 was asked to revise a translation for the same project provided by users (around 1,500 words). Students worked online with the platform, which also provided some lexicographical information such as Wikipedia to help with the revision.

As it has been stated at the beginning of this section, one of the objectives specified when designing this activity was to spark a debate on collaborative practices in translation. In order to facilitate the organization of the activity and the final debate, some guidelines for the performance of the activity were given. For instance, when carrying out the activity during the two sessions (two hours each), students were encouraged to pay attention to the number of projects and languages on each platform, the platform's interface, the original file format and how easy it was to work with the platform. Once they had finished the activity, a one-hour session was devoted to group presentations followed by a debate to reflect on the different issues related to collaborative translation and the specificities of each platform. Each group had between 10-15 minutes to present the process and the product of the translation, the main advantages and disadvantages of the platform they had used, and any other comment they considered relevant.

The teacher took notes of all the comments and doubts students had during the activity (two sessions of two hours each), and the presentation and final debate of the one-hour session. The teacher, assuming the role of facilitator, intervened in the debate only to bring the discussion back to some specific points (e.g., in terms of file formats, which platform do you consider provide the most appropriate format to work with?) or to link comments between the participants.

CASE STUDY: FINDINGS

Our study was designed with two main objectives in mind, taking into account the new trends in translation technology: a) to offer a teaching framework that would accommodate new models such as collaborative practices in translation; b) to encourage students to reflect upon the wide range of issues related to collaborative translation and initiate a debate on new translation models and their implications for the professional market.

A descriptive analysis was carried out on the data collected: (a) notes and observation taken by the facilitator during the two-hour sessions and (b) notes and observation taken by the facilitator during the one-hour debate session. The general picture that emerged from the data analysis suggests that students were aware of the different advantages and disadvantages of collaborative practice in translation as well as some of the topics that arose in relation to it, such as ethics and quality of translation. Advantages highlighted by the students included the opportunity to access information in languages other than the typical target languages the market seeks to translate and localize. This social contribution made by collaborative translation was one of the issues the students highlighted most, in close connection with tasks relating to commitment and social responsibility within the community. Some of the students' comments made during the debate session can be taken as examples:

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Student 1: I think that previous knowledge of translation technology is essential if we want to work with Pootle. If I hadn't known what .po or .xliff were, I would have said 'no' to work on this collaborative project. I would have taken me time no know these files and the tools I need to work with them.
Student 2: What about those minority languages? I think collaborative translation is a kind of humanitarian activity. We need to know more about it.
Student 3: I really learnt with this activity a new way of helping people. I didn't know there were so many localization projects available to be translated into so many different languages.

Among the disadvantages, the debate confirmed aspects noted by other authors (Drugan, 2011; McDonough Dolmaya, 2011) in relation to ethical issues and the questionable quality of the translations. Some of the students' comments were:

Student 4: And what about translating for free? I believe it shouldn't be like that.
Student 5: Are the translations being reviewed by professionals? There is no information about that.

The final debate activity resulted in an extensive discussion that was a clear demonstration of why collaborative translation is such a hot topic. The students expounded a variety of points of view on the different platforms used in collaborative translation, ethics and social translation, or social translation and minority languages, and expressed wide-ranging opinions, with their development of critical thinking and reflections on new translation models evidently enhanced.

It was clear that carrying out this activity reflected positively on the teaching of the course, the methodology used and the fulfilment of objectives. From our own experience, the new translation models highlighted by authors such as Jiménez Crespo (2015), Gaspari (2015), Declerq (2014) and O'Hagan (2013) need to be included in translator training, although many aspects need to be considered beforehand. To start with, a significant problem that frequently appears is the position of the new translation models within the translation syllabus. The wide range of factors to consider includes students' preexisting technological knowledge, the time available, and indeed the experience of the teaching staff themselves (Bowker, 2015). Overall, in light of the outcomes explained in this section, such as the awareness that students developed towards the collaborative practices in translation, the teaching framework—the group work and the final debate—was suitable due to the fact that the students had previously acquired the required technological background (i.e. the students had already completed compulsory courses on translation and technology and were in the final year of the degree program). In the second place, the teaching methodology used, rooted in social constructivist principles, certainly allowed students to further develop skills related to teamwork, and to interactions between team members and the course instructor. The sessions in which the activity was performed put into practice knowledge gained in other sessions (i.e. management of different file formats such as .po). Lastly, the debate session allowed for a pooling of thoughts about the work done using the Trommons platform and the Pootle platform. It also saw the tabling of various matters, most notably the advantages, disadvantages and consequences of collaborative translation for the world of professional translation.

As other studies have highlighted (Gough, 2011), a certain degree of awareness is growing among translation students in our study for the new tools and processes in the translation technology era, such as online collaborative translation. However, a real engagement into the process is still in its infant stage. From the perspective of the course instructor, a considerable number of improvements were identified, both in the development of the activity over the sessions and in the final debate. For instance, although

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students had passed subjects on translation technology, this activity and the discussion and debate session consolidated their technical knowledge about open tools and files. In the same line as the study carried out by Desjardins (2011), students shared a feeling of enjoyment and motivation while performing the activity. It was very positive for them to share their problems with the rest of the students and discuss their main points of view regarding collaborative translation. The activity was also an example of how social translation can be used as a training tool within the translation classroom to explore real voluntary translation contexts (Jiménez Crespo, 2017) through a social constructivist approach. There was undoubtedly an improvement in the interactions between students and the course instructor, increased motivation in teamwork tasks, and a positive attitude towards the group work activity.

CONCLUSION

Having started this chapter with the words of Ryan (2010), it is worth re-emphasizing that collaboration and connection are essentially inherent to the human condition, and translation is no exception. As an information exchange process, the act of translating is itself an example of linguistic collaboration. The aim of this study has been to call attention to the impact which new translation models are creating in the professional translation world, and to do so the focus has centered on crowdsourcing and collaborative localization and translation tasks. Framing teaching within a social constructivist approach, the chapter has sought to supplement existing works on translator training and collaborative translation. The study also cast some light on collaborative translation as a learning environment. and confirmed that the teaching method turned the classroom into an open space for collaborative work among participants, and made it possible to generate an exceptional learning atmosphere for exchanges of opinion and the development of a critical spirit towards new translation models.

From the standpoint of translation studies scholars who are in favor of integrating translation and technology in students' learning programs, it is essential not only to expose students to the latest advances in the professional translation world but also to work towards creating a syllabus that reflects these advances. Although issues such as translation quality in these new models or the fact that they often involve unpaid work may result in them being eschewed, it is undeniable that these are activities that have broken new ground and are in no way a passing trend. This work, while by no means conclusive, offers a starting point for future teaching research and a contribution to the existing debate on crowdsourcing and collaborative translation.

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ENDNOTES

1. A clear recent example of this is the 'Mozilla Nativo' project (http://mozillanativo.org/). This is an initiative by which the Mozilla Foundation supports the translation of various resources (apps for iOS and Android, and instructions for its Firefox browser) into a number of indigenous Latin American languages. The aim is to support the universal human right to access information and knowledge in one's own native language.
2. This new term is described in detail by Cronin (2010). Rooted in a consumer-model of translation, crowdsourcing I a clear example of how the user of consumer becomes the producer (prosumer) as it is the audience the one that produces "their own self-representation as a target audience" (Cronin, 2010, p. 4).
3. Estellés Arolas, E., & González Ladrón de Guevara (2012) and Brabham (2013) offer a detailed classification of different instances of crowdsourcing.
4. https://www.therosettafoundation.org/trommons/
5. http://pootle.locamotion.org/

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