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## **Social Businesses with An Export Profile as a Mechanism to Promote Entrepreneurship and Improve Welfare**

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### **Abstract**

The increase in unemployment rates at the international level, as a consequence of the deep financial crisis of the beginning of the 21st century, has caused the labor market to become increasingly restricted, complicating the insertion of a population of productive age. In addition, the lack of employment has exacerbated a series of social problems, including poverty, insecurity, undernourishment, among others, in a large part of Latin America. Therefore, the impulse of social enterprises can contribute to the creation of jobs and combat this problem, generating wellbeing not only within a region but also in others with similar situations, generating an area of opportunity for those social enterprises with an export profile. Based on the above, this paper begins with a documentary research process of specialized literature on social business and later analyzes a group of students' perception on the impact that this model can produce, as well as the limitations for its implementation, through an exploratory and descriptive study, guided by the qualitative approach since a questionnaire of open questions about these topics was used as a research instrument. The answers were analyzed in such a way that similarities and differences could be detected among students' perception. Results shown that the main benefits are the creation of direct jobs in the country of origin and indirect in other markets as well as the emergence of productive chains while among the constraints include ignorance of the export logistics process and tariff rates. Finally, a series of

recommendations are proposed in order to strengthen the dissemination of this business model.

**Keywords:** social business, entrepreneurial culture, entrepreneurial teams.

## Introduction

Small and medium-sized enterprises (SMEs), as well as entrepreneurs, play a fundamental role in the economic activity of industrialized countries and emerging markets since they are key actors in creating jobs and generating income; In addition, the Organization for Economic Cooperation and Development (OECD, 2017) affirms that both SMEs and entrepreneurs are agents that promote innovation and economic growth, raising employments in the private sector and then fostering social welfare.

However, the still present effects of the financial crisis originated at the end of the first decade of the 21st century together with the rigidity of the labor market and the restrictions of the credit sector are obstacles for the emergence of new companies and for the promotion of entrepreneurship; in this sense, the OECD (2009) states that during the periods of economic recession the problems for small and new entrepreneurs increase, since they see their options of access to financing and access to new markets reduced given their scarce resources.

Despite this, the OECD, the Development Bank of Latin America (CAF) and the Commission for Latin America and the Caribbean (ECLAC) affirm that Latin America, in comparison with other regions, has a favorable outlook when considering youth of its population, which represents an enormous potential for the generation of entrepreneurial projects (OECD, CAF and ECLAC, 2016). Thus, it is considered that the demographic bonus experienced among Latin American countries could contribute to a rebound in economic growth and lay the foundations for development and innovation.

This is particularly important because, as mentioned by Konrad-Adenauer-Stiftung and the Regional Program on Social Policies in Latin America (KAS and SOPLA, 2016), the region has faced adverse external conditions in recent years, together with the difficulties within the region. each country. they have limited their options to implement public policies that allow them to resume the path of growth; for this reason, the training of human capital increasingly trained and with an orientation towards innovation is fundamental to generate added value to the productive processes and the goods and services produced in Latin America; In this way, it is observed that the greater specialization of the entrepreneurs, as well as the innovation generated by their projects, will allow industrial progress and the creation of well-paid formal jobs, contributing to social welfare and to higher levels of competitiveness and productivity.

In this context, higher education institutions (HEIs) play a fundamental role, since through them they can influence the training of professionals immersed in the culture

of entrepreneurship and innovation; However, in order to achieve this goal, they must assimilate and conduct themselves under the model of a business university that, according to Clark (1998), concentrates its efforts on stimulating the entrepreneurial potential of its students, in such a way. who are capable of becoming agents of change through the implementation of their projects; In addition to the above, Guerrero and Urbano (2017) point out that business universities are those that have a direct impact on the national innovation system, which plays an essential role in promoting economic growth and social welfare. Similarly, KAS and SOPLA (2016) highlight the importance of entrepreneurship and innovation in the process of economic recovery in Latin America, in which higher education represents one of its main promotion mechanisms. Only in this way will it be possible to move from a scenario dominated by economies driven by efficiency to one in which the distinctive character is innovation, as pointed out by Global Entrepreneurship Monitor (2010).

Nevertheless, there's still a debate about the real advance of entrepreneurship in Latin America; according to Levy (2013), cited in Lora & Castellani (2014), Latin American entrepreneurship support policies' have produced more questions than answers, in terms of the benefits and the focalization of the groups helped by these private and public programs and strategies. Also, Segal (n.d.) states that despite recent entrepreneurial peak in the region, there are still many obstacles faced by entrepreneurs and access to financial resources stands out among others; also, there is a gender gap that limits female's entrepreneurial business ideas. However, the World Bank (2015) pointed out that Latin America and the Caribbean region have become a breeding land for young entrepreneurs and, according to Llorente & Cuenca (2017), social entrepreneurship has expanded quickly among other entrepreneurial types, aiming to establish a business model committed to pursue sustainability and to achieving and social benefits through the use of technology and access to capital.

Despite social entrepreneurship development has been immeasurable, due to different factors such as public policies, labour market conditions and social constrains such as ideology (Chell, Nicolopoulo & Karataş-Özkan, 2010), Shaker, Lance & Yong (2014) point out that social entrepreneurship could be a mechanism to spread welfare globally, considering that it is a multivariable concept which implies financial, social and environmental matters that produce better social conditions. Likewise, Ladika (2015) states that efficient social entrepreneurship programs are expanding worldwide, contributing to disseminate this model, training students and improving welfare in communities.

In this context, social entrepreneurship represents a valuable tool to face the challenges that the region must solve in the short and medium term, mainly associated with the care of the environment (global warming), the dependence on global supply chains, poverty and inequality, violence and security, among others. But, this aim could be expanded if the idea of exporting social enterprises (British Council, 2014) began to grow in Latin American soil, considering the idea "Think Global, Trade Social" (The British Council, 2015). Therefore, the objective of this research is to

suggest a series of guidelines for exporting social enterprises, considering the project developed by a group of university social entrepreneurs.

### Methodology

In order to analyze the way in which social entrepreneurship is conceived by university entrepreneurs, we started by reviewing the state of art in social entrepreneurship with the purpose of identifying its main benefits and constraints; then a field research was conducted by selecting a group of students which started a social business project on February 2019; an exploratory and descriptive study was conducted by a structured interview composed by seven items in which undergraduates could express their thoughts on social entrepreneurship and the chances to export social business projects.

As a result of the documentary research process, it was found that social entrepreneurship refers to an innovative activity that produces social value no matter its founding from private, public or nonprofit organizations (Austin, Stevenson & Wei-Skillern, 2012); similarly, Sekliuckiene & Kisielius (2015) state that social entrepreneurs and social enterprises are sources of innovative solutions for social problems which are far from being solved efficiently, aiming primarily to create social welfare for different stakeholders. Also, Gandhi & Raina (2018) highlight the difference between social entrepreneurship and other activities such as social service provision and social activism; this, given that social service focuses on solving a social disequilibrium but remains stucked to their frame or does not aim to scale up its goals or scope. Otherwise, social activism aims to restore social imbalance by influencing or involve other agents to tackle down specific social problems. Then, it is possible to establish that social entrepreneurship seeks to reach higher equilibrium scenarios by directly participating in solving social problems, through innovative ideas captured in a project or operated through an enterprise.

Also, social entrepreneurship has been considered as a source of self-confidence or as a tool to empower individuals; according to Chandra (2017), social entrepreneurship can be conceived as a mechanism to emancipate from family or ideological barriers in order to construct a new and better future. Nonetheless, there are still many obstacles that limit the widespread of social entrepreneurship, as mentioned Zimmer & Pearson (2018), for example: scarce innovation, uneven access to capital sources, different goals or priorities among investors and entrepreneurs, non-strong reporting in terms of transparency or methodological grounds, mingy diffusion among media, and, leaders experiencing burnout due to multiple tasks.

Despite these obstacles, the idea of exporting social business ideas has grown worldwide during last years and it has produced successful joint ventures like Grameen Veolia Water (Yunus, Sibieude, & Lesueur, 2012) aiming to reduce poverty and providing clean accessible water in less developed countries; also, social business can stimulate colaboration between different industries such as EY & The OD School which links finance and entrepreneurial education sectors, promoting graduates to

create social enterprises outside from their countries (EY, n.d.), including projects to produce low-cost & clean energy, improving rural farming, sustainable housing, among others. In the ground of public administration, the Scottish Government (2016) released a strategy for internationalizing the Scottish social enterprises in order to contribute to international development. Also, Pahlson-Moller (n.d.) highlights the potential of Norwegian social enterprises to reach other European markets, scaling-up their business model.

Considering all these premises, it is possible to state that social enterprises and social entrepreneurs are spreading around the world but in different pace among regions and that this business model can contribute to alleviate problems which are faced globally, thus it is necessary to promote it in order to increase community welfare and enhance local the economy. Based on the above, the field research for this study explores the motivations of a group of social entrepreneurs which are developing a project in order to qualify to an international social business competition. The team is composed by five public university students and five coaches (two local and three international). The students gathered up as a result of previous joint work and after registering for the competition call; coaches were grouped by a leader professor with experience in mentoring students in previous international social business competitions.

The project's social business idea came up after reviewing data from nation wide and local newspapers, websites and reports from verified sources and data bases; also, surveys were applied among university community in order to identify their most imperative concerns and social needs. As the project evolved, students were asked to collaborate with this research by participating in a structured interview integrated by next seven items: Until now, in how many entrepreneurial projects have you participated? In what way did you come to join this entrepreneurial project? From the beginning, were you a supporter of social entrepreneurship? Do you consider that social entrepreneurship projects have a strong presence among the culture of the university entrepreneur? From your point of view, is it feasible to get a social entrepreneurship project to expand to the international market? What do you consider to be the greatest benefit that a social entrepreneurship project can generate in the short term? Finally, what do you consider to be the main barrier faced by social entrepreneurs in Mexico?

After reviewing the students' answers, results were grouped in order to identify common ideas or perceptions on each item, standing out next findings: all students had participated at least in one entrepreneurial project before the one considered in this research; it is noticed that the team was gathered by direct invitation which reflects that previous collaboration among students is key to integrate or develop future projects and these practices are related to the concept of networking; in relation to the relevance of social entrepreneurship among team members, only one student identified himself as a social entrepreneurship supporter and it was a result of previously reviewing Muhammad Yunnus' work in this area; also, team members

perceibe that social entrepreneurship is not as popular as traditional entrepreneurship so it has not strong presence among university community (it is necessary to increase the dissemination of this model); according to students, it could be possible to expand a social enterprise or project internationally but it requires a serious study of specific foreign markets' context and that the project gains recognition locally in order to promote its benefits or the way it has contributed to fight an specific social problem; among main short sight benefits that could be acquired by social entrepreneurship, employments creation and empowerment (both individual and community) stood out among others thus it is remarkable that this type of entrepreneurship is associated to positive economic and social outcomes; finally, team members stated that it is possible to spread and impulse nation wide the social entrepreneurship model but it is required to overcome several barriers like credit access, lack of institutional support and low levels of confidence among youth Mexican citizens; also, corruption was identified as a severe problem that blocks the allocation of financial resources destined to support entrepreneurship.

## **Conclusion**

As a result of this research, it is possible to suggest the next series of guidelines for exporting social enterprises: first, a group or team of social entrepreneurs must be gathered in order to develop a project, considering members from multidisciplinary areas, standing out: business management, finance, marketing, programming and use of information technology systems, among others. Then, a social problem must be identified from primary and secondary sources research, highlighting those which are affecting a group from our surroundings or a situation that some team members can reach by contacting representatives or intermediaries and selecting the main one considering its feasibility from technical and financial criteria. As soon as the main problem has been selected it is necessary to develop a business plan, identifying stakeholders and delimiting all possible funding sources. Once the project has started, a strict supervision process must be conducted to guarantee the project's sustainability, leading to its consolidation and future expansion. When the project has been positioned in the local market, it is necessary to identify foreign markets which could be facing similar situations to those who where considered for raising the business idea. As the external market has been selected, legal, fiscal and intellectual property rights issues have to be addressed so the social business can be replicated internationally or the idea can be sold throught a franchising scheme or any similar. Finally, it is desirable to promote all social and economic benefits gained by social entrepreneurship projects, both local and abroad, so as to disseminate this business model and contribute to empirical research in this area.

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