ARTICLES

THE INTERNATIONAL GROWTH OF A SOCIAL BUSINESS: A CASE STUDY

O crescimento internacional de um negócio social: um estudo de caso

El crecimiento internacional de un negocio social: un estudio de caso

ABSTRACT

In developing countries, initiatives have often been undertaken in order to fight social and environmental problems. Since the 1990s, an increase can be seen in corporate social responsibility actions, as well as increasingly strong activities by civil society organizations. Twenty years ago, companies and civil society organizations stood wide apart from each other, with often conflicting agendas and resistance to mutual collaboration. This reality has changed significantly. Besides the phenomenon of cross-sector partnerships, we can also observe the expansion of a particular organization type, i.e., the social business, which combines two objectives that were previously seen as incompatible: financial sustainability and the generation of social value. This article aims to discuss the factors that influence the results of a social business operating in three countries: Botswana, Brazil and Jordan. The results allow understanding the challenges involved in constructing social businesses in developing countries as well as a better understanding of the very nature of those businesses, considering the social realities where they operate.

KEYWORDS | Social business, people with disabilities, social entreprenership, hydrid organizations, social shared value.

RESUMO

Em países em desenvolvimento, tem sido frequente o surgimento de iniciativas para combater problemas sociais e ambientais. Observa-se, desde a década de 1990, o crescimento das ações de reponsabilidade social empresarial, bem como a intensificação da atuação de organizações da sociedade civil. Há 20 anos, empresas e organizações da sociedade civil atuavam de maneira muito distante, com agendas próprias, muitas vezes conflituosas e resistentes ao trabalho colaborativo. Esta realidade tem se alterado significativamente. Além do fenômeno das alianças intersetoriais, é possível também observar a proliferação de um tipo de organização, os negócios sociais, que combinam dois objetivos antes vistos como incompatíveis: sustentabilidade financeira e geração de valor social. O presente artigo tem por objetivo discutir os fatores que influencim os resultados de um negócio social em três países: Botswana, Brasil e Jordânia. Os resultados levam à compreensão dos desafios que envolvem o desenvolvimento de negócios sociais em países emergentes da própria natureza desses negócios considerando a realidade social em que se inserem.

***PALAVRAS-CHAVE |** Negócios sociais, pessoas com deficiência, empreendedorismo social, organizações híbridas, valor social compartilhado.*

RESUMEN

En países en desarrollo, iniciativas han sido emprendidas a menudo con el fin de combatir problemas medioambientales y sociales. Desde 1990 puede ser visto un aumento en acciones de responsabilidad social corporativa, así como cada vez más fuertes actividades por organizaciones de la sociedad civil. Hace veinte años compañías y organizaciones de la sociedad civil se apartaron unas de las otras, con agendas frecuentemente conflitantes y resistencia a la colaboración mutua. Esa realidad ha cambiado significativamente. Allá del fenómeno de parcerias entre sectores, podemos observar también la expansión de un tipo particular de organización, por ejemplo, el negocio social, que mezcla dos objetivos que son previamente vistos como incompatibles: sostenibilidad financiera y la generación de valor social. Ese artículo objetiva discutir los factores que influencian los resultados de un negocio social operando en tres países: Botswana, Brasil y Jordania. Los resultados permiten comprender los desafíos envueltos en la construcción del negocio social en países en desarrollo así como un mejor entendimiento de la verdadera naturaleza de aquellos negocios, considerando las realidades sociales en las cuales ellos operan.

***PALABRAS-CLAVE |** Negocio social, personas con discapacidad, empresariado social, organizaciones híbrida, valores socialmente compartidos.*

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INTRODUCTION

In the last decades, civil society organizations (CSOs), governments, and corporations have been fighting social and environmental problems, particularly in developing countries. Nowadays, isolated actions and the conflict between CSOs and corporations are no longer the only way to promote sustainable development. Cross-sector colaboration is seen as a more efective strategy to solve social and environmental problems, since both civil society and market actors (such as corporations) could join forces and share knowledge in order to promove sustainability (Rondinelli & London, 2003; Seitanidi, 2004/2005; Selsky & Parker, 2005, 2010). Whatever the reasons that have brought companies and civil society organizations together, the fact is that now dialogue is not only possible, but essential for sustainable development. (Haigh & Hoffman, 2012, 2014; Porter & Kramer, 2011)

Besides the phenomenon of cross-sector partnerships, we can also see the increase of a particular organization type, one which combines two objectives previously thought incompatible: financial sustainability and social value generation. Social enterprises, inclusive businesses, and social businesses are some of the terms currently used to refer to organizations that aim to solve social problems efficiently and sustainably using market mechanisms. (Comini, Barki, & Aguiar, 2012; Karnani, 2007; Marques, Reficco, & Berger, 2010; Young & Lecy, 2012).

Because it is a relatively new topic, not much literature exists about it, and the understanding of these organizations' specific characteristics is not yet homogeneous (Kolki, Rivera-Santos, & Rufín, 2014; Haigh & Hoffman, 2012, 2014; Porter & Kramer, 2011). Much of the existing literature falls into one of three main lines of investigation of social businesses (Young, 2007): the European perspective, born from the Social Economy tradition (associations and cooperatives), strongly encourages businesses to carry out public duties; the North American view sees social businesses as businesses that use market logic to try to solve social problems; a third current, proposed by researchers from emerging countries, emphasizes business initiatives aimed at reducing poverty and transforming the social conditions of marginalized individuals. (Comini & Teodósio, 2012; Defourny & Nyssens, 2010; Kerlin, 2006, 2013; Young & Lecy, 2012).

In this study, the meaning we adopt for 'social business' is based on the emerging countries' perspective. To this end, we consider that this type of initiative is a type of business focused on generating both employment and income opportunities for people with low (or without) mobility in the labor market, within the standards of so-called decent work. (Comini & Teodósio, 2012). These opportunities must also be sustainable, generate profitability for the venture, and establish relations with for-profit organizations, whether as service or product providers or as distributors of products of traditional companies or businesses (Celli & González, 2010; Karnani, 2007; Prahalad & Hart, 2002). This category of workers includes: women and men over 40 year old; the poor and poorly educated; local communities with strong ethnic bonds and low education (indigenous, mestizo, etc.); youths without work experience and living in areas of great social vulnerability; people with disabilities; and other groups in similar conditions. In sum, the absolute majority of the poor living in situations of social and environmental risk in developing countries.

The present study aims to analyse the factors that facilitate or hinder the implementation of a social business. To this end, we present an empirical study of an organization operating in three countries in different regions (Latin America, Africa, and the Middle East). The study takes into account the social variables affecting the implementation of the company's business models in these different realities.

The analysed organization is recognized as a best practice case of social business by international humanitarian awards, international organization reports, and CSO documents because it operates in poor areas of emerging countries, sometimes in territories marked by conflicts, using market mechanisms - i.e. the sale of its products - as a means to generate social transformation. Solar Ear hires hearing-impaired young people to assemble hearing aids, solar-powered rechargers, and hearing aid rechargeable batteries. These products are distributed at an affordable price mainly to children from developing countries who suffer from hearing loss. The organization allows physically and economically marginalized people to obtain affordable products that can improve their quality of life in addition to training and employing young people who previously lacked employment opportunities. The study's analysis is focused on the organization's operations in Botswana, Brazil and Jordan.

In the topics below, we discuss the teoretical approach that organizes the debate about social business, focusing on the nature of this type of organization and the rationale of its management model; we also present the methodogical procedures for data collection in three different countries, and a case analysis, discussing this social business' management model and governance.

SOCIAL BUSINESS: HYBRIDISM, RATIONALE, AND MANAGEMENT MODEL

In the late 20th century, Dees (1998) noted in one of his pioneering texts that although the language of social entrepreneurship might be new, the phenomenon itself was old. The importance of terminology would be to decrease the boundaries between sectors

and actors, as in the case of social business: terminology opens the possibility of bringing together civil society organizations, cooperatives, small, medium or large for-profit organizations, donors, and government into the debate about their contribution to lessen poverty, inequality, and social exclusion (Haigh & Hoffman, 2012, 2014; Kolki et al., 2014).

We can say that social businesses allow linking the low-income sector to the market and that they primarily aim to improve the living conditions of people in that sector. Currently, the terms "socioenvironmental businesses" and "socioenvironmental entreprenership" have also been used to emphasize the need to incorporate the environmental dimension to solutions proposed by this type of business (Defourny & Nyssens, 2010; Fischer & Comini, 2012; Haigh & Hoffman, 2012, 2014). Improving living conditions, according to scholars such as Prahalad and Hart (2002), takes place through the granting of access to any goods and services that were previously available only to privileged upper strata. Karnani (2007) and Peredo (2003) are more critical of this consumerist, market-oriented perspective since, they argue, this kind of approach does not solve the problem of extreme poverty and still increases environmental risks due to excessive consumption.

Sen (2000) emphasizes that the main problem of poverty is the deprivation of human freedom. To reverse this social and economic problem, Sen (2000) believes that fair conditions must be created so the poor themselves can improve their own quality of life, including access to education, health care, housing, and income generation. According to this view, it would be more useful to foster market initiatives that offer solutions to enhance the supply of products and services that meet basic needs related to education, health, energy, housing, and financial services.

A social business can be considered an inclusive business when it is focused on generating employment and income for poor people living in social and environmental risk areas (Comini & Teodósio, 2012). These opportunities could be self-sustaining by generating profits for businesses and establishing relations with regular business organizations, whether as suppliers of products or services or as distributors for traditional firms or businesses (Comini et al., 2012).

Another way to analyze social businesses refers to the drivers of development. Prahalad and Hart (2002) reinforce the role of multinationals as key actors in proposing solutions to fight poverty worldwide. On the other hand, a study conducted by the Social Enterprise Knowledge Network - SEKN (2010), a network of researchers from business schools in the Ibero-American region, reinforces the role of small and medium-size companies, cooperatives, and civil society organizations in offering solutions for low-income populations. According to this view, low-income populations often take on the role of producers, rather than simply

consumers, in the management of social businesses. (Marques et al., 2010).

In the last 10 years, the bottom-of-the-pyramid (BoP) strategy became a discussion topic in the literature, receiving improvements as well as strong criticism from different authors (Kolki et al., 2014). Simanis and Hart (2008) presented a new approach called BoP 2.0, where the authors propose major changes in the social business governance model from: a) BoP as costumer to BoP as partner; b) deep listening to deep dialoguing; c) reducing price points to improving imagination; d) redesigning packing and extending distribution to marrying capabilities and building shared commitment; e) arm's length relationship mediated by CSOs to direct, personal relationships facilited by CSOs. The main change was leaving the "selling to the poor" perspective towards "business co-venturing" in social business organizations.

In our study, we chose an approach based on the social and poverty sphere, typical of emerging economies like Brazil, in opposition to Simanis and Hart's (2008) BoP 2.0. Today, we find it more important to advance the understanding of environmental, social, and political contributions of civil society organizations, cooperatives, and small business to promote sustainable development. Social business appears in this context as a type of organization that can offer major insights in face of the social and environmental challenges raised by traditional market and corporations (Haigh & Hoffman, 2012, 2014). In order to understand this type of business, situated on the boundaries of market and society, as well as political and cultural systems, we need more powerfull approaches to discuss this hybridization.

Social businesses can vary in format: at one social extreme are market initiatives structured by non-profit organizations, and at the other extreme, market initiatives within a multinational company that are aimed at the low-income segment. Because of this, Haigh and Hoffman (2012, 2014), Battilana and Dorado (2010), and Batillana and Lee (2014) write about "Hybrid Organizations" as they discuss the nature, perspectives, and impacts generated by different types of initiatives and organizations motivated by social and environmental issues and situated among civil society, the market, and the State. Porter and Kramer (2011) argue that boundaries are blurred between nonprofit and for-profit sectors in the creation and sharing of social values by different types of business organizations. In other words, the initiative can either be part of the core business of the organization or it can be part of a secondary or peripheral activity. Civil society organization initiatives that develop income generation activities in order to obtain resources would be an example of a peripheral market activity, as would a business unit of a large multinational aimed at the low-income sector.

The disagreement on whether there is profit distribution or not is closely related to the form of the social business. Some lines

of thought claim that profit distribution fits the logic of the market and would not preclude business growth; on the contrary, it would create conditions to receive more foreign investment (Chu, 2005; Young & Lecy, 2012). However, the approach of Yunus, Moingeon and Lehmann-Ortega (2010) and Yunus (2006) opposes this view as it argues that social businesses should maximize social wealth and not individual wealth. Therefore, Yunus and his research colleagues advocate total reinvestment of profits in the venture.

Social business governance models have not received much attention in the literature produced by U.S. research centers. However, European authors such as Mswaka and Aluko (2015) and Borzaga and Galera (2009) stressed the importance of introducing forms of decision-making that are more participatory and collective in social businesses. Involving beneficiaries in decision-making would be essential to organizations that take on activities carried out by governments (e.g., education and health) (Comini & Teodósio, 2012; Mswaka & Aluko, 2014; Peredo, 2003; Travaglini, 2012).

Social businesses intrinsically generate both economic value and social value at once (Porter & Kramer, 2011). Marquez et al. (2010) explain that for social businesses developed by civil society organizations, economic value should be defined as financial sustainability, namely the capacity to operate indefinitely. For private firms, economic value equals profitability. According to the authors, subsidies would be acceptable in the following situations: for startup ventures, as a temporary resource to help them reach sustainability; or when subsidies are horizontally offered to a sector or an industry as a whole. Celli and Gonzales (2010) point out the difference between firms that, since their beginning, operate exclusively with the low-income sector, and firms that have incorporated that sector into their traditional activities, such as pilot projects carried out by large corporations. In this case, the internal rate of return on a project would have to be calculated. Due to information asymmetry and transaction costs, markets focused on the low-income segment could be costlier than other markets (Celli & Gonzales, 2010; Prahalad & Hart, 2002). Based on the analysis of 33 social businesses in the Ibero-American region, through a research conducted by the SEKN from 2006 to 2009, we can see that only initiatives that introduced technological innovations and new institutional arrangements were able to reduce costs along the distribution chain, gaining scale and increased profitability. (Marques et al., 2010).

Measuring social impact is not trivial. First, short-term results must be distinguished from social impact, which entails a longer-term observation of results (Comini & Teodósio, 2012). Besides, social value itself must be defined. Based on the above-mentioned analysis of 33 social businesses in the Ibero-American region, Portocarrero and Delgado (2010) emphasize the importance of broadening the view of value creation for initia-

tives aimed at the low-income sector. According to these authors, this value generation should include the effective social inclusion, with services to the more marginalized or voiceless population, as well mitigation of the negative effects of economic growth. Sen (2000) notes that poverty is a complex and multidimensional phenomenon manifested through inequality, informality, and social exclusion. Therefore, initiatives aimed at the low-income segment should be measured in more tangible aspects (access to goods/services and income generation) as well as intangible aspects (restoring citizenship and devolping social capital) (Comini & Teodósio, 2012). According to Portocarreo and Delgado (2010), there are legal, symbolic, and cultural obstacles involved in social exclusion which hinder the satisfaction of needs and the exercise of rights. A key aspect is the difficulty that the low-income sector faces to build an identity as members of a greater society and to have a sense of belonging that spreads across the limits of their own community. With regard to social capital, the authors argue that it is necessary to identify how market-based social initiatives enable the construction of a network founded on principles of trust, reciprocity, and mutual cooperation. Exhibit 1 sumarizes the categories used by the authors.

Nowadays, many non-academic actors have been supporting social business. Some of those are related to civil society, global corporations, and internacional organizations, and they have produced some applied studies that offer interesting tools for analyzing, evaluating, and supporting social businesses. A group of social business investors has created a network for exchanging experiences and defining patterns, called Global Impact Investment Network and, in 2009, the group proposed a standardized form of measuring and reporting social businesses' social and environmental impacts, called Impact Reporting and Investment Standard (Iris, 2009). In 2010, with the purpose of creating external rating agencies to monitor this type of investment, the Global Impact Investing Reporting Standards (GIIRS) was created. IRIS pursues tangible results, as we can see in Exhibit 2.

By analyzing the different definitions of social business proposed in the international literature - both the definitions adopted by organizations that work to accelerate social business (organizations created to improve social businesses' maturation and consolidation), and the definitions proposed by social business investors (institutions that allocate national or international funds from individuals or corporations to invest them in businesses aimed at solving social problems) - we can draw a scale to visualize definitions that are closer to the market logic and definitions with a predominantly social logic (Exhibit 3). Just as Austin (2002) proposed a *continuum* to evaluate cross-sector partnerships, we could argue that a *continuum* also exists in the typology of social businesses.

Exhibit 1. **Social value creation elements in market-based initiatives**

Increased income	Access to goods and services
Raw materials produced for companies, mostly in rural areas, specially farming and farming-related products	Reduced prices
Producers' organization and association with or incorporation into productive chains	Fragmented payment for goods and services, and pre-paid systems
Increased productivity as a result of training and technical advice	Physical presence in rural and poor urban areas
Elimination of intermediaries	Private investment in equipment, infrastructure and distribution networks
Certification for differentiated products	Flexible access to loan mechanisms
Better marketing channels	Elimination of barriers to education
Savings through frequent purchase	
Promotion of citizenship	**Social capital development**
Recognition and exercise of basic rights (life, work, etc.)	Networking, local relationship, and capability strengthening
Political advocacy	Building a sense of belonging to a community
Increased visibility and dignity for LIS and excluded groups	Social networking; trust, reciprocity, and cooperation development
Labor intermediation for handicapped people, excluded groups, poorly or non-qualified individuals	Greater availability of own and third-party resources through contacts and interactions
Identity validation for unregistered individuals	LIS empowerment to streamline and express demands
Physical access to market for LIS production	Self-esteem enhancement
Environmental awareness	Association of individual interests
Promotion of good hygiene habits, order, and rational consumption	Connecting dispersed social groups with local administrations, companies, new markets, or customers

Source: Portocarrero and Delgado (2010).

Exhibit 2. **Indicators proposed by Impact Reporting and Investment Standard**

Increasing income and assets	Improving basic welfare	Mitigating climate change
Employment generation	Conflict resolution	Biodiversity conservation
Access to energy	Disease-specific prevention and mitigation	Energy and fuel efficiency
Access to financial services	Access to clean water	Natural resources conservation
Access to education	Affordable housing	Pollution prevention and waste management
Income/productivity growth	Food security	Sustainable energy
Agricultural productivity	Generation of funds for charitable giving	Sustainable land use
Capacity-building	Health improvement	Water resources management
Community development	Equality and empowerment	

Source: Iris (2009).

Exhibit 3. **Continuum in social business typology**

Dimensions	Emphasis on market	Emphasis on social logic
Offer	Any goods and services for the low income sector	Goods and services for basic needs (education, health, housing, food and credit)
Intentionality	Generation of social value is secondary	Generation of social value is the core business of the venture
Impact	Indirect contribution to poverty alleviation	Direct contribution to poverty alleviation
Clients	Low-income sector is not the target market	Exclusively low-income sector
Role of low-income	Consumer	Producer/Supplier
Scalability	Relevant factor	Not so relevant factor
Workers	No priority	Marginalized segments
Legal format	For-profit business entities	Civil society organizations, cooperatives, and other non-traditional forms of business organizations
Community involvement in the decision-making process	No participation in any instance	Institutional mechanisms for collective participation

This kind of approach to social business, i.e., based on the the idea of a continuum, is a powerfull framework for identifying, understanding, and analyzing different types of organizational projects and activities intended to solve problems related to poverty, environmental, and social problems through business activities in different social, political, economic, and cultural realities.

METHODOLOGY

The present work is a case study based on a qualitative and exploratory research approach. In order to deepen and systematize the existing concepts, as well as understand the phenomena of social business, we choose Solar Ear's experience in three different countries. We chose this particular social business initiative due to the following criteria: (i) it defines ifself as a social business; (ii) it is recognized for its social performance by independent, well-known organizations, such as international OSCs; (iii) it sells products that generate profit to support the social business' activity.

Two types of data collection were conducted. First, secondary data, i.e., documents and information about the organization studied, were collected. The data were related to the three countries where the organization operates. This survey provided support for the case study analysis and for a better understanding of the organization in each country. Next, interviews were conducted, as they are a key data collection tool both for field work and for understanding of the phenomena we were studying in the organization. The purpose of this step was to compare the features of a social business operating in three different countries by analyzing the factors that facilitated and hindered its implementation, thus highlighting the challenges in each country.

Business plan, reports, social report, and stakeholder relationship diagnosis were some of the secondary data collected from Solar Ear and analysed in our research. We also collected information about the countries, particularly from government agencies and websites of international organizations such as the United Nations, World Bank, and the World Health Organization (WHO).

The primary data base was collected through 22 semi-structured, in-depth interviews. Our interviewees were: Solar Ear's founder, three general managers (one in each country), three managers from partner organizations (suppliers and grantmakers), ten organization workers, and five customers (people who wear hearing aids and a humanitarian organization). The interviews were conducted in each country from April to June, 2011, except for the young deaf workers at Solar Ear in Botswana, who received an email with the questions.

We analyzed the information collected (both secundary and primary data) in order to discuss the main theoretical points of our study: the organization's creation; the rationale of its management model; the management model itself; the organization's governance; and the factors affecting results in each country. In the following topics, we present the data collected and the analysis of our study.

SOCIAL BUSINESS IN DIFFERENT COUNTRIES

The organization analysed produces rechargeable hearing aids, which are made and distributed to people with hearing disabilities in developing countries. In each country where the initiative operates, it manufactures hearing aids, solar chargers, and battery packs. Deaf people are employed by the organization, thus learning a new profession as they are trained to operate micro-welding machines. The organization produces and sells four different types of hearing aids, a solar charger, and three different types of hearing aid rechargeable batteries. The solar charger and the rechargeable batteries represent a technological innovation in the market.

This social business has already won various international awards for its products' innovative character and quality, as well as humanitarian awards, and it has been featured in a number of magazines. The organization has two operations currently selling its products, i.e., Brazil and Botswana, and a third one is being implemented in the Middle East (Jordan, Palestine, and Israel).

The mission of this social business is to prevent hearing loss and reduce the impact of hearing impairment on people's lives. The outcome expected from this mission is to turn people socially marginalized by hearing loss into active participants of society. Moreover, a strategic transformation of society itself is expected as a result of seeing deaf and hearing-disabled people as high level professionals.

This transformation, according to Solar Ear reports, is achieved through: (i) the availability of hearing equipment to hearing-impaired individuals, particularly children under 3 years of age who, by using hearing aids from an early age, can develop oral communication and attend regular public schools; (ii) the employment of deaf people, improving their self-esteem while developing their professional skills and, therefore, the ability to grow in their careers; (iii) a change in regular public opinion by showing that a disabled person can work as efficiently and with the same quality as someone without any disabilities. Unlike the common wisdom about people with desabilities, they could be high-performing workers at their jobs, even in high-tech pro-

duction processes, as with Solar Ear, so long as proper training is provided. Because they already possess different motor skills and communicate with their hands using sign language, people with desabilities (deaf people in this case) can have great facility to manufacture products.

In addition to this social business' overall goals, a specific mission was set for each country, allowing greater involvement with civil society organizations. In Botswana, the specific mission is to reduce HIV/AIDS rates among deaf people; in Brazil, it is the development of communication and speech therapy for deaf people; and in the Middle East, the goal is peacebuilding by engaging young deaf Israelis, Jordanians and Palestinians to work together.

In some social businesses, the founder has an important role in developing the organization and its business model. With Solar Ear, the CEO's personal and professional life story can bring insights on the way of doing business and social business. He was the president of a large company in Canada when the unexpected death of his eleven-year-old daughter and the loss of his job led hime to decide to travel to Botswana to perform humanitarian work. As soon as he arrived in country, he met a deaf African child with the same name and birthdate as his late daughter, and the child was asking for help to get a new hearing aid to continue school. At the same time, this businessman found an African CSO with a lot of managerial problems and a project to produce low-cost hearing aids. This organization was seeking an administrator to provide economic viability and raise funds for the project. The next step was the creation of a new organization, not a nonprofit, but a social business.

In the case of this initiative, there was an unmet need or demand, as well as the availability of someone capable of developing a business that could meet the demand of the deaf poor people living at risk in distant areas of developing countries. According the World Health Organisation, one of the main problems among hearing aid users in poor, isolated regions was the lack of access to, and the high cost of, batteries. One battery costs about two dollars and lasts for about a week. Moreover, batteries are seldom found in areas far from large cities. Typically, humanitarian organizations that donate hearing aids do not donate the batteries, which nullifies the impact of their actions. Even those youths who did have a hearing aid were not using it, as they had no access to batteries nor money to buy them. Therefore, Solar Ear sought suppliers and partners ir order to develop their plan of rechargeable batteries for hearing aids.

Both the product development and the implementation of this social business in Botswana started with an English supplier who was willing to train deaf people to make their own hearing aids. The sole objective of this manufacturer was profit; how-

ever, this option was rejected. Here we can see that, sometimes, the model of a social business may not emerge as the result of a strategic decision, but by adapting to the local conditions of doing business, and thus generate solutions to social and environmental problems.

The role of local organizations and communities in designing, developing, and implementing this social business was essential because they possessed the expertise to manufacture the products and the solution to a problem that stemmed from their own reality. The deaf people in Botswana participated in the design of the solar charger by discussing the positive and negative aspects of each detail of the product with South African engineers.

In order to develop its products, Solar Ear started activities in Botswana. The charger project was developed by a South African engineer, in the same place where both plastic and electronic components were made. The organization contacted solar pannel suppliers in Taiwan and found the current supplier, who had a product that met the necessary requirements.

As for the hearing aid batteries, Solar Ear found seventy different battery makers who produced everything from watch batteries to standard formats like AA or AAA. They wrote to each company, explaining the social mission of their social business. Fifteen producers wrote back saying they might cooperate in some way, but only two accepted the task of actually making rechargeable batteries. One of them was rejected, since the minimum order had to be a few million units, an unfeasible number for distributing in the interior of Botswana. A regular problem some social businesses face is related to production scale. Certain social problems require mass production processes, which are not viable to a small social business, while others require a larger number of consumers than the poor population in question. The supplier who agreed to supply the batteries invested in tools and molds, understanding that as the initiative grew, so would revenue. Therefore, according to Solar Ear, suppliers are business partners who believe in the social mission and are motivated to grow together.

Solar Ear sells hearing aids at an average price ten times cheaper than other devices in the market, yet with the same quality as the ones offered by the top five manufacturers. In addition, the organization proposes a reduction in the product's maintenance cost by using rechargeable batteries with a useful life of up to three years, and by developing a solar charger. With regard to technological innovation in inclusive businesses, we can see that product innovation can generate an opportunity for higher revenues, similarly to traditional businesses. Solar Ear's access to the hearing aid market did not rely solely on these technological innovations (i.e., the solar charger and rechargeable batteries). Unlike most hearing aids, theirs were developed

with manual adjustments that can be configured for the user by speech and voice therapists, instead of software programs in a computer. As a result, speech and voice therapists can adjust the device in poor areas with no computer infrastructure or even electric power supply.

During the development of the product, studies were made available comparing the quality of the Solar Ear product with equivalent products from the industry's best-known companies, as well as their prices. According to reports of the organization, a study among patients with hearing loss was conducted and no difference in efficacy was found between a device costing $2,000 and the $100 Solar Ear device. By comparing Solar Ear products with commercial ones, we can see that their position in terms of price is aimed at reaching consumers in the low and mean income brackets, although it also reaches people considered to be at the "bottom of the economic pyramid," namely those living on less than a dollar a day. As for quality, according to Solar Ear, if products currently in the market might be called the "Mercedes-Benz" of hearing aids, then the Solar Ear line would be a "Hyundai." This means that the brands in the market possess qualities that are not only linked to improved hearing, but also to comfort and aesthetics, while Solar Ear is concerned with meeting consumers' needs in a functional, efficient way.

Currently, Solar Ear still faces the problem of having to find skilled professionals in order to make their products available for the people who need them. More specifically, the problem is related to very poor, isolated areas where it is difficult to find professionals to perform the audiometric testing and adjustment of prostheses for people with hearing loss; difficulties exist also in preparing ear molds. Therefore, the initiative seeks, through partnerships with for-profit organizations, to develop a non-prescription hearing aid, a portable assessment tool (audiometer), and instant ear molds.

One of the essential parts of the Solar Ear operations is technical training, i.e., a practical and theoretical, 3 to 5-month-long course on electronic micro-welding taught by deaf teachers. In turn, the workers themselves become teachers to other deaf people in some other country where the social business is launched. Deaf teachers go through an adjustment period where they learn sign language, since each country has its own signs and alphabet. According to the organization, this training is part of the social mission, as it gives younger workers the opportunity to grow within their coaching career in electronics and within the social business organization itself. At the same time, new deaf students begin their careers in a better, more inclusive position in the labour market and in society; regular deaf school teachers are often hearing persons, so this training is students' first contact with teachers who are deaf like themselves.

Technical training represents an innovation regarding the inclusion of the deaf workers who develop products. Workers who stand out are selected and trained to be teachers. They have the opportunity to teach the skills that were taught to them to new deaf workers from other countries. They must learn a new sign language, and therefore need an adjustment period. This was a significant innovation that differentiates Solar Ear training patterns from those of other companies, as it is both a form of recognition and a career development for deaf workers.

According to managers at Solar Ear, the closest organizational concept to their business model is franchising. The organization uses standards to ensure the quality of their products and to conduct global marketing, purchasing, contracts, strategic planning, and product development. An essential part of the business model is the close relationship with the entire production chain. The articulation of the whole supply chain is seen by Solar Ear managers as key to achieve the goal of bringing hearing aids to children under 3 years old. According to Solar Ear, this is only possible because each manager and worker at the social business treats the suppliers and distributors as their best customer. In this respect, Solar Ear's management model can be seen as closer to a traditional model of doing business.

In order to start a new Solar Ear operation in a new country, the organization stresses the need to meet certain prerequisites and follow certain procedures. If they are not followed, or if short-cuts are taken, the initiative will run a greater risk of failure. The main points are: (i) formalizing a strong local partnership, operating with both excluded groups and disable people, preferably deaf people; (ii) hiring a management team, particularly a general manager who is responsible for all activities in the project, and who must have some management training and experience, preferably in the social area; (iii) creating a formal organization, preferably a CSO, or at least an organization with a contract in which fulfilling the social mission is the priority, since profits should be reinvested in the initiative; (iv) mobilizing the financial resources necessary to start operating at own facilities (part of these funds must come from their own local partner, thus creating a relationship of ownership and financial liability); (v) selecting and training deaf persons through an exchange program with disabled people organizations from other countries where Solar Ear operates.

SOCIAL PROBLEM AND BUSINESS OPPORTUNITIES

The operations of this social business that started after the first experience in Africa were motivated by people who asked Solar Ear to teach them the model and transfer technology to them. Initially,

the initiative had no intention to grow and multiply. Unlike other nonprofit organization initiatives for people with desabilities, Solar Ear managers affirm that the organization is not focused only on its activities, but rather on the results and impact it generates. Other CSOs have not developed a model that is easily multipliable or economically sustainable to support deaf poor people.

At least 642 million people worldwide are affected by some type of hearing loss, 70 percent of whom live in developing countries. Only one out of 40 deaf people has the opportunity to wear a hearing aid, according to data from the World Health Organization website. According to the WHO, only 9 million hearing aids are produced annually, and only 12 percent of these go to developing countries. This means that the market for hearing aids in developing countries is approximately 400 million consumers. This is a huge opportunity for companies producing hearing aids. According to the World Health Organiztion, as long as there is poverty in the world and a lack of access to information about rearing loss prevention, it will remain a relevant worldwide problem.

With regard to the industry of hearing aid devices and parts around the world, 90 percent of it are companies based in North America and Europe. Generally, hearing aid manufactures in developing countries import all the parts and only assemble the devices. In some cases, already assembled products are imported and the companies are merely distributors.

There are five major hearing aid producers worldwide, as well as hundreds of low-quality, low-price producers in countries like China. The suppliers of parts for Solar Ear hearing aids are the same suppliers for the five largest hearing aid firms. Based on data on the cost of parts used by Solar Ear and the values of final sales to consumers, we can see that the products from the world's major hearing aid companies reach the end consumer with a profit margin from 2,000 to 5,000 percent.

The two Solar Ear operations that market products have a geographic reach of 31 countries. Although the ultimate goal is the distribution of products in developing countries, sometimes humanitarian organizations from Europe and the United States buy these hearing aid devices to donate to institutions in poor countries. Currently, Solar Ear cannot sell its products in Brazil because it still awaits certification from health monitoring agencies; however, it markets them in most Latin American countries, where it has distributors or customers who are linked to humanitarian organizations.

The market in Brazil amounts to approximately 5 million people in need of a hearing aid, but only 300,000 units are sold annually. The public health system (SUS) was responsible for the distribution of 180,000 kits in 2010, according to data from the Brazilian Health Ministry website.

According the WHO, in the Middle East, including Gaza, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Palestine, Saudi Arabia, Syria, Turkey, the United Arab Emirates, and Yemen, 20 million people with hearing loss need hearing aids, which means an approximate average 7 percent of the population. In Africa the problem is even greater: for children alone, this percentage ranges from 7.5 percent in South Africa to 14 percent in Nigeria. According to Hear-it, an international CSO, in Kenya, Gambia, and Tanzania, 2.5 to 3.5 per thousand children suffer from severe or profound hearing loss.

As we can see, the market for hearing aids, particularly among the poor, has hardly been exploited. Traditional organizations such as for-profits, CSOs, and government agencies, operating in their traditional way of management, have not been sucessfull in offering hearing aid devices to poor people in different parts of the world. It was this reality that allowed a social business to be born.

ORGANIZING A SOCIAL BUSINESS

By examining the organizational structure and the relationship between the initiatives in each of the three countries, it was possible to conclude that the initiatives are independent and do not respond to a hierarchical structure with a headquarters. There is not, therefore, a formal headquarters-branch structure. In general, the initiatives share a link through the figure of the founder, who currently works at the initiative in Brazil. He coordinates the purchase of raw material for all other initiatives, seeks out prospective clients globally, like humanitarian organizations, and coordinates educational programs, such as the deaf-to-deaf training program.

As to all other decisions, the initiatives in each country run their business independently of each other. As we examined the organizations' statutes, we found that Solar Ear Initiative is allocated within existing organizations in each country. Thus, in Botswana it operates with an organization called Godisa; in Brazil, it is run through the Instituto CEFAC; and in the Middle East (Jordan), under the patronage of the Royal Scientific Society.

Solar Ear's organizational structure concerning workers is basically the same for all units. Some workers work in device production; a tactician is responsible for controlling product quality; the communication teacher is responsible for empowering deaf workers – and is normally a person who knows the deaf culture; the initiative manager is usually a professional in the field of business administration or social organizations; there is also a speech therapist (audiologist); and the sales force. Some external positions, such as lawyers, accountants, and advertising agencies, are part of a collaborative network. Volunteers, such

as engineers and professionals responsible for social media or brand development, are also part of this network.

Among all the positions and functions, the role of the communication teacher is key in every market where the initiative operates. The teacher is responsible for developing the autonomy of the deaf workers, while serving as a connection between the management team and the assembly line.

According to the organization, when there is not a communication teacher, the self-esteem of the young deaf people ends up not being addressed, and their motivation fades. In addition, many management problems may occur due to communication failures between line workers and the management team.

In the case of Solar Ear, the main characteristic and competence of the people involved with the initiative is the motor skills that deaf workers have acquired by communicating with their hands in sign language, skills that are ideal for the precision required in electronic micro-welding.

To manage an initiative, the manager is required to have corporate experience, overseas exerperience, and an ability to understand the realities of different countries, particularly being motivated to help people in social risk situations. The competences required in a social business such as Solar Ear differ from those required by a manager in a for-profit organization, since besides the financial returns, the manager must ensure the social impact of the business. The initiative ensures that "competences are developed internally", since - in the words of the founder - people are always being challenged; they receive the opportunity to grow and overcome themselves each day.

The internal organization at the three initiatives, i.e., Botswana, Brazil, and Middle East, differs in terms of hierarchical structure, yet sharing the same profile of workers. In all three cases, the internal structure includes the following positions: board of directors/management, production, and quality committee. All of them rely on external consultants or advisers, particularly for legal and accounting functions. Currently, the founder is the leading figure in the initiative. His role, similarly to that of a CEO or president in a business with a headquarters-branch model, is to ensure the continuity of all initiatives.

The structure in the Middle East is more complex and somewhat beyond the business model above. This particular initiative has three different units, each with a different manager, and all of them are coordinated by a director at the top of the hierarchy. Of these three units, two are dedicated to producing the devices, while the third offers clinical care. Each unit is located in a different country (Jordan, Palestine, and Israel). Although the structure was planned this way, the initiative currently has just one unit, which is in Jordan. The justification for this 'triadic' structure plan is the difficulties regarding political issues: for example, the ban on Palestinians from crossing Israeli borders, and the embargo by Arab countries on products from Israel. This alternative structure is still being tested, so we cannot know whether it will consolidate in the years to come. The general manager at the Middle East initiative predicts a network of local salespeople and sales agents spread throughout regions like Russia, Eastern Europe, and North Africa.

Solar Ear sells its products to two types of customers. The first are non-profit, philanthropic, religious, or humanitarian organizations who buy the devices to donate in developing countries, often to deaf schools in rural areas. The second group of typical clients is shops willing to serve low-income and middle-class customers who would not normally buy a hearing aid.

The initiative focuses on the low - and middle - income market, primarily children, although sells its products to any parties interested, which means it also competes with large companies that make hearing aids to high-end customers.

According to the organization, the suppliers are critical to Solar Ear's results. They are not considered only a supplier, but also a partner. In the beginning of the project, they invested in new products, tools, and equipment without passing on costs, as they believed they would be able to grow with Solar Ear.

Raw material purchase orders are placed considering the needs of all three initiatives simultaneously. The Brazilian office is responsible for the purchasing, and because it has centralized purchase control, now it can realize gains of scale. Despite the fact that the Middle East initiative has not yet started to market goods, it has already started to buy supplies to build up a raw material inventory so it can manufacture its first products. Normally, payments are separately made by each Solar Ear initiative directly to the supplier; in some cases they can be made by the initiative in Brazil, which is then reimbursed by the others. Deliveries are directly made to each of the countries.

Each initiative is responsible for the local sales of its hearing aids. In Botswana, during the first two years of the initiative's implementation, there was not a sales team: all costumers were directly contacted by the founder. Most of them were humanitarian organizations, which bought the products to donate in African countries. In some cases, the founder traveled in order to develop partnerships with small retailers, but the number of products sold was small when compared to the investment of large humanitarian organizations.

In Brazil, partnerships were developed with sales representatives of different hearing aid brands. Because Solar Ear hearing aids still cannot be marketed in the country due to health monitoring certification issues, these sales representatives are only selling solar chargers and batteries, since these can be used with any brand of hearing device that uses the same battery size

(#675, 312, 313). In addition, Solar Ear Brazil has a Latin American sales agent who seeks out prospective customers in the region and develops contacts with major humanitarian organizations in Latin America. All representatives or sales agents receive a 40% margin on product sales, but product purchase is paid in advance since, unlike large hearing aid makers, Solar Ear lacks enough working capital to subsidize purchases prior to payment by final customers.

According to information provided by the organization, in the future, the business model of Solar Ear in Brazil could come to include an exclusive for-profit distributor, so that more capital can be injected into the initiative, with a concomitant increase in sales. But this new partner organization must sign a formal agreement that ensures compliance with the social mission of offering a product that is accessible to low-income consumers.

GOVERNING A SOCIAL BUSINESS IN DIFFERENT COUNTRIES

In the city of Otse, Botswana, where the pioneering initiative of Solar Ear's inclusive business was established, the project started in a community of deaf people with the support of an international NGO. The local NGO that supported the Solar Ear initiative was called Godisa.

In Brazil, the initiative started within an organization based in São Paulo, but after many obstacles, another Brazilian CSO was invited to implement the business plan. Thus, the initiative formally emerged in Brazil as a branch of the Instituto CEFAC, which by then had nine years of volunteer work experience in the area of audiology.

Both in Botswana and Brazil, the initiatives emerged due to a strong local interest in developing the project's social mission: local organizations in both countries wished to develop low-cost hearing aids to benefit the communities in which they were already working.

In the case of Middle East, the initiative emerged through the interest of CISEP, a Canadian organization with access to funds for supporting a project relating health and peace between Israelis, Palestinians, and Jordanians. So CISEP chose Solar Ear as an initiative to develop this social mission. The initiative's purpose was to hire young deaf people from the three countries to work together in the production of solar hearing aids. With the support of Jordan's royal family, the project was initially to be implemented through a local CSO. However, due to internal conflicts of interest, the prince ordered the transfer of the implementation funds to a second organization chosen by the initiative's managers. The organization that hosts the project is the Royal Scientific Society

(RSS), a Jordanian government research and innovation center which by then had no previous works in the area of audiology.

With regard to the specific difficulties of implementing the organization in each country, the issues vary according to each local context, but a pattern can be identified as recurrent in all three initiatives.

The first difficulties encountered during the implementation of the initiative in Botswana were the same ones facing any organization that would start a business in a 6,000-inhabitant African town. Problems related to infrastructure, such as access to raw material, suppliers, or electricity, were the first ones that had to be overcome. Then there was the challenge of cultural differences, e.g., addressing the prevailing notion among the African population itself about white people as a superior race, and changing the attitude of some members of the board who were prejudiced and disrespectful to the African black female manager. A final challenge for the implementation was solving the conflicts between managers, deaf workers, and the board of directors. According to the manager of the organization in Botswana, there was a lack of transparency in the use of financial resources. The moment she decided to leave the management of the organization, young deaf workers organized themselves to create a new organization called Deaftronics, which is currently managed by the deaf workers themselves and by a hearing manager with a background in electronics.

In Brazil, as mentioned earlier, the initial partner was an organization based in the State of São Paulo which, after receiving the implementation funds, diverted part of them to projects of personal interest unrelated to Solar Ear's business model. Thus, Solar Ear decided to cancel both the project and the investment. Not until two years later were new funds obtained for the current partner, Instituto CEFAC.

During its implementation, the organization in Brazil has faced several challenges, particularly bureaucratic ones. Problems range from import difficulties to – and more importantly – obtaining the health monitoring agency certification required to market the products. Moreover, difficulty accessing information and high tax rates are factors that have delayed the initiative's financial self-sustainability.

In the Middle East, the same sequence of events reported by the manager in Brazil regarding a conflict of interests in the partner organization occurred in Jordan. Currently, with the funds allocated by the new local organization, challenges are more related to the goal of having Israelis, Palestinians, and Jordanians working together. According to the management, accomplishing this mission would require a prior step, i.e., creating local structures in the three countries. Only then can cooperation exchanges between the deaf occur, allowing a subsequent attempt at trans-

national coexistence. This proposal, offered by the manager, differs from the original business model. According to Solar Ear, each organization has freedom to test new means, but it must always meet the essential pillars of the business model (working with deaf people in a workplace adapted for people with disabilities and offering hearing aid devices at low prices to poor costumers) — otherwise it will be at serious risk of failure.

If we compare the initiatives in terms of their legal environment, we can see that in Botswana the rule of law is minimal, thus offering little impediment to an CSO willing to market its products and collect some margin on revenues. There is little control and accountability between the organization and its stakeholders (including the State). On the other hand, both in Brazil and Jordan, bureaucracy threatens and obstructs innovation and the search for new ways of fundraising by NGOs. The laws in Brazil, for example, are often contradictory in relation to social businesses. However, the need for more modern laws addressing social and inclusive businesses has been increasingly noticed in the country, and a reform of the legal framework of the third sector is under way.

According to Solar Ear, the initiative is always looking to improve current products or develop new hearing aids for new markets. The founder claims it is relatively easy to make improvements to products as he is always in contact with customers. So whenever improvements are suggested by customers, the initiative tries to follow them. The process involves understanding the suggestion or complaint and contacting the supplier for the necessary modifications. As to developing new products, the initiative seeks partnerships with universities and technology centers. For each new product, design resources are sought from foundations or universities. According to the organization, none of the initiatives is presently able to invest in research and development using only the proceeds from product sales.

With regard to Solar Ear's social mission, the main difference between this business model and the for-profits in the industry is the former's worker inclusion and empowerment program (capacity building). An example is the hiring of a professor of communications in order to help create conditions for the participation of deaf people in the process of learning and adapting to changes.

With regard to the factors that may prevent the population involved from joining Solar Ear, communication quality and motor skills are key in the selection of deaf workers. According to the manager in Brazil, many deaf people interested in joining the initiative are not approved during the selection process. Knowledge of sign language is essential in the micro-welding training program, as the program is both theoretical and practical. Likewise, motor coordination is essential for the type of work that is done. According to the manager in Botswana, no education background is required. In her country, for example, some of the deaf youths did not go to school, but because they lived in deaf communities, they had excellent communication skills and very good visual and motor coordination.

Each country presents different obstacles that hold the organization back from reaching its market, particulary in early phases of implementation. In the case of Botswana, during the first two years, the initiative had to overcome barriers such as the cultural prejudice of the African members, who privileged the guidance of council members – European white men – while disregarding the authority of the manager, an African black woman. Moreover, the initiative in Africa still faces difficulties to achieve sustainability. This is due to two main reasons: (i) low individual purchasing power, since the products marketed by the initiative, although several hundred times cheaper than competing products, are still beyond the purchasing power of the average rural African family; (ii) the shortage of trained personel to perform hearing aid ajustments and prepare ear molds. A third obstacle, which was mentioned at the interview with the manager in Botswana, is the issue of board governance.

In Brazil, the main obstacle that has held the organization back from reaching its market is the country's regulatory procedures. However, once all bureaucratic requirements are met, this barrier will disapear. Currently, the initiative cannot sell its hearing aids in Brazil, as they await health authorities' certification – for nearly two years. What has kept the organization financially positive is international sales. In the case of the Middle East, a few bureaucratic obstacles as the ones faced in Brazil can already be foreseen, but the organization is not yet in the marketing phase.

In general, another barrier that must be overcome is the issue of product dissemination. According to the organization, the major hearing aid brands invest millions of dollars in advertising, which is a multiple of the initiative's entire sales revenue. Unable to compete, the initiative works instead on the differential of customer service, and relies on divulging its product in magazines that reinforce its social value; the social aspect of the initiative promotes products sales.

The barriers often faced by people who need a hearing aid include: (i) depending on relatives to acquire a unit; (ii) depending on the government; or (iii) depending on nonprofit organizations which donate these products. In addition, hearing aids require adjustments according to the individual's hearing loss, so in case an individual is unable to undergo an audiometric test, or when there are no prosthetic technicians to prepare ear molds, people are unable to wear a device.

To overcome some of these barriers, Solar Ear is developing: (i) a non-prescription hearing aid that does not require a

specialized professional to ajust it, in partnership with the Massachusetts Institute of Technology (MIT); (ii) an instantaneous ear mold, eliminating the need for a prosthetic technician, in partnership with a Canadian company; and (iii) software for a portable audiometer, which would eliminate the need for a practice fully equipped with a special chamber for audiological tests, in partnership with a German company.

Currently, Solar Ear's governance system is related to the mission and requirements of donnors, whose specific protocols must be followed. These requirements allow the organization to provide transparency. However, there is no system in place to ensure accountability and transparency. None of the three initiatives has yet released reports on their websites, having met only the reporting requirements of donnors.

In Botswana, during the initial implementation period, a deliberation council was established. However, according to the manager, there was a lack of transparency in their decisions, which led to conflicts between managers, the deaf youths, and the council. The issue has now been solved with the creation of a new organization that is run by the deaf workers and by a manager with a background in electronics.

According to the manager in Brazil, governance problems also occurred in the country. Before the initiative began its activities with the Instituto CEFAC, another organization was to function as a local partner. However, when the funds required were raised, they were deviated from the original mission by that organization. As a result, donnors requested their funds back and started looking for new a local partner. According to him, the organization has to be very transparent, as their fundraising success depends on the transparency and governance of previous initiatives. As mentioned earlier, one way of ensuring partners' financial responsibility is having them raise some of the funds themselves.

According to Solar Ear, a for-profit organizational culture is also reflected in this initiative, which similarly depends on the personality of the manager and his or her ability to lead workers. Thus, if the manager is more focused on sales, the organization will have a marketing culture, or if the manager is more of a technical person, then the organization will have a technology-oriented culture. But the Solar Ear business models requires their managers to produce value to deaf people both as workers and as consumers of hearing devices.

One of the prerequisites for creating a new Solar Ear unit is securing a donation of $300,000 to $400,000. According to the initiative's business model, 80% of these funds should come from a lending agency, while 20% should be raised locally by the local partner organization as a form of commitment to the initiative.

Botswana and Brazil realized returns on sales after the first year. The amount received in Botswana corresponds to the sale of approximately 340 units, or Solar Ear "kits," which include: a solar charger, two batteries, and a hearing aid. From Brazil, approximately 2000 kits were sold abroad in the first year – certifications have not yet been obtained to allow selling in the Brazilian market.

Based on the Solar Ear reports we analyzed, we found evidence of the profitability and financial sustainability of this social business experience. In Brazil, we found positive returns starting in the 18th month of the initiative. However, there are some higher cost items in the Brazilian initiative, such as travel and accommodation. The reason for this increased spending is the fact that the initiative founder is currently working with the Brazilian unit, so it incurs in travel expenses in order to formalize new partnerships that will benefit all units, or even create new units. In the case of the Middle East, the initiative is in its initial phase, i.e., it is currently undergoing a process of technical training, which means it cannot sell any products yet.

In Botswana, products began to be marketed in the initiative's second year, but it took a great deal of initial effort to familiarize potential customers with the products. The initiative in Brazil has benefited from the product dissemination started by the Botswana unit. The analysis of the Brazilian initiative's first 2 years of implementation clearly shows self-sustainability, although with virtually no surplus; the initiative has not yet been profitable. By deepening the analysis further, we were able to identify the above-mentioned travel and accommodation expenses – to establish partnerships for new units or for the benefit of all units – as the cause.

In the case of the Middle East, although no products are being marketed yet, the manager believes financial sustainability can be achieve as early as by the 2nd year, because of the high visibility the products have already earned and the strategic partnerships the organization has built.

According to Solar Ear, the economic value generated is reinvested in the organization for training new deaf workers, or in the social missions that each organization wants to develop. In the case of Botswana, this return is invested in actions for reducing HIV rates among deaf people. In Brazil, it goes to funding speech development for low-income people (this service is provided by the Instituto CEFAC's headquarters). In the case of the Middle East, returns will be invested in spreading peace through several collaborative activities between Israelis, Palestinians, and Jordanians.

Currently, no effective means of measuring the social value created by the initiative can be found, as none of the three initiatives is developing any social reporting beyond what funding organizations require in terms of governance reports. But interviews with the people involved show a strong improvement in living conditions, not only for individuals directly linked to the

initiative, but also their families. This improvement is mainly related to three factors: increase in family income, personal development, and professional development. Examples include two workers who began pursuing higher education in 2010, and two others who have sought English instruction after living with deaf teachers from Botswana.

In the case analysed we found the following characteristics as factors that influence results in this social business: (i) strategic relationship with stakeholders; (ii) reduction of transaction costs through the support of organizations already working in the area (e.g. partnerships with distributors and local civil society organizations); (iii) the use of existing social infrastructure by implementing new activities in organizations already operating in the sector, thus benefiting from the rich portfolio of relationships and trust built up over the years with the low-income sector – a productive asset for generating economic resources while pursuing the mission; (iv) replication of the model in new initiatives to bolster "economies of scale," so that as output increases, the cost per unit tends to fall; and finally, though not yet implemented, (v) projects to launch new products and develop complementary activities, which will allow the initiatives to gain "economies of scope."

These main aspects are related with Reficco and Vernis' approach (2010) and presented below:

Exhibit 4. **Factors that influence Solar Ear Social Business' results**

Dimensions	Solar ear
Relationship with stakeholders	Suppliers and communities are business partners Inclusion of the deaf population in the labour market Participatory management in the workplace Gains of productivity by work of disabled people
Reduction of uncertainty in the investments (effective links between supply and demand)	Suppliers meet product modifications, as needed, without costs Distributors understand and support social mission Device development program in connection with the communities Inexpensive equipment for deaf people Easy support for hearing aid use and maintainance
Reduction of transaction costs	Improvment of reliability trhough partnerships with for-profit and civil society organizations

Source: Adapted from Reficco and Vernis (2010).

In the specific case of the studied initiative, we must take into account the following aspect, a critical one for its sustainability: it is necessary to treat very carefully the replicability of the model (processes), which involves among other things, a governance system (reports, accountability, and audits), specific definitions of the role of each unit, their rights and duties, as well as methods of measurement and evaluation of social and economic impacts.

These elements can arise through a headquarters structure yet to be created, or they could be placed under the responsibility of the founder, but it is important investing in aspects related to people management, particularly concerning a succession plan at directors' level.

One issue that stands out is the lack of a governance system that includes extensive reporting, the creation of a board, and audits. As noted earlier, the governance system of Solar Ear is related to the mission and the requirements of funders who have specific protocols that must be followed. The requirements of funders allow the organization to create periodic reports, but there is no system to ensure the accountability and transparency It is important to emphasize the fact that none of the three units has published reports in its website.

Among the three units analyzed, the Jordan seems to be the one that is steering way from the business model expected for the initiatives. This happens, among other reasons, because the criteria set for the partner organizations have not been met in the country.

Here, we can raise the hypothesis that this factor only happened in Jordan because the founder was not present in the implementation as was the case in Botswana and Brazil. So, in the case of Jordan, the distance and the great autonomy given to the implementation of the initiative led to greater flexibility in the process of implementation and to differences in the model of management of the initiative compared the other countries. This flexibility alone is not actually a problem for this social business, since there are clear parameters for what the initiative is to achieve in each country it operates in, yet it is something that needs to be better structured and clearly established in the management model of the organization.

By analyzing the three initiatives, we can see that the absence of a formal hierarchical structure can have a negative impact on its effective implementation, since the manager also responds to the interests of the organization where the initiative was implemented. According to the founder, the creation of a franchise-like structure should be part of the organizational structure of the initiative, which could minimize the problems mentioned above.

The founder is, therefore, the bond between the units; his main function is to support the continuation of all the initiatives

and the creation of new ones. Thus, his absence from the organization could generate a major problem for the continuation of all units, since no succession process has been initiated. At this point, we find the classic dilemmas of for-profit and nonprofit management which are described in the literature, particularly regarding transition management. In organizational environments highly dependent on the founder, the transition from a personalist model of management to a more professionalized one can bring tensions and risks to the survival of the initiative. Furthermore, it becomes clear that the different stakeholders of this social business need to deepen their involvement, which would result in more sustainability for the organization.

With regard to the market, it is important to overcome the challenges of distributing products that require professional expertise and sophisticated equipment. Some effort should also be made for reducing product price in order to reach the poorest segments.

The impact of the products on society as a whole lies in showing that deaf people can manufacture a quality product; for deaf workers, it is the opportunity to find professional training and growth; for the hearing impaired in general, it means access to cheaper products and rechargeable batteries, thus providing poor people a better acess to education, health, culture, and other aspects of social life that make someone a citizen, i.e., an actual member of society and the community.

FINAL REMARKS

Different names have been used to define an increasingly common phenomenon: the existence of organizations that aim to solve social problems through market mechanisms. The use of terms such as social enterprise and inclusive business to define a social business has sparked intense debate among academics and entrepreneurs.

Apart from terminology, the connection between social organizations and the private sector is becoming not only increasingly common, but also necessary in order to cause and expand the desired social impact. Two goals previously seen as incompatible – financial sustainability and the creation of social value – have become inseparable, and, together, they are the linchpin of the operations of such organizations.

Despite the ambiguity and diversity of terms, it is clear that this type of social enterprise requires a new format. Also new are the demands made on the managers of such enterprises, who must manage conflicts and tensions that occur due to the need to maximize both financial and social returns. It is therefore necessary to break the paradigms present both in the traditional way of doing business and in social work. From day one at the enterprise,

it is crucial to innovate and allow new institutional arrangements. It is not possible to reproduce the traditional model of business, just adding a social dimension to it; it is necessary to think and act differently. Civil society organizations are required to join hands with business organizations and think how they can work together under the laws of the market, with the common goal of helping to reverse situations of exclusion. In this environment, regardless of the name or classification given to the project or initiative, co-creation is the watchword. The main idea behind Social Business goes beyond social and economic value generation: it assumes an effective commitment to introducing poor people and minority groups into the business.

It should be noted that productivity, ingenuity, and non-formal qualifications – or, rather, the ability to respond properly to everyday demands at work – can be quite significant in the case of workers involved in inclusive businesses. Therefore, it is not about philanthropy, but market transactions and relations based on profitability and economic performance.

However, there are risks associated with incorporating this workforce in social businesses, even when the agenda of respect for labor laws is adopted. Because these workers face limited employment opportunities and low mobility, the labor market cannot be an excuse for low wages or for demanding subservience from these workers. Therefore, we must achieve a greater understanding of poverty and its social dynamics, which often include the dynamics of oppression and exclusion, but can also lead to democratic and emancipatory projects.

However, depending on who proposes a social business, one can find very questionable assumptions underpinning the promises that they make about poverty. The most important of these is a belief that the market itself is able to remedy all problems, including and specially those of poverty. A more useful approach sees markets as necessary but not sufficient to account for the social problems that afflict contemporary society. Another serious risk for the strategies of inclusive businesses is the possibility of expanding the consumption of goods and services with low eco-efficiency, leading to greater environmental degradation.

In sum, the initiative seems to combine high social and financial value due to the large unserved market. However, we still cannot see any forms of effective measurement of the social value created by the initiative because none of the three initiatives is developing social reports different from the governance reports required by the funding organizations. Still, interviews with the people involved show a strong improvement in living conditions, not only for individuals directly linked to the initiative, but also their families. This improvement is related mainly to three factors: improvement in the level of family income, personal development, and professional development.

We should also reinforce that the distance from the founder's control, the lack of extensive reporting and accountability to ensure transparency at each unit, and the lack even of formal contrats establishing the rights and duties of each stakeholder can be factors that complicate the replication of the model.

We hope this study will inspire other researchers to look into different elements of the discussion on social businesses, whether the ones we focused on here, or others that were not key to our goals in the present work. Likewise, it is necessary to compare different international initiatives involving not only organizations from peripheral or developing countries, but also organizations aimed at vulnerable groups in more central countries.

It is extremely important to develop studies on social businesses based on comprehensive models that place poverty and social actors at social risk at the center of the analysis. This means highlighting elements such as the ability of self-organization of excluded populations, the technical, management, and performance capabilities they have and can develop in social enterprises, and the various advances in terms of citizenship – whether it be understood as access to goods and services essential to life, or as the political self-determination of individuals and comunities. Studies that promote a dialogue between the traditional analysis of busines models and those dimensions of analysis effectively focused on the issues of poor populations, thus overcoming analyses based on traditional elements of business management, are proving one of the main frontiers for future studies of social businesses.

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