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Title

Structure of Sustainable Economic Value in Social Entrepreneurial Enterprises

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Abstract

In this paper we study the economic value and its structure in social entrepreneurial enterprises. We argue that there is economic value inherent in such enterprises even though this is not their goal. We discuss how such economic value can be exploited over time and study its sustainability with respect to maintaining the social ideals of the enterprise.

Keywords

social entrepreneurial enterprise, economic value

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Abstract

While social entrepreneurial enterprises (SEEs) are founded with the goal in mind “to change the world”, rather than to create wealth, they nonetheless exhibit some of the trademarks of organizations which are indeed associated with economic value.

In this paper we classify activities of typical SEEs with respect to their potential for generating economic value. Some specific issues are taken up in a discussion of the cases presented in Figure 1 below. Economic value is generated, for example, when community members who get to know one another through an SEE enter into other, mutually beneficial business relationships with one another to create wealth. Alternatively, individuals or organisations may associate themselves with an SEE so as to promote the position of their own products and services both within and outside of the SEEs.

We show that in fact the generation of economic value is often inherent in the activities of SEEs. We then take the next step to propose that this inherent economic value can in fact be exploited. For each category of economic value identified, there are circumstances under which this can be turned into cash flows. We identify strategies which can be used to identify the potential and carry out this translation in a two-step process. First social value is converted into economic value, and then that value is realized (i.e. turned into cash flows).

At the heart of the exploitation of the economic value of SEEs is the potential conflict of such exploitation with the social ideals which the organisers of SEEs often have. Indeed, for reasons which we discuss, such value is often overlooked. In some cases, people will consciously not want to use it, because making money is almost seen as being unethical. Even worse, it is almost never made explicit so that it could be used or the long-range effects of its exploitation be assessed. This emphasizes that the process of exploitation must be managed carefully to be successful. This discussion leads to an analysis of the sustainability of cash flows which can be generated by the exploitation.

We conclude that while SEEs are generally not associated with economic value, indeed there is considerable economic potential in their activities. Indeed, we propose that under certain circumstances they can be viewed as an investment opportunity without compromising their inherent goals. If the goal of sustainability can be achieved, SEEs can contribute to their own funding by managing the assets they create. Indeed, this question raises the issue of timing. By being too ambitious in turning social value into immediate cash flows, one runs the risk of ruining the inherent goals. In being not ambitious enough, one might still miss the sustainability objective, because then the pressure that comes from thinking about turning social values into capital remains absent. This calls for a medium-term exploitation strategy.

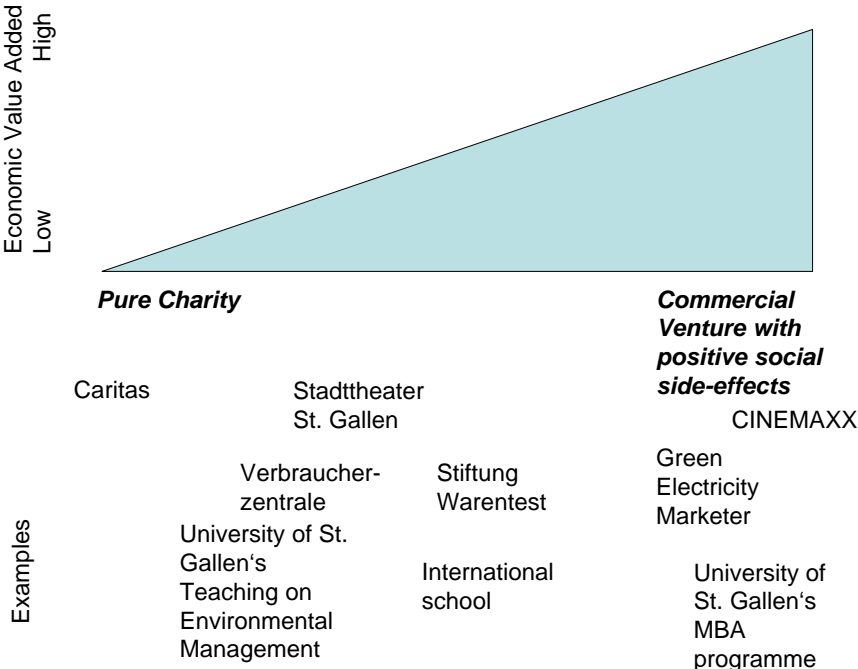


Figure 1: Economic Value Added vs. Charity Level