

AMERICAN UNIVERSITY OF BEIRUT

SOCIAL ENTERPRISE IN LEBANON: THE WAY FORWARD
A STRATEGIC ROADMAP FOR STRIKING THE BALANCE
BETWEEN PURPOSE AND PROFIT

by
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AN ABSTRACT OF THE PROJECT OF

Liya Mahmoud Kreidie for Master of Business Administration
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Social Enterprise in Lebanon: The Way Forward A Strategic Roadmap for Striking the Balance between Purpose and Profit

Social entrepreneurship (SE) is a growing phenomenon on a global scale. The recession, the political revolutions, globalization of information and access, among many other socio-economic factors are playing a significant role in shifting the strictly corporate dynamic of the business world into one that is more in tune with humanitarian and environmental progress. People are also demanding more from the private sector. Social enterprises have ascended as a response to this call; one that has received wide acclaim for its ability to actuate sustainable social and financial impact. While much more breadth in the conceptualization of social entrepreneurship exists in the literature coming from the developed world today, the growth in interest and practice of SE in emerging markets in the Middle East, and more specifically in Lebanon is on the rise, mainly due to the opportunities it presents for solving the salient and mounting social, political and environmental pressures that are stifling economic development. Businesses in Lebanon and the region are also increasingly integrating sustainable platforms for social and environmental impact into their corporate strategies, in an effort to meet the many demands of the underprivileged communities that plague their environments, while also attempting to maintain a competitive edge, in light of the rise and relevance of Corporate Social Responsibility.

While SE is rapidly gaining traction in the region, a framework for establishing a common understanding of these enterprises, specifically based on the extent of their success in creating sustainable social and financial returns have yet to be solidified. If levels of success in social enterprises are not achieved, then their role as change agents in the sphere of economic development becomes compromised. This project is practical in nature, using established literature on social enterprises to identify the factors that lead to success in the SE, in terms of social impact, sustainability and scale. Using this data, the paper analyzes the social enterprise context in Lebanon. The outcome paints a picture of the strengths and shortcomings faced in the local context found to be inherent to the businesses themselves, to the systemic forces and to the nature of the market. Consequently, recommendations are presented that bridge the gaps that today stifle the potential success of social enterprises, and thus the potential benefit to society, in Lebanon, with implications drawn for the wider Middle East region.

CONTENTS

ACKNOWLEDGEMENTS.....	v
ABSTRACT.....	vi
LIST OF ILLUSTRATIONS.....	x
LIST OF TABLES.....	xi
Chapter	
I.INTRODUCTION.....	12
II. LITERATURE REVIEW.....	15
A. Social Entrepreneurship Defined.....	15
B. Ascendency of Social Enterprise.....	21
C. Social Enterprise: Why Lebanon.....	29
D. Proposed Success Factors.....	31
E. Success Factors in Focus.....	38
1. Social Value Creation.....	38
a. Presence of a Demonstrated Need and Identifiable Group of Beneficiaries.....	38
b. Large Number of Beneficiaries.....	39
c. Defined and Measured Impact.....	39
d. Institutionalization.....	40
2. Economic Value Creation.....	41
a. Acceptance by the targeted community and the integral involvement of beneficiaries in the organization’s work.....	42
b. Social Capital and Social Competence.....	43
c. Clarity of Purpose.....	44
d. Dedication, Passion and Relevant Work Experience.....	45
e. Core Values.....	46
f. Inherent Business Capacity: Operational and Financial.....	47

g. Organized Structure with Well-Defined Responsibilities.....	49
3. Growth, Expansion and Development	50
a. Emphasis on Learning, Growth and Innovation.....	50
b. Long-term cooperation with other organizations.....	51
c. Drive to Grow.....	51
III. RESEARCH METHODOLOGY.....	54
A. Design	54
B. Sample.....	56
C. Protocol.....	56
IV. RESEARCH FINDINGS.....	61
A. Social Value Creation	62
1. Presence of a demonstrated need and identifiable group of beneficiaries	62
2. Large Number of Beneficiaries.....	64
3. Defined and Measured Impact.....	65
4. Institutionalization	68
B. Economic Value Creation	70
1. Acceptance by the targeted community and the integral involvement of	
beneficiaries in the organization’s work	70
2. Social Capital and Social Competence	74
3. Dedication, Passion and Relevant Work Experience.....	75
4. Clarity of Purpose	77
5. Core Values.....	78
6. Inherent Business Capacity: Operational and Financial	79
a. Defined Organization and Roles and Responsibilities.....	79
b. Operational	80
c. Financial Capacity	82
C. Expansion, Growth and Development	83
1. Long Term Partnerships.....	83
2. Drive to Grow	84
3. Emphasis on Learning and Growth/Innovation	85
V. DISCUSSION.....	88
A. Social Enterprises in Lebanon Analyzed	88
1. Strengths	92
2. Weaknesses	93

3. Opportunities.....	96
4. Threats.....	97
IV. CONCLUSION.....	106
REFERENCES.....	110
APPENDIX	115
A. Profile of Companies	115

ILLUSTRATIONS

Figure	Page
1. The Hybrid Organization	17
2. The Hybrid Spectrum	19
3. Social Enterprise Typologies based on Mission vs. Profit	20
4. Three elements of social enterprise success	32
5. Sharir and Lerner (2006) – Factors for Social Enterprise Success	33
6. SE Success Factors Framework: Total Value Creation	35
7. Benefits Measuring Social Impact	40
8. SE 2 Impact Measurement	65
9. Social Enterprise Matrix – Lebanon SE's	88

TABLES

Table	Page
1. 13 Proposed Factors that Explain Success in Social Venture	34
2. Profile of Social Enterprises Interviewed	58
3. Questionnaire	59
4. Mission Statement/Purpose by SE	77
5. Core Values by SE	78

CHAPTER I

INTRODUCTION

Social entrepreneurship today is top of mind in the rhetoric of business practice and literature. It has proven to be a viable business model that is gaining rapid momentum on an international level, despite the ongoing struggle in explicitly defining the term. In the context of this paper, social enterprises are defined as ventures that have the advancement of social and/or environmental objective as an end, justified by the requisite financial means to survive and thrive (Dees, 1998, p.4). This notion of social entrepreneurship in Lebanon is in its nascence, and there is significant opportunity for Lebanon to benefit from the emerging trend. In Lebanon, the non-profit or third sector is inundated as numerous organizations (both international and local) have established themselves in an effort to address the countless pressing social and environmental issues that plague the country. Hence, the capacity, and therefore impact, of most of these NGOs in Lebanon are diluted and low-scale. The Lebanese government is too weak and too fragmented to address even the most basic of social needs. Thus, the opportunity for innovative means to address the salient and unrelenting development issues exists. The focus on the for-profit social venture is to add to this dialogue by providing insights into a financially lucrative business framework that heeds the sustainable social impact that is necessary for Lebanon, and the region as a whole.

This project is a practical attempt to provide depth to the budding social entrepreneurship movement in Lebanon, by developing a framework that guides existing and upcoming social enterprises to reaching their utmost potential.

In an effort to better understand this global phenomenon, researchers have examined practical cases to define critical factors that contribute to the success of social enterprises. This project consolidates the success factors from these various studies into one framework and uses it to analyze the status of six Lebanese for-profit social enterprises. A series of interviews were conducted with owners and stakeholders of the Lebanese social enterprises and local experts in the field to understand how local business models fit within the framework. The data collected is consequently presented and analyzed in this paper to highlight the strengths and shortcomings of Lebanese social enterprises and attempts to pave the way for solutions that will drive their success in terms of social impact, sustainability and potential for expansion. In sum, the paper will attempt to answer the following questions:

- 1) What are the success factors for social enterprises?
- 2) Why is social entrepreneurship relevant in Lebanon today?
- 3) What is the status of social entrepreneurs today and how successful are they in balancing social and financial impact?
- 4) What are the shortcomings and lessons to be learned?
- 5) How can social enterprises in Lebanon improve in the future to maximize social and financial returns?

In the end, this project presents the findings, which reflect the parallels and diversions between Lebanese social enterprises and the success factor framework that has been established, and in turn dissects them, with an aim to provide a foundation and path forward for current and future social enterprise in their pursuit of positive social impact coupled with sustainability.

The paper is divided into 5 chapters:

- Chapter 1: The Literature Review, examines academic and practical research to define social enterprise, give context to the significance of social enterprise, first from an international perspective and then zooming into its relevance in Lebanon, and defines the framework for key success factors of social enterprises.
- Chapter 2: Reviews the methodology of the study, including the design of the study, sample selection and data collection.
- Chapter 3: Summarizes findings about the social enterprises in Lebanon along the components of the framework for success based on interviews conducted.
- Chapter 4: Analyzes the status of Lebanese social enterprises today and proposes recommendations for achieving success in the future.
- Chapter 5: Summarizes key findings, identifies critiques of the research, and pinpoints areas of further study.

CHAPTER II

LITTERATURE REVIEW

A. Social Entrepreneurship Defined

Literature on social entrepreneurship currently suffers from a bifurcation of rhetoric around its definition, objectives and purpose.

Social Entrepreneurship is a broad term that does not have a widely accepted precise definition. In practice, it is used to describe everything from revolutionary leaders in third world countries who are not at all involved in business to first world businessmen and women who start a socially responsible business in their home country. Thus Mahatma Gandhi and Ben Cohen of Ben and Jerry's could be thrown into the same category (Foryt, 2002, p.1).

This poses some danger in that those trying to live up to the level of success tied to its definition, may become jaded by its breadth. "Social entrepreneurship is an appealing construct precisely because it holds such high promise. If that promise is not fulfilled because too many 'non-entrepreneurial' efforts are included in the definition, then social entrepreneurship will fall into disrepute, and the kernel of true social entrepreneurship will be lost" (Martin and Osberg, 2007, p.1). Therefore, the case for a more precise definition prevails. Much of the literature today is in agreement that the social enterprise is an organization that works towards the creation of innovative systems and processes that "catalyze social transformation" (Alvord, Brown, and Letts, 2002, p.4). Social entrepreneurs can thus be classified as not only individuals who can apply their "business and management skills to achieve social ends" but also as "transformative forces: people with new ideas to address major problems who are relentless in the pursuit of their visions" (Bornstein, 2007, p.1). It is important here to note that the use of the word social in this project, when used in the context of the impact created by the social enterprise, is synonymous with social and environmental

impact.

A richer definition of social entrepreneurship can better be attained if one examines the fundamental taxonomy of the word entrepreneur given first by French Economist Jean Baptiste Say, and developed further by Joseph Schumpeter (Dees, 1998, p.1). According to Say (1800), “the entrepreneur shifts economic resources out of an area of lower and into an area of higher productivity and greater yield.” “Entrepreneurs create value” (Dees, 1998, p.1). Schumpeter adds to this by defining entrepreneurs as the innovators who drive the “creative-destructive process of capitalism. In his words, “the function of entrepreneurs is to reform or revolutionize the pattern of production” (Dees, 1998, p.2). In an effort to define what is special about entrepreneurs, Peter Drucker starts with Say’s definition, but amplifies it to focus on opportunity. Drucker does not require entrepreneurs to cause change, but sees them as exploiting the opportunities that change (in technology, consumer preferences, social norms, etc.) creates. He says, “this defines entrepreneur and entrepreneurship—the entrepreneur always searches for change, responds to it, and exploits it as an opportunity” (Dees, 1998, p.26).

In adversity lies opportunity. The addition of the “social” element to entrepreneurship exploits the opportunity made available through societal adversity by catalyzing innovative processes that advance, and work towards eventually resolving, social, economic and environmental ills plaguing societies.

The development of SEVs (social entrepreneurial ventures) are largely a result of traditional market failures and underdeveloped public approaches to address some of the most pressing socio-environmental problems (Wei-Skillern et al., 2007). Hence, market failure, which is a problem for corporate enterprises, is an opportunity for social enterprises. (Trivedi and Stokols, 2011,p.9).

Social entrepreneurs can therefore be understood as change agents that innovatively mobilize resources in an effort to tackle societal issues, as opposed to those who merely act in accordance with market forces in pursuit of making a profit. “For social entrepreneurs, the social mission is explicit and central. This obviously affects how social entrepreneurs perceive and assess opportunities. Mission-related impact becomes the central criterion, not wealth creation” (Dees, 1998, p.2). These definitions explicitly avow to the primacy of the societal element in this type of business, however the enterprising orientation and objective, tied to profit, should not be overlooked. Social enterprises, similar to traditional firms, are considered “ viable trading organizations, making an operating surplus, [and] are directly involved in producing goods or providing services to a market” (Shaw, 2004, p.195). In sum, social enterprises are hybrid organizations taking on traits of both philanthropic enterprises, which attribute their success to the level of added “social and environmental” value. They are “...any business venture created for a social purpose – mitigating/reducing a social problem or a market failure – and to generate social value while operating with the financial discipline, innovation and determination of a private sector business” (Atler, 2010, p.12). Please see Figure 1 Below for a summary of the hybrid traits taken on by social enterprises.

	Purely Philanthropic	Hybrid	Purely Commercial
Motives	Appeal to Good Will	Mixed Motives	Appeal to self interest
Methods	Mission-driven	Balance mission and market	Market Driven
Goals	Social Value Creation	Social and economic value creation	Economic Value creation
Destination of Income/ Profit	Directed toward mission activities of non-profits	Reinvested in vision activities and /or retained for business growth and development	Distributed to shareholders and owners

Figure 1: *The Hybrid Organization (Atler, 2007, p.13)*

The traditional for-profit enterprise's main objective is value creation through wealth, and wealth alone and according to Alter, has four main objectives (Atler, 2007, p.13):

- 1) Interested in self-sustenance and self- improvement
- 2) Market-driven
- 3) Economic value creation is the primary goal
- 4) Profit are redistributed to shareholders and/or owners

Thus, the fundamental objectives differ between social and commercial enterprise, where the former prioritizes impact while balancing profits, and the latter focuses primarily on profit. What distinguishes social entrepreneurship is the primacy of social benefit, what Duke University professor Greg Dees in his seminal work on the field characterizes as the pursuit of “mission-related impact” (Atler, 2007, p.23). The *Hybrid Spectrum* introduced by Dees in 2003 and readapted later on by Atler in 2007, as presented in figure 2 below, depicts clearly this difference, along a continuum that ranges from social to economic value creation. The slightly leftward positioning of the social enterprise reflects the mission-related purpose driving the enterprise, accountability to stakeholders, and the orientation of distribution of profits. The line at the center of the continuum dividing the social enterprise from the socially responsible business is dubbed the “sustainability equilibrium” whereby the firm has found a balance between both economic sustainability and social sustainability.

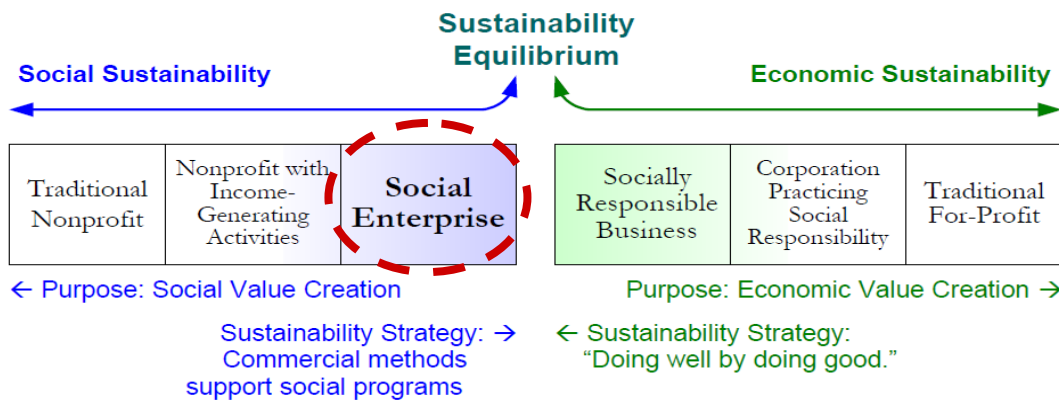


Figure 2: *The Hybrid Spectrum (adapted from Atler, 2007)*

As such, a social enterprise is one whose value proposition is focused on creating social impact (Martin and Osberg, 2007, p.35) but must also balance financial returns in their role as entrepreneurs. Given this balance, various types of hybrid organizations have also been classified in the literature (Atler, 2007, p.23), in relation to their profit motive (i.e., drive and focus to generate financial returns) and their mission motive (i.e. drive and focus on creating positive social impact for a specific cause or group of people), which remains the priority (Figure 2).

The first, the mission-centric organization, is driven primarily on motivation to achieve their social mission, with financial returns given a secondary role (e.g. NGOs and not-for profits). The second, the mission-related organization, also has its social mission as a primary concern, but attempts to balance this equally with their profit motive, whereby generated profits are “reinvested in mission activities or operational expenses, and/or retained for business growth and development, and in the case of for-profits, may redistribute a portion (e.g. for-profit ventures within NGOs, or for-profit Social Venture)” (Reis, 1999, p.18). The third, the mission-unrelated enterprise, is the furthest from the definition of a social enterprise since it prioritizes its profit motive over the mission-related focus of social impact (e.g. socially responsible business).

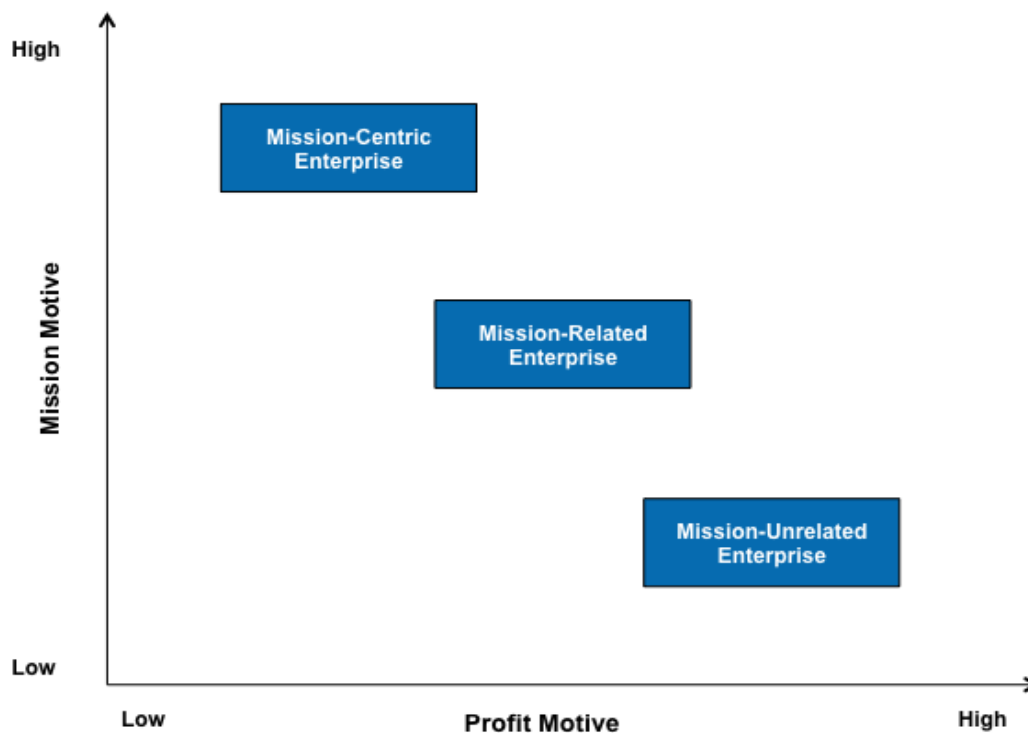


Figure 3: Social Enterprise Typologies based on Mission Vs. Profit (readapted from Adler, 2007, p.22)

For the sake of this project, the definition of social enterprise will take on a form that combines both the market-driven and self-sustenance nature of the commercial enterprise, with an emphasis on positive social impact, as defined by the mission-related social enterprise graphically represented and circled in Figure 2, and re-emphasized in Figure 3. This is often times dubbed the “*social purpose business venture*” (Hockerts, 2006, p.2) or the for-profit social enterprise. By combining a social purpose with the for-profit mindset these initiatives provide an effective means to cater to largely unsatisfied social needs (Mair and Schoen, 2005, p.1). Such models are specifically relevant to emerging country contexts where the traditional social sector activities are often seen as inefficient, ineffective and unresponsive (Dees, 2001, p.1). In practice for-profit social enterprises present the opportunity to make tangible socio-

environmental change without having to rely on grants or donations, while raising capital and paying reasonable salaries if it so chooses to. While some may argue against the use of shareholder funds for social development (Friedman, 1970), cases of successful social enterprises that are merging mission and money today are shedding light on various models that balance the two successfully, and by doing so impact great change in their environments.

B. Ascendancy of Social Enterprise

Business, by virtue of its definition, is a platform for the sale of products and services created by and sold to society (Drucker, 1979). It is the basis for the livelihood of societies and the means by which societies become more efficient and competitive. “Corporations are human-made organisms, associations of human beings” (Renesch, 2006). Furthermore, it is commonly argued, “that by its very nature a business needs to serve the interests of society” (Trivedi and Stokols, 2011, p.2). Businesses thus must derive their ultimate justification not solely from economic objectives, but from the moral objectives they pursue for their communities. Tying this palpable concept to the works of Thomas Hobbes, John Locke and Jean-Jacques Rousseau, on the notion of the social contract that society must live by to maintain order, emphasizes the nature of business as a social entity whereby the mutual preservation of all stakeholders is key to stability and strength. “The lives of individuals in the state of nature were ‘solitary, poor, nasty, brutish and short’, a state in which self-interest and the absence of rights and contracts prevented the 'social', or society” (Hobbes, 1651). Thus, translated to business, self-interest, defined as a sole concern for profit, lends to neither a secure nor a sustainable business model. “...having one solitary purpose and responsibility, to

grow only in economic terms, is such an extreme view that implosions like what happened to Enron, WorldCom and other corporate collapses will become more and more commonplace, if financial ends become the sole purpose for enterprise existence” (Renesch, 2006). Anu Aga, ex-chairperson of Thermax Limited, famously said, "We survive by breathing but we can't say we live to breathe. Likewise, making money is very important for a business to survive, but money alone cannot be the reason for business to exist” (Khorakiwala and Srinivasan, 2011). Profit generation is an integral part of business and exists at the core of the survival and sustainability of a firm, and everyone who makes up the firm. Thus the concept of maximizing profit is social in nature, so long as it is not taken to excess.

When stockholders diversify their portfolios to spread their risk, they don't want to maximize profit in one of their companies if this implies to externalize costs to others of their shared companies. Consequently, investors want to maximize a social profit. On the other hand, when we consider long term, we have to take into account the surrounding society that supports business activity and therefore, the well-being of its environment (Carrasco, 2008, p.4).

Additionally, in the various works of Adam Smith, he emphasizes that self-interest in business will work for the well being of society if business is honest and ethical. Smith writes

...about the necessity of maintaining an ethical behavior in order to maximize long term growth in the *Lectures on Jurisprudence*. In these lectures, Smith presents the idea that ‘honesty is profitable’... if a salesman makes a considerable number of commercial deals, his goal is not to obtain the maximum benefit in each deal, but to obtain a maximum of the total deals. So, to lie or to cheat can make the number of future deals fall, diminishing the total benefit. Honorable behavior has a commercial logic Carrasco, 2008, p.5).

Even the greatest proponents of the profit-centric business, evokes the underlying social nature of business. Milton Friedman, Nobel Prize winning economist and champion of

the profit-maximizing commercial enterprise model emphasizes this point, stating that "there is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud" (Friedman, 1970). Contemporary business theory can and should continue to make money, but can only thrive in the long term, if they remain true to their fundamental role as a facilitator in society for all of its stakeholders, and not that of which creates wealth only for those at the top. Ethical business, free of fraudulent and corrupt behavior is the first step in the direction towards creating long-term, sustainable enterprises that will continue to serve their purpose in society. According to Carroll's Pyramid, economic and legal responsibilities are mandatory, while ethical behavior is socially expected of business. Carroll goes on to say that these three dimensions should be coupled by discretionary and total responsibility by the firm of the societal needs that surround it. This refers to the context of the firm, both in terms of the internal stakeholders, inclusive of the shareholders, employees, suppliers, and the customers, in addition to the external stakeholders - the community and the silent stakeholder; the environment (Jamali, Zanhour, and Kashishian, 2008, p.358).

All of this is reason enough to go beyond the exclusive ends of mere wealth creation and rather, to begin to explore, implement and execute ways in which total value creation can contribute to the development of the private sector; that of which has an impact on the needs of all stakeholders of the business (Jamali, Zanhour, Kashishian, 2008, p. 358). Studies of this stakeholder theory have proven that such an approach ultimately leads to greater firm performance (Jamali, Zanhour, and Kashishian, 2008, P.358). Porter and Kramer have taken the stakeholder approach one step further in

establishing the framework of creating shared value (CSV). “The concept of shared value, in contrast, recognizes that societal needs, not just conventional economic needs, define markets” (Porter and Kramer, 2011). Porter and Kramer also underscore the concept that addressing social harms by the firm will lead to greater efficiencies and firm performance in the long run.

Given the background on the definitions and taxonomy of business, it becomes clear that the concept of the social enterprise is intrinsic to business, and while it may be new to the literature and to the rhetoric of business, it is very much tied to its nascence. By its very nature, a business needs to serve the interests of society and in this way ethics is implied in business; businesses receive their ultimate justification not from economic objectives, but from the moral objectives they pursue (Urban, 2010, p.117).

In today’s global context, a social approach to business is quickly becoming the status quo in the world of commercial enterprises. This approach is the way forward, and businesses must follow such trends both to sustain themselves and to remain competitive in the long-term. As Philip Kotler states in *The Organization of the Future*, “...one sustainable basis for differentiation is the company's civic character.” Companies without a strong civic character will not be able to effectively compete in the long run with companies that are socially active (Kotler, 1997). In a study forecasting the future of the social enterprise, published in 2005, a timely and proven projection highlighted that “there are three things that will almost certainly have taken place: an increase in using social issues in advertising, an increase in the concern of this issue from the public, and social activism and responsibility being endorsed by the government” (Propeck, 2005, p 87). In looking back, we can most certainly assert that

Propeck's forecast has taken tangible form since its inception. Advertising has taken on a much greater role in communicating the social work done by corporations. The public is becoming increasingly more aware and active in the promotion of social needs highlighted through the revolutionary movements that have sprouted globally. Governments are endorsing the implementation of social work via tax-breaks, mandating CSR in the corporate environment among the rise of public-private partnerships that are quickly becoming a new form of best business practice in many parts of both the developed and developing world. In his work, Propeck also proposed a 10-year projection for the path of business:

- * Majority of firms will utilize some type of social activism
- * Majority of financial information about private firms will be made public
- * Social issues will be used as part of firm's basic differentiation strategy

We see the development of the above projections already largely becoming status quo in the private sector. Most, if not all, multinational corporations have integrated an element of social/environmental impact into their business practice, in order to differentiate and stay competitive, among other motivations (Jamali, 2010, p.183). As a result of the global financial recession in 2008, transparency in reporting regulations of financials via increased attention to corporate governance have come into fruition, requesting the availability and publication of several additional financial reports in an effort to foster greater ethical reporting among the large firms.

The global financial crisis precipitated dwindling confidence in corporations whose focus on profit put us all at risk...Companies concerned with environmental issues, the welfare of their employees, and customers are "less likely to suffer regulatory action or class-action ... I think you're dealing with a savvier group of managers (Stankorb, 2012).

Furthermore, "it seems clear that one of the outcomes of this crisis is that people will increasingly favor companies not just for their financial prowess, but for creating

good products, good jobs, and social benefit” (Skoll, 2009, p.3). Based on the materialization of Propeck’s projections and the implications thereof, it becomes clear that the path for social enterprise as an appropriate business model becomes increasingly relevant to our time.

The relevance of and need for social entrepreneurship is further evidenced by the social and environmental degradation that is having an exponentially adverse affect on an international scale. In the most recent UN Human Development Report released in November of 2011, it is stated that “environmental deterioration threatens to reverse recent progress in human development for the world’s poorest,” and in an effort to provide solutions for this, states that “Investments that improve equity – in access, for example, to renewable energy, water and sanitation, and reproductive health care – could advance both sustainability and human development.” In another Skoll Foundation report, it is mentioned that “If we don’t act quickly enough as a planet to get ahead of these urgent threats, we are going to face humanitarian disasters the likes of which we’ve never seen before” (Skoll, 2009, p.4).

In 2000, at the time of the ascendancy of the UN Millennium Development Goals, the global socio-economic environment was looking quite grim. 10 years later, we are dealing with many of the same issues relating to poverty, unemployment, and environmental deterioration, all of which are intensified by the pace of the population boom. “The world today is one of “terrible contradictions,” said Mr. Ban Ki Moon, Secretary General of the UN noting that there is plenty of food but 1 billion people go hungry; lavish lifestyles for a few, but poverty for too many others; huge advances in medicine while mothers die everyday in childbirth; and billions spent on weapons to kill people instead of keeping them safe...” (Speech by Ban Ki Moon, 2011). If this gap in

the distribution of wealth and resources is not addressed, global economic growth will experience major setbacks, which will lead to a circle of detrimental effects.

“Unsatisfied basic human needs are a crucial hurdle to economic development, as social and economic development reinforce and are dependent on each other” (Seelos and Mair, 2005, p.15). The global context therefore calls for new, innovative measures to address the deterioration of humanity, as the current status quo is not cutting it.

Moreover, the advancement of communication and information exchange has lent to full transparency of the social ills that plague our communities, and our earth. Active supports for and against different social, environmental, political and economic causes now have access to platforms of mass communication at extreme speed, scale and scope.

Via the Internet, fax, and World Wide Web, along with traditional modes of mobilization, a diverse group of protesters that includes labor and civil rights activists, environmentalists and feminists, evangelicals and gun owners, the young and the old, progressives and conservatives, are using their collective, often global, power to withhold support from businesses deemed immoral or, conversely, use their purchasing power to support a cause. Conservative Christians, for example, have launched a series of boycotts against companies, including Disney, Microsoft, and, most recently, Procter and Gamble, whose policies they deem immoral and supportive of a homosexual lifestyle (Glickman, 2005).

This increased level of awareness has resulted in a greater responsibility and accountability of business owners to begin integrating social missions into their entrepreneurial ventures in order to tackle the pressing issues. “There are less and less boundaries between people, and that includes people in need and other people who are in a position to do something about that need” (Stankorb, 2012). This transparency has also resulted in increased demands and ultimatums that society is holding both governments and corporations accountable for. “American boycotters have highlighted

the ways in which the act of purchasing a good connects the shopper to the business that manufactures it, to the laborer who makes it, to the ecosystem which is impacted by its production (and use), and to the nation in which the product was made” (Glickman, 2005). The proliferation of such ideals in society has thus changed the face of business, whereby corporations not only realize the need to change behavior for their own bottom lines, but have also woken up to their own moral values which are publically at question. Corporations who do not act in line with these pressures to address societal/environmental needs, will suffer the wrath of the vocal, activist proponents who can easily damage the image of the firms and their brands via mass reaching social media communication channels.

Each of these changes has been paralleled by a large and unprecedented increase in the number of not-for-profit organizations. We have seen

An explosion in non-governmental organizations (NGO) worldwide that are dedicated to seeking new solutions to our oldest problems. In Russia, we’ve gone from virtually no NGOs eight years ago to more than 400,000 today. In China, there are more than 280,000 registered, and twice that number not registered. In India, the number is over half a million. And in the United States, there are more than one million, more than half of which were started this decade (Osberg, 2009, p.7).

There is clearly an increasing interest in the need for making social, environmental and economic change that benefits society in creative ways. This trend crosses the boundaries of the not-for-profit sector. “The world’s top business schools have launched programs and research centers dedicated to social entrepreneurship. Social entrepreneurs have been central players at the Clinton Global Initiative and the World Economic Forum. They’ve won Nobel Peace Prizes. They’ve been recognized as MacArthur “Geniuses.” They’re advising heads of state and U.S. presidential candidates” (Osberg, 2009, p.7). Furthermore, “in 2006, a search for “social

entrepreneur” returned 12,400 hits. In 2007, the same search got more than 100,000 hits. By the end of 2008: 7,500,000 hits” (Osberg, 2009, p.7). Today, a Google search for the words “social entrepreneur” generates 143,000,000 hits.

C. Social Enterprise: Why Lebanon

Social entrepreneurs contribute to an economy by providing an alternative business model for firms to trade commercially in an environmentally and socially sustainable way, and also provide an alternative delivery system for public services such as health, education, housing and community support (Urban, 2010, p.3). Lebanon is a country that is struggling with social, economic, political and environmental concerns that significantly thwart economic development and growth. More specifically, the country deals with acute poverty, rampant unemployment, human rights/corruption challenges, environmental degradation, political unrest, and gender inequality, among other pressing concerns; all of which play a critical role in preventing social and economic development (UNDP, 2011). Coupled with these concerns is diminished trust in the government to impact change, due to its highly corrupt nature and inability to cater to the needs of its majority constituency. According to the Failed State Index in 2011, Lebanon ranks 5th in the MENA and 43rd on a list of 177 states, ahead of Syria and Egypt, on an indicator where the lower the rank of the country, the worse off it is. “Common characteristics of a *failing state* include a central government so weak or ineffective that it has little practical control over much of its territory; non-provision of public services; widespread corruption and criminality; refugees and involuntary movement of populations; and sharp economic decline (Foreign Policy, 2011). Today, Lebanon remains at a poor ranking in the Failed States Index, “meaning that the country is experiencing significant pressures in multiple aspects of the social, economic and/or

political make-up of the state” (Messner, 2011). Lebanon also scores a 2.5 out of 10 on the Transparency International Corruption Perception Index, classifying it at one of the lowest countries in terms of how corrupt the public sector is perceived to be (Corruption Perceptions Index, 2011). Corruption literature has found a significant negative correlation between corruption and growth, specifically in emerging economies (Mauro, 1995, p.6); highlighting the significance that even a slight improvement in corruption in Lebanon can have on economic development. These circumstances represent a clear and imminent opportunity for actionable solutions.

Local drivers for solutions that tackle the Lebanese social ills via social entrepreneurship have recently been summarized to include: a private sector that is highly profit-driven in light of the financial crisis and intense competition; a government sector that is challenged by corruption, fragmentation and limited resources; a civil society made up of NGO’s that lack the capacity, financially and organizationally to serve the local needs, especially in light of their dependence on international funding; an unsupportive ecosystem that fosters and incubates the social enterprise arena; extremely high unemployment levels, especially among the youth (SE 5 Social Enterprise Momentum Study, 2010, p.8).

There is clearly an opportunity for social enterprise in the adversity that is presented in Lebanon. Additionally, literature about entrepreneurship states

“Exemplary motives [for entrepreneurial ventures] include the need for independence, need for personal development and economic needs, in general, and the need to contribute to the public welfare, in the social entrepreneurship context. Thus, “motivation is the first building block in a multilevel model of social entrepreneurship” (Ruvio and Shoham, 2011, p.565).

It can be argued that in Lebanon, the need for independence is high, but capacity to be

on your own is difficult, especially among young adults (Rarrbo, 2005). As articulated throughout this paper, personal development and economic need are also high, specifically amongst the youth looking for opportunities in the country and the need for contribution to public welfare, considering the social context. The platform for social entrepreneurship exists and where it does not, the seeds for its development are plentiful.

If social enterprises in Lebanon are able to meet their objectives in terms of remaining financially sound and sustainable in their pursuit of tackling their mission, then social entrepreneurship can serve as a plausible solution for economic development in the country. While many factors contribute to the success of a firm, the consequent study will look into the internal elements of the local social enterprises to test their potential capacity to survive and thrive, and thus in serving as a solution for sustainable change.

D. Proposed Success Factors

The literature has established a set of success factors that are today widely accepted criteria in the evaluation of social enterprises. “Many social entrepreneurs find that lessons accumulated from the pioneers in the field are invaluable for future success, and consequently many prescriptions are offered (Urban, 2008, p.14). Sharir and Lerner (2006) contributed greatly to this dialogue in their framework developed upon the study of 33 Israeli-based social enterprises touching on all the pressing social concerns in the respective environment. The sample of enterprises came from the diverse ethnic subsets that make up Israeli society, including Israeli Arabs (2006, p.8)

According to the Sharir and Lerner (2006) study, success of social enterprises

was defined based on the following criteria:

- (1) The degree to which the social venture achieve its declared goals;
- (2) The ability of the venture to ensure program/service continuity and sustainability by acquiring the resources necessary to maintain current operations;
- and
- (3) The measure of resources available for the venture’s growth and development (Sharir and Lerner, 2006, p. 8).



Figure 4: Three elements of social enterprise success

This definition was created as a result of a compilation of research that has been done on the similarities of success factors between business ventures and social ventures, and tested for validity and reliability via case studies on social ventures (Sharir, 2006, p.8). It also mirrors the concept of creating shared value, whereby the firm’s objective of creating social impact is embedded into every function of the firm and is just as significant as that of the financial return, which allows for the self-sufficiency of the firm. Ultimately, this model drives even greater success, as depicted by Porter and Kramer in 2011. “If a company can improve societal conditions, it will often improve business conditions and thereby trigger positive feedback loops” (Porter and Kramer, 2011).

Thus, “real social entrepreneurship should be measured by its ability to create shared value, not just social benefit” (Porter and Kramer, 2011). Contemporary social entrepreneurship literature that is receiving wide acclaim in the field therefore supports the desired outcome criteria established by Sharir et al. (2006). Based on the three-pronged definition of success (Figure 4), eight determinants for the evaluation of success were found to be salient in the findings of the Sharir study, six of which proved to be sufficient and two, necessary, for success, which include:

The social network; total dedication; the capital base at the establishment stage; the acceptance of the idea of the venture in the public discourse; the venturing team; long-term cooperation; the ability of the service to stand the market test; previous managerial experience (Sharir and Lerner, 2006, p. 10).

These factors have been summarized in Figure 5 below, according to their type: necessary or sufficient:

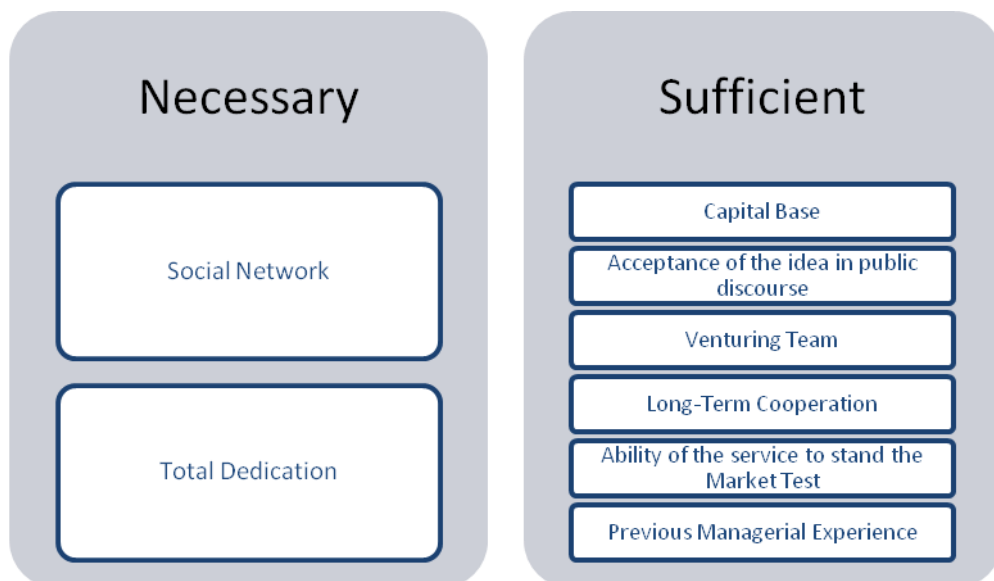


Figure 5: Sharir and Lerner (2006, p.10) – Factors for Social Enterprise Success

In 2010, Varun developed the Sharir and Lerner framework further by adding depth to certain factors and integrating additional success factors as per the literature of

more contemporary authors on the topic of social entrepreneurship, based on the same definition of social enterprise success (Table 1). This new model encompassed findings in relation to studies on success factors for SE's that span four different continents; the majority of which were conducted on social enterprises established in impoverished, developing countries, similar to the context studied in this research. In his framework, he introduced a classification to each of the factors based on social impact, implementation and survival, and growth/expansion and development and within this classification, added additional potential key determinants for success that have been underscored in the literature. His findings are summarized below:

Table 1: *Proposed 13 Factors that Explain Success in Social Ventures, as compiled from the literature (Varun, 2010,p.74)*

Social Impact	Implementation/Survival	Growth, Expansion and Development
1) Presence of a Demonstrated Need and Identifiable Group of Beneficiaries (Sharir et al., 2006)	1) Acceptance by the Community and Involvement of the Beneficiaries (Alvord et al, 2004, Hibbert, 2002)	1) Emphasis on Learning and Improvement (Alvord et al, 2002)
2) Measured and Defined Impact (Alvord et al, 2002)	2) Social Capital (Baron and Markman 2000, Alvord et al, 2002)	2) Long-term cooperation with other organizations (Sharir et al., 2006)
3) Large Number of Beneficiaries (Alvord et al, 2002)	3) Appropriate Level of Embeddedness (Mair and Marti, 2006)	3) Drive to Expand and Grow (Alvord et al, 2002)
	4) Sound Financials and Reliable Source of Funding (Alvord et al, 2002)	
	5) Dedication of the Leadership Team (Sharir et al., 2006)	
	6) Relevant Work Experience (Sharir et al., 2006)	
	7) Org. Structure with Well-Defined Responsibilities (Sharir, 2006)	

The above coined frameworks for success highlight many of the proven aspects of success for social enterprises; however the lists remain somewhat oversimplified.

Additional research on for-profit social enterprises underscores yet other factors of success that should also be included, based on the definition of the “total value creating” social enterprise defined throughout. The new framework (Presented below in Figure 6) attempts to include all the elements necessary in evaluating the processes and capabilities of the mission-related social enterprise in relation to the SE’s ultimate objective of sustainability, via balancing its social motive and profit motive. Embedded in the framework is also the imperative pillar of growth, which will measure the firm’s capacity to expand in the future.

	Sustainability		
	Social Value Creation	Economic Value Creation	Growth
Beneficiaries	<ul style="list-style-type: none"> ▪ Presence of a demonstrated need and identifiable group of beneficiaries ▪ Large Number of Beneficiaries 	<ul style="list-style-type: none"> ▪ Acceptance by the targeted community and the integral involvement of beneficiaries in the organization's work 	
Other Stakeholders	<ul style="list-style-type: none"> ▪ Social Capital and Social Competence 		<ul style="list-style-type: none"> ▪ Long Term Partnerships
Leadership	<ul style="list-style-type: none"> ▪ Core Values ▪ Clarity of Purpose 	<ul style="list-style-type: none"> ▪ Dedication and Passion ▪ Relevant Work Experience 	<ul style="list-style-type: none"> ▪ Drive to Grow
Strategy	<ul style="list-style-type: none"> ▪ Measured and Defined Impact 	<ul style="list-style-type: none"> ▪ Core Values ▪ Clarity of Purpose 	<ul style="list-style-type: none"> ▪ Innovation
Operations	<ul style="list-style-type: none"> ▪ Institutionalization 	<ul style="list-style-type: none"> ▪ Inherent Business Capacity ▪ Defined Organization and Roles and Responsibilities ▪ Financial Management 	<ul style="list-style-type: none"> ▪ Emphasis on Learning and Growth

Figure 6: SE Success Factors Framework: Total Value Creation

In the updated framework, success of the social enterprise is categorized within three comprehensive classifications, similar to those of Varun (2010) classification (Table 1). Moreover, these classifications are also in line with the Dees and Andersen definition of a social enterprise described in the literature, as focusing on balancing social and economic value creation (2003, p.5). The three classifications are 1) Social

Value Creation, 2) Economic Value Creation and 3) Growth, all of which make up the desired outcomes of the purpose driven social enterprise in its pursuit of self-sufficiency or sustainability. The components within this structure include those aforementioned in the frameworks of Sharir (2006) and Varun (2010), though have been updated with additional success factors highlighted in the literature relevant to for-profit social enterprises discussed in this project. The structural components, which differentiate the three classifications - beneficiaries, stakeholders, leadership, strategy and operations - contextualize the success factors along the strategic priorities of a firm. While the components have been structured according to the 3-pillar classification, it is important to note that there are mutually reinforcing relationships between the three, where in social value creation fuels economic value creation and vice versa (Porter and Kramer, 2011, Friedman, 1970). Also, long-term thinking and plans for growth and development increase chances of success of a social enterprise, which is intrinsically tied to the increased potential of total economic and social value creation.

Firstly, the success of a social enterprise is highly dependent on its stakeholders (Freeman, 1984). The framework above addresses the stakeholders in various capacities. The top section, characterized by the beneficiaries and stakeholders, primarily focuses on the significance of enhancing the firm's relationships with the community, the environment, shareholders, stakeholders, customers, and suppliers. In a study on success factors of 40 social enterprises in South America, it was found that "three managerial components served a primary function of creating organizational coherence with the core social purpose: leadership, strategy, and organizational culture" (Austin, Guitierrez, Ogliastri and Reficco, 2006, p.6). Furthermore, this same study suggested that "Smart practices in five core managerial areas were vital to implement

the social enterprise strategy effectively: organizational structure and processes, human resources, financing, governance, and performance measurement (Austin et al, 2006, p.6). This, the second section in the defined framework is defined by leadership, strategy and operations, emphasizes the need of the social enterprise to optimize the processes and systems internal to the firm, in light of all of the objectives of all stakeholders, so as to ensure total value creation and growth.

The success factors that have been added fall within the internal functions of the firm. They also cover all three outcomes. Firstly, institutionalization is now included, which falls within the objective of social value creation, referring to how closely the organization is ensuring social impact at all levels of business operations value chain (i.e., from procurement to marketing) (Dees and Anderson, 2003, p.2). Clarity of purpose (Borschee, 1998, p.7) and core values (Borschee, 1998, p.8, Collins and Porris, 1996), have also been added as integral elements to financial value creation, with the benefits of these factors spilling over to social value creation and growth of the SE. Due to the link of core values and clarity of purpose to the leader in the case of SME's (Jamali, Zanhour, and Kashishian, 2008, p.358), the component has been included along the leadership dimension as to allude to the equally significant role it plays in creating economic value creation. Lastly, "level of embeddedness," of the leadership, defined as the legitimacy and credibility of the leader in the given community is the only factor that has been removed from the Varun Framework, and has been replaced with "level of activism." This new component adds greater meaning and depth to the notion of leader "embeddedness," crystallizing it into a solid component that is inextricably linked to SE success.

E. Success Factors in Focus

In this section, each success factor in the established sustainability-based framework is discussed in detail, based on the dimension (external vs. internal) of the business that is being addressed.

1. Social Value Creation

a. Presence of a Demonstrated Need and Identifiable Group of Beneficiaries

In terms of social value creation, the existing framework defines the presence of a large and identifiable group of beneficiaries as crucial to success. “Any valuable venture should “lead to the creation of a new area of activity” and “answer needs not addressed by the existing services” (Sharir et al, 2006, p.8). “For social entrepreneurs... recognized social needs, market failure and repeated unsuccessful attempts by the government to address socio-environmental problems are reasons enough to pursue the social goal” (Austin, Stevenson and Wei- Skillern, 2006, p.7), circumstances largely present in the developing country contexts particular to this study.

Translated to the thinking of the traditional enterprise, this can essentially be paralleled to the fundamental idea of a market that needs a product or service. If there is no need, there is no market and thus no reason for the social enterprise to exist; the larger the market, the greater the opportunity for success. In the case of some for-profit social enterprises the beneficiaries are two-dimensional; the customer/client and those benefiting from the social/environmental purpose. “The majority of ventures that succeeded had directly or indirectly identified clienteles and acquired a core of customers able to independently choose and invest in the product or service” (Sharir and Lerner, 2006, p.15). In some instances, specifically in social enterprises focusing on the “bottom of the pyramid,” the customer and the beneficiary of the service are one and the

same. “Often termed 'social entrepreneurship', the most innovative models are inclusive: they do not leave out the poor, and they combine social and economic value creation (Seelos and Mair 2005, p.242).

b. Large Number of Beneficiaries

Successful social enterprises have been found to impact change on a large scale. A comparative analysis of several social entrepreneurship cases widely considered to be successful found that most of them have an impact on more than 10,000 individuals and many reach more than 1,000,000 (Alvord et al, 2002, p.19). The ability to introduce such large-scale changes is linked to the notion of having a presence of a demonstrated and identifiable need. If the market exists for the business, then the potential of a large number of beneficiaries becomes viable.

c. Defined and Measured Impact

“While measuring social impact will always be a challenge, a social purpose venture should do its best to develop meaningful and credible measures” (Dees and Anderson, 2003, p.16). Defining the social impact desired by the firms is directly linked to the purpose of the firm. In social enterprises, success is gauged according to the tripe bottom line: Profits, People and Planet, wherein stakeholders will evaluate the firm based on social and financial return on investment. “The concept of the double bottom line views profit as having financial and social components; it achieves measurable results in both areas by harnessing innovation, people, and resources to develop an enterprise that is self-sustaining, makes money, and solves a social problem (Kerr, 2008, p.633). SE’s must therefore have a solid idea of what impact it wants to achieve and determine ways it will measure that desired impact to drive sustainability. “Highly effective social enterprises learn from their experiences, and feed their

strategies with the lessons learned. A managerially oriented system of performance measurement contributes to superior performance in social enterprises” (Austin, Guitierrez, Ogliastris and Reficco, 2006, p.8). Thus, measuring social impact is also beneficial to the firm’s performance. It serves as a tool that effectively evaluates what the firm is doing right and what it can improve (Dees et al, 2003, p.16). Measurement of social value plays a role in enhancing the firm’s reputation, in the eyes of all stakeholders, cultivating brand image on the outside, and increasing morale motivation from the inside (Rupp, Ganapathi, Aguilera and Williams, 2006).



Figure 7: Benefits Measuring Social Impact

d. Institutionalization

The role of the leadership and management is also largely reflected in relation to whether the social purpose has been integrated into the entire value chain of the business. Institutionalized core values lead to greater social value creation as a result of ensuring that all the operations of the business are held accountable to the fundamental principles of the firm itself. In the case of the purpose driven social enterprise, everything a firm does is thus held to the value based standards that represent the firm, where in the profit motive is not the only guiding principle upon which the business is audited. Thus, the more the firm is able to integrate the social purpose into every aspect

of the value chain the greater the social returns (Dees and Andersen, 2003, p.2). The capacity of the social enterprise to act on its core values creates a ripple of benefit outward into the society, which expands the impact much further than ad-hoc initiatives focused on one group of stakeholders.

Additionally, social enterprises are likely to face resistance and distrust from the society at large, because of their hybrid nature (Borschee, 1998, p.7, Dees and Andersen, 2003, p.20). Institutionalizing the purpose and values of the firm into the various components of the value chain will allay some critics. “For-profit social ventures may head off some resistance by operating transparently, communicating effectively, avoiding excess, and acting as good corporate citizens” (Dees et al, 2003, p.20). Needless to say, “to succeed in institutionalization, it is crucial for social venture objectives to be aligned with private companies’ business strategies” (Austin et al, 2006, p.38). This will in turn, simultaneously generate the requisite economic value creation.

2. Economic Value Creation

The social outcome, the mission and purpose of the business, is the quintessential facet of evaluating social enterprise success, though the extent to which the impact is sustainable on a managerial, strategic, operational and financial level plays an equally important role. “The “social” point of view needs to consider not only the output but also the sustainability of the entire process” (Darby and Jenkins, 2006). Key performance indicators in a social business should thus measure the resources needed for the functioning of the business, the outputs in terms of the products or services issued in pursuit of the social purpose (quantitative accounting measure), outcomes in

terms of the social impact on the targeted purpose, and impact, which is the effect on the greater community (Bagnoli et al, 2009, p.149).

a. Acceptance by the targeted community and the integral involvement of beneficiaries in the organization's work

To begin with, acceptance by the targeted community and the integral involvement of beneficiaries in the organization's work has proven to greatly enhance the long term performance of the majority of scaled social enterprises studied in the literature. "A lack of acceptance will, for obvious reasons, prevent a venture from sustaining a presence in the community" (Sharir, 2006, p.13). Furthermore,

Blumer (1971) argues that the societal definition of social problems determines their life cycle, how they are approached, and what is done about them. He adds that understanding the processes by which a society comes to see, define and handle a social problem is extremely important since the social problem is always the focal point for the operation of divergent and conflicting interests, intentions and objectives (Trivedi and Stokols, 2011, p.14)

Integration of the community is imperative to garnering greater support from the community and expanding the social value creation. To gain community approval, mobilizing the existing resources and skills of the people in need becomes imperative (Alvord et al, 2002, p.4). This is further emphasized in the Mair and Schoen case study on three successful social enterprises in different developing country contexts. They found that "successful social entrepreneurial organizations integrate their target group into the social value network at an early stage (Mair and Schoen, 2007, p.9).

Acceptance by the targeted community is also defined as "offering a good product" or service that adds value to the consumer or the beneficiary (Scotland Case Study, 2010), covering the base for economic value creation. This ties back to the

“market test” mentioned by Sharir et al, and the capacity of the social entrepreneur to create a product or service that is needed/demanded using the capital available to him. “Putting social ventures to the market test is to a large degree a condition for the creation of a sustainable base” (Sharir et al, 2006, p.8). Borschee (1998) further emphasizes the importance of a customer focus, stating that social entrepreneurs should “start with the people [they] are serving, find out what [these people] need, then build those products and services, (1998, p.9). In any business, this is the ultimate form of acceptance that firms should strive to achieve, wherein the market is “pulling” them in, as opposed to the firm having to “push” the product or service outward to the market.

b. Social Capital and Social Competence

The ability to develop a network of relationships is a hallmark of visionary social entrepreneurs, which is tied to the level of credibility of the leadership team (Trivedi and Stokols, 2011, p.13). The social capital of the firm, defined as the capacity of the entrepreneurs network to aid in the mobilization of the necessary resources for launching the business, and the capability of the entrepreneur to leverage such network (Sharir et al, 2006, p.11), weighs heavily on the economic sustainability of the firm. The need for resources at start-up phase and the proper allocation thereof is further highlighted in a study on success factors of for-profit social enterprises in developing countries demonstrating that “procurement of strategic resources is integrated into the business model at an early stage” (Mair and Schoen, 2006, p.9). The social capital incorporated in the entrepreneur’s social network is in itself one of the venture’s most important resources, and serves to supplement the venture’s human capital (Baron and Markman, 2000).

Social capital will help entrepreneurs access the necessary individuals, but moreover, it is their social competence, or their ability to interact, that will determine their success (Baron and Markman, 2000). This is largely tied to credibility of the owner. Additional case studies emphasize the importance of social value networks and partnerships in the process of creating the desired value for the targeted group (Alvord et al, 2002, p.13). In the case of seven largely successful social enterprises, Alvord, Brown and Letts found that “In most of these cases, the social entrepreneurs as individuals or groups had backgrounds and experiences that enabled them to build effective links with very diverse actors...The two initiatives whose leadership had less success in bridging diverse stakeholders had more difficulty in expanding the impacts of the initiative” (Alvord et al, 2002, p.13). Each single part in the social value network plays a specific role in the creation of social value for the target group” (Mair and Schoen, 2007, p.9-10).

c. Clarity of Purpose

“It almost goes without saying, but for-profit social entrepreneurs must be clear and open about their missions, including both social and economic objectives” (Dees and Anderson, 2003, p.14). Vagueness in the driving purpose of the social enterprise, its reason for its existence, can be detrimental. As discussed by Borschee 1998, often times, mission-driven organizations try to do too much for too many people, and the level of impact gets diluted because the resources get spread too thin.

We see people in pain, we start a program. We see somebody else in pain, we start another program. Soon we're overwhelmed, and most nonprofit executives will admit that they're trying to do too many things for too many people. They're searching desperately for a way to focus, to identify their most effective and needed programs...(Borschee, 1998, p.3).

A clear and defined purpose in a social enterprise is necessary because it will ensure that the business remains subject to achieve its desired outcomes without veering off track and inefficiently utilizing its resources. Also, A clear mission that is communicated effectively helps screen prospective investors, employees, and customers, forming an implicit contract with them and encouraging positive self-selection. It also helps guide key strategic decisions” (Dees et al, 2003, p.14).

Considering the significance of the mission and purpose, all founding members should be involved in its inception (Jamali, Zanhour, and Kashishian, 2008, p.358), and manifested into the mission and vision of the firm so as to ensure consistent and compelling articulation of the firms purpose, specifically in light of critics (and there will be critics) (Borschee, 1998, p.7).

d. Dedication, Passion and Relevant Work Experience

Total dedication “derives from the resolve, determination and belief of the entrepreneurs in the importance and necessity of the notion they wish to realize” (Sharir et al, 2006, p.13). This determination and dedication of the social entrepreneur to realize his social purpose is integral to the success of the social venture. Passion is an intrinsic part of the success of any entrepreneurial undertaking, and the demarcation of that passion is largely manifested on the mission, vision and purpose of the venture.

Dedication and passion for the business and its purpose drive the necessary commitment and courage needed by the entrepreneur to endure the risks and challenges faced by the social entrepreneur (Borschee, 1998). “Ashoka, an organization that supports leading social enterprises believes that “the most powerful force in the world is a pattern-changing big idea - if it is in the hands of an entrepreneur of equivalent ambition Drayton, 2002; Davis, 2002, p.14).” In their journey to find and recruit the most

successful social entrepreneurs, they “hunt for these types of people who were obsessed with realizing their vision. This need makes the entrepreneurs persist for years and decades...despite the resistance of myriad inertial forces that would frustrate others” (Drayton, 2002; Davis, 2002, p.14). Successful SE’s have also been characterized by the leadership’s dedication over the long-term. “The leadership of most of these initiatives exhibited impressive longevity. Five of the seven were led by their founders for 25 years or more, and even Six-S and Plan Puebla had the same leadership teams for 10 years of more” (Alvord, et al, 2002, p.13).

Given that the research in this project is done on small to medium sized enterprises, those of which make up over 95% of the Lebanese economy (OECD report, 2009), a large focus is placed on leadership and their role in the success of the SE. “Business characteristics in SMEs are very closely linked to the owner personality. As an additional consequence, leadership is often seen as a CSF (critical success factor)” (Anica, 2011). “In many cases, SME success factors are very closely linked to the owner, mainly due to the small scale nature of the business, the lack of several layers of management and the amount of influence the owner has on all aspects of the business. Along these lines, previous relevant work experience of the owner has also proven to contribute the success of an SME, social in nature, or not (Bosma, 2006, p.4).

e. Core Values

The clear mission-driven purpose of the social enterprise should be complemented with core values that define the culture and strategic direction of the firm. “Companies that enjoy enduring success have core values and a core purpose that remain fixed (Collins and Porris, 1996). “Core values are the essential and enduring

tenets of an organization. A small set of timeless guiding principles, core values require no external justification; they have intrinsic value and importance to those inside the organization” (Collins and Porris, 1996). This definition suggests that social enterprises must identify their own core values based on the ultimate objectives of achieving their respective social impact as well as on realizing financial returns, as these are the underlying guiding principles intrinsic to those within social enterprise.

These identified core values safeguard the firm in staying loyal and accountable to what they stand for, particularly during challenging periods, whereby making decisions that are not aligned with the purpose of the firm become very tempting (Borschee, 1998). Thus, these “four or five core values,” that merge mission and money, “[should be] clearly articulated, institutionalized, and constantly reinforced” (Borschee, 1998, p.8). An outcome of strong and integrated core values is a strong brand image that legitimizes the work of the SE in the eyes of its stakeholders. “Over the long haul, it can be very helpful to develop a brand reputation that signals serious commitment to both social impact and business discipline. As a venture grows, the brand serves as the carrier of the venture’s reputation, representing a track record as well as a set of demonstrated values” (Dees and Andersen, 2003, p.21). Core values have thus proven to play an integral role in success of an SE venture.

f. Inherent Business Capacity: Operational and Financial

The “inherent business capacity” of the social enterprise is its capacity to manage the operational responsibilities that are fundamental to its survival and sustainability. A social enterprise must function in a similar manner to a for-profit enterprise when it comes to its operations, if it desires economic sustainability (Dees et al, 2003). This is the notion that the management of the SE must possess all the required

skills to successfully run the business. That means its management and personnel know how to source its product or service, how to add value to it in a way that its customers will pay for, how to sell and market it profitably, and how to recruit, train and motivate quality employees. (Social Capital Partners report, 2011). Here, the significance of internal processes and systems that drive operations, such as the HR, marketing, and financial functions of the SE come into play. For example, in terms of HR, employees in the SE must be hired based on their passion for the purpose of the venture and their belief in the social good it creates.” While attracting or building the necessary skills is critical, values should drive personnel decisions as much or more than skills (Dees at al., 2003, p.19). In the case that this is not possible, the firm must work to “indoctrinate” the employees along the lines of the SE’s mission (Austin et al., 2006, p. 31). Appropriate compensation, training and performance appraisal processes are also as important as selection, and should not be overlooked. Such a value-based proposition can also be translated to marketing. SE’s should target customers who have similar values. In cases where competition exists, customers who would otherwise be drawn to one product will choose that of the social enterprise, because of the shared values (Dees at al, 2003, p.15).

Sound financials, stable revenue generation and performance measurement are necessary for a venture with a vision of sustainability. “It is important to measure efficiency and profitability to verify entrepreneurship as a basic component of assessing overall effectiveness” (Bagnoli and Megali, 2011, p.150). A strong financial standing allows the social venture to continue performing effectively in the name of its double or triple bottom line. “Unlike other nonprofit voluntary organizations or foundations, SEs are—first and foremost—enterprises, and therefore their social goals are to be pursued

only by respecting economic and financial efficiency (Bagnoli et al., 2009, p.151). Using the impact measurement system defined above, the role of sound financials comes back to center stage – A social venture has to manage its inputs efficiently in order to continue to produce its outputs so as to be able to create outcomes and impact. In line with this is the significance also of transparent financial reporting. Critics to social enterprises can serve as barriers to success; therefore reporting with integrity and clarity is one critical step that SE's must implement while pursuing success.

This highlights the traits that for-profit social ventures must embody for financial sustainability similar to those of the success of any entrepreneurial venture. It is this sound operations and revenue structure that allows for firm to continue performing towards its purpose driven objectives.

g. Organized Structure with Well-Defined Responsibilities

Lastly, an organized structure with well-defined responsibilities allows for the implementation of streamlined and efficient processes, which give way to scale and growth, contributing further to the sustainability of the firm (Varun, 2010, p.60). In the case of the small-scale enterprises studied, the role of each individual and their defined responsibility is of greater significance than the extent of the structure in the firm. Given the limited number of resources, explicitly stated roles ensure that each person is achieving the tasks required of them to the best of their ability and as efficiently as possible, while not getting bogged down with other details that may compromise the quality of their given role. This does prove difficult in smaller organizations, however if the firm is able to achieve this kind of order, greater efficiencies and effectiveness will be realized, resulting in greater economic value creation.

3. *Growth, Expansion and Development*

The capacity to expand and develop the social enterprise is possible in 3 primary ways: 1) to function as a learning organization that breeds innovation within the firm 2) to maintain long-term strategic partnerships, and 3) to have the determination or ability to broaden the impact of the social venture by expanding the projected scope of the organization.

a. Emphasis on Learning, Growth and Innovation

A learning organization today is defined as a key indicator for success in developing human capital, a critical source of growth and improvement in the performance of any firm. According to Senge (1990), father to the concept of the learning organization, it is a place "...where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning to see the whole together" (Senge, 1990). Individual learning by staff and partners is clearly important if the initiative is going to improve its performance on complex projects (Alvord et al, 2002, p.11). Also, in the case of the nascent field of social enterprise characterized by constant dynamism and change, such an organization is crucial as it allows for the evolution of both the social and financial bottom line, via adaptive, flexible and productive stakeholders at all levels of the value chain. In addition to this, the mere necessity to meet two and three bottom lines is a very difficult task, and when a social enterprise succeeds in creating outcomes and profits, fierce competition arises. For this reason constant innovation and flexibility are necessary to keep the social enterprise ahead of the curve.

b. Long-term cooperation with other organizations

Long-term cooperation with all relevant stakeholders has also been defined as key to social enterprise success, especially in their nascent and growth stages where resources are less readily available and accessible. Strategic collaboration with nonprofits may help for-profit social ventures ensure profitability without sacrificing social performance...”by allowing a social venture to better serve its economic and social goals by ensuring the provision of complementary activities by organizations that are better positioned to subsidize these activities through philanthropic support” (Dees and Andersen, 2003, p.22). In Alvord et al’s multi-case study on SE’s in emerging countries, they “ rated the leadership “high” when leaders of the SE could understand and work effectively with all the stakeholders that are central to the organization’s strategy; In most of these cases, the social entrepreneurs as individuals or groups had backgrounds and experiences that enabled them to build effective links with very diverse actors (Alvord et al, 2002, p.13). This ability to work together is coupled with a long-term vision of constancy by the leader.

c. Drive to Grow

A vision to grow and expand is linked to the passion and dedication of the social entrepreneur, which further contributes to the development of the firm. Such drives the motivation to continue finding innovative solutions that perfect the model until it is replicable to create wide-spreading impact. The social entrepreneur, according to Drayton “places significant emphasis on the idea itself and asks: “Is the new idea, once demonstrated in one place, sufficiently new, practical, and attractive for practitioners in the field to want to copy it? ... And, assuming that it does spread, how big and beneficial will its impact be” (Drayton, 2002). The aspiration for growth is often

embedded within the relentless pursuit of the entrepreneur to tackle the social issue, which gets engrained within the preliminary stages of the start-up, and gets carried out through the longevity of the SE. “The leadership of most of these initiatives exhibited impressive longevity. Five of the seven were led by their founders for 25 years or more, and even Six-S and Plan Puebla had the same leadership teams for 10 years of more” (Alvord, et al, 2007, p.147).

This framework, as a whole, represents a comprehensive picture of the various factors that play a role in achieving the objectives of the for profit social enterprise, defined in terms of social impact, sustainability, and expansion of the business. It is important to note here that in studying each component individually, a connection between the various components and their development emerges. The individual components, if put into practice are often mutually reinforcing. For example, in the case of passion and dedication of the leader, we see that such drives the expansion for breadth and depth of impact (Drayton, 2002). Similarly, the acceptance of the social enterprise within the targeted community is linked to the presence and significance of the need and to the financial sustainability of the firm. The greater the need (demand) by the targeted community, the more accessible is the supply (acceptance and integration) of addressing the need, and the greater the likelihood of securing the necessary revenues to sustain the business. You must begin with a set of core values that represent the purpose of the firm, which must be clear, and based on this set in motion a strategy that institutionalizes these core values. While these three elements fall under the pillar of social impact, they have been proven to prolong the longevity of a firm, as evidenced in the description of each of the success factors above. Also, an emphasis on learning and improvement has been proven to work in cases of well-defined and decentralized

organizational structures (Senge, 1990).

It cannot be concluded that these are the only factors of success for all social enterprises, but research and case studies have proven that these factors do contribute to meeting the social ventures desired outcomes of long-term social and financial sustainability. For this reason, this paper goes on to analyze a sample of Lebanese social enterprises based on this established set of criteria. Through the findings, several opportunities of improvement in the Lebanese context became evident. Additionally, extrapolative insights for social enterprises in comparable geo-political settings surfaced. In the following sections these findings will be revealed and discussed, followed by recommendations for the development and evolution of the social enterprise sector in Lebanon, so as to serve its purpose as one solution to the much-needed socio-economic and environmental change in the country. Extrapolative insights for the region will also be highlighted.

CHAPTER III

RESEARCH METHODOLOGY

The purpose of the empirical study below is to gain an understanding of the level of success amongst Lebanese social enterprises, in order to determine what can be done further to develop the current Lebanese social enterprise context. The study is exploratory in nature. The objectives of the research, in sum, are to:

1. Gain an understanding of the present business context of social enterprises in Lebanon based on the benchmark outlined above and the level of impact being created In Lebanon.
2. Assess the extent to which Lebanese social enterprises are achieving “success” and expose the areas of weakness and of strength towards optimizing the social enterprise arena in Lebanon.
3. Develop a sophisticated model of social entrepreneurship that sprouting businesses can use to set strategic priorities that are aligned with the pursuit of mutual benefit for the enterprise itself and the society within which it resides.

A. Design

The empirical component included interviews with the founders of a sample of six of the most prominent for-profit social enterprises in Lebanon (see Table 3 for details of each SE), upon receipt of IRB exemption. According to one of the only published studies on social enterprises in Lebanon, conducted by SE 5, Arc En Ciel, and other local Lebanese institutions, “there are social entrepreneurs across the country, but until recently, they did not identify themselves as such. There is currently no legal framework to categorize social enterprises, which means that social entrepreneurs are treated as any commercial business” (Doumit, 2012). Due to this, an exact number or

estimate of the number of social enterprises in Lebanon remains unknown, and difficult to measure. What we know is that a group of social enterprises have received exposure as part of the recent momentum. Among these, few make up the for-profit enterprises studied in this research. Interviews with each of these firms will consist of a series of 15 questions relating to the elements of success measured, each of which has been detailed in the success framework described above (See Table 4 for full questionnaire).

Interviews conducted averaged one hour in length and followed an unstructured discussion format guided by the questionnaire presented below. Interviews were recorded and transcribed. Each interviewee provided informed consent and follow-up was conducted as required to fill any gaps in the information, based on consent of the interviewee.

Once the findings were collected, they were analyzed in comparison to the established framework in an effort to highlight the differences and similarities. Each interview was tape-recorded with the approval of the interviewee, transcribed after each meeting and evaluated accordingly. The process of content analysis was done manually, whereby the recordings were heard, transcribed then reread for the purpose of picking up on patterns and trends among the six interviews. Once this was done, the content was categorized into information based on the components of the success factors framework per social enterprise. This categorization was consequently assessed in an attempt to understand the similarities and differences between the various SE's, as well as their status in terms of their own success relative to the framework. In this process nuances were observed given the additional conversation that took place during the unstructured interviews, which gave way to further insights that have also been noted throughout the project.

B. Sample

The 6 social enterprises identified for this study are among the most prominent in the country, receiving acclaim for their social venture initiatives and being recognized as role models for aspiring social entrepreneurs in Lebanon and the region. The sample is thus homogeneous in that each is a social enterprise in Lebanon in accordance with the definition that has been provided, whereby each prioritizes their mission and motive, but strives to generate revenue stability and creation in pursuit of sustainability as a firm. It is heterogeneous in terms of the different industries each firm represents, including agriculture, services, real estate, and commerce, those of which make up the largest portion of the GDP in the country. The mission motives behind the businesses also touch on the majority of the burdens inhibiting the economic development of the country: unemployment, poverty, gender discrimination and women disempowerment, the absence of facilities for the underprivileged (disabled), environmental deterioration (Formulation of a Strategy for Social Development in Lebanon, 2005), and an underdeveloped industrial and rural sector (Overcoming the Debt Trap in Lebanon, 2007). Therefore, even though the sample is small in nature, it is an accurate representation for what is needed to meet the objectives of this project.

C. Protocol

I began research with in-depth analysis of the available secondary data, including leading journals, books, referenced articles, government publications and reports from development organizations along with business cases developed by academic and private sector institutions (i.e., global consulting firms), relevant to the subject matter. A large portion of the research relied on secondary data, for information

specific to the definition of social entrepreneurship, success factors for the assessment framework, and issues facing Lebanon today.

Based on the information extrapolated from the secondary research, a framework of success factors were consolidated and verified against the literature and were in turn used to create the structure of the questionnaire used for the primary research data collection design described above. The culmination of this information, evaluated via content analysis, alongside publically available secondary research on the data, was consolidated into a findings section that has been presented below. Each interview was based on a questionnaire (see appendix 1) created to complement the successful social enterprise benchmark defined above.

The succeeding portion of the paper is an analysis of the subsequent findings gained through the empirical records. An analysis/recommendation section will follow, addressing the potential of the development of the Lebanese system via social entrepreneurship. Conclusions and recommendations about needed refinements; adjustments and implications for SE in Lebanon will follow.

Table 3: Profile of Social Enterprises Interviewed

	SE 1	SE 2	SE 3/ SE 3a	SE 4	SE 5	SE 6
Founded	1992	2006	2004	2008	2009	2000
Employees	36 full time employees	4 in house and 7 outsourced	Unsure	5 full time employees	12 full time employees/ partners	14 full time employees; 150 prisoners
Social Issue	Environmental issues related to waste management and rehabilitation of industrial land	Unemployment of the disabled and impoverished and restoring traditional heritage	Unemployment, environment and rural development	Environment, Construction and Green initiatives Ecological sustainability	Political reform	Unemployment, women empowerment, social inclusion, Lebanese heritage
Service Offering	Waste treatment, recycling plants, support for organic farming, and industrial land rehabilitation	Design and production of furniture made from restored artifacts	Developing organically and locally made food and capacity building for farmers	Advising clients on how to find innovative ways to help clients lower their ecological impact of construction/ infrastructure	Management consulting services and advocacy	Manufacturing in fashion (accessories, bags, shoes, clothing, etc.)
Beneficiaries	Government, municipalities and communities	Disabled and the poor	Small, local farmers and unemployed females from rural areas	Society as a whole through green initiatives	Public sector entities Society at large	Female prisoners and ex-convicts and their families
History	Based on the passion and past experience of the founder, in industrial engineering of waste management and mega-landfill and recycling plants	Began as a commercial business out of a passion for rapid extinction of traditional architecture	Began as an NGO focused on reviving small famers and developed into restaurant and packaged food line	Began as a consulting company in UK and recently expanded to the Middle East	Offshoot of a commercial management consulting firm working across the region	A research project by the founder brought light social issues; the founder tied past experience in fashion with ability to improve lives of prisoners
Future Plans	Expand use of waste management technology and innovative ways of upcycling (i.e., waste art, furniture out of recycled waste, eco-parks)	Replicate the model beyond Lebanon	Expand into various markets in Lebanon and the region (i.e., Qatar, UAE)	Increase interaction with and awareness among businesses about their services and positive impact	Expand in the MENA region	Expand into international market and develop new product lines

Table 4: Questionnaire

Pillar	Success factor	Questions
Social	Presence of a demonstrated need and identifiable group of beneficiaries	- Is there a demonstrated need for the work your organization is doing? How do you improve society?
	Large Number of Beneficiaries	- Is there a core group of consumers/beneficiaries that is targeted by your organization? If so, could you describe the group?
	Defined and Measured Impact	<ul style="list-style-type: none"> - Can you briefly describe the work of the organization and the associated goals and impact on the community? What is the nature and type of impact the organization has? (in other words, Can you tell me the story of the impact you have had and want to have) - How do you measure the impact? What are ways that you can measure impact?
	Institutionalization	<ul style="list-style-type: none"> - To what extent do you reflect and communicate the purpose and story of your business to your stakeholders? - What character traits do you look for in employees? - Who are the suppliers you work with, and why?
Economic	Acceptance by the targeted community of the organization's work	- Could you describe the extent of the organization's presence in the local communities? Are you openly appreciated in the community? Does the organization have ties to the community?
	Integral involvement of beneficiaries in the organization's work	- Are local individuals directly involved in the work of the organization? If so, how?
	Dedication, Passion and Relevant Work Experience	<ul style="list-style-type: none"> - Why did you base your business around this cause? How tied are you to it? What about it inspires you? - What kinds of sacrifices did you take to start this business? - What is your past work experience? Relevant Work Experience? - At the initial stages, how would you describe the leadership team's commitment to the project?
	Social Capital and Social Competence	<ul style="list-style-type: none"> - Can you describe the social network of the founders of the organization at its initial stage? - How large of a role did this play in the development of the organization? - Were there certain individuals or connections that proved to be vital?

	Core Values	<ul style="list-style-type: none"> - What do you consider to be the main values permeating the culture of the business? - Which ones do you consider specifically related to your purpose?
	Clarity of Purpose	<ul style="list-style-type: none"> - How do you define the purpose of the business?
	Inherent Business Capacity: Operational and Financial	<ul style="list-style-type: none"> - How do you secure your revenue? - Are you profitable? - How are your customers responding to your product
	Organized Structure and Well-Defined Roles	<ul style="list-style-type: none"> - What does your organizational structure look like? Elaborate on individual roles?
Growth	Emphasis on Learning, Growth and Innovation	<ul style="list-style-type: none"> - How is learning and improvement emphasized within your organization, in terms of individuals and the organization as a whole?
	Long-term cooperation with other organizations	<ul style="list-style-type: none"> - Can you describe the nature of any relationships you have with other organizations? Have you found these relationships to be valuable?
	Drive to grow	<ul style="list-style-type: none"> - How has the organization expanded? What areas of the organization do you focus on for expansion?

CHAPTER IV

RESEARCH FINDINGS

The determination to strike the balance between social and economic value creation was highly evident in the interviews that were conducted. Each of the social enterprises interviewed agreed that social value creation was the purpose that drove their respective venture, though financial value creation was a necessity to maintain the sustainability of the business in the long term. To begin with, SE 2, at the beginning of the interview stated with passion, “we as a social enterprise are really a hybrid organization between a for-profit and a non-profit organization. What counts the most is the impact, but the funds need to be coming from a commercial base to maximize that impact.” In the case of SE 1, the founder emphasized a similar sentiment, “the social enterprise must make sure that the social, purpose-driven, business model generates income so that it can sustain the sustainability of the social impact. In the end, the social model has to live by itself.” SE 3 founder further emphasizes with fervor and assertiveness, the need for the “for-benefit enterprise, whereby financial, social and environmental ends are all viewed as equally important factors contributing to the bottom line of the business. The founder of SE 6 began the business purely as a social vocation, and despite her success, stated in 2011 that she “intends to remain loyal to the women who got [her] this far and true to [her] ideals.”

Striking this balance though, while noble in theory, has proven to be a difficult task to execute in practice. When comparing to the success factor framework defined above, Lebanese social enterprises do align with some of the components that have been identified in the literature, though there is ample opportunity to engage and support social entrepreneurs in their pursuit of merging mission and money into one successful

enterprise. The findings highlight some parallels and shortcomings between the Lebanese social enterprise context and that of the benchmark.

A. Social Value Creation

1. Presence of a demonstrated need and identifiable group of beneficiaries

The literature on Lebanon's socio-environmental state proves it to be fertile ground for improved economic development. The Lebanese social enterprises interviewed have seized the opportunities available through the adversity in Lebanon and are tackling issues that are highly pressing to Lebanese society, including environment (e.g. SE 1, SE 3 and SE 4) the disempowerment of women (e.g. SE 6, SE 3), the disabled (e.g. SE 2), as well as civil society governance and political reform (e.g. SE 5). Unemployment is covered by all SE's, either directly towards employing the impoverished, such as SE 6, SE 2 and SE 3, or indirectly via creating general job opportunities for the Lebanese such as SE 5, SE 4, and SE 1. Each of the interviewed SE's have identified a pressing need that the neither the government nor the third sector have been able to address and are using their expertise and capacity as a private sector firm to alleviate the problem.

Three of the six SE's interviewed, SE 6, SE 2 and SE 3, are consumer product based firms, selling mid-high end luxury goods to a target market with high disposable income. SE 2 and SE 6 have a larger female clientele while SE 3 adheres to both, men and women, All three of the SE's appeal to the educated, stylish, cultured societies, with high disposable income, embodying the Lebanese mid-upper class. (To see the product offerings of each, please see Company Profiles in Appendix A). SE 6 "estimates that 10% of their sales are to teenagers from well-to-do families, 70% of the sales are to women between 25 and 49 years old; and 20% are for the more mature

women over 50 who may buy a Collectible for themselves or other products to give away as gifts. For example, the wife of a former Prime Minister of Lebanon purchased dozens of bags that she took on her travels to give away as gifts representing Lebanon” (The high-end market makes up about 10% of the Lebanese population reflecting a market that exists for these types of consumer goods” (Dimechkie and Hakim, 2010).

At SE 1, the recycling and composting service being provided addressed a fundamental problem that to date had no solution – waste mismanagement in Lebanon. At that time, Lebanese municipalities were in dire need of a solution to the mounting tons of waste that infiltrated their streets and environment, and SE 1 came in with a solution that would allow them to alleviate this problem. According to the founder of SE 1, “where we intervened, there was a huge problem. The municipalities were running out of space and they needed to do something about all the garbage... They are happy because we are taking care of a major problem. In Beirut now, we are taking care of the slaughterhouse waste.”

In the case of SE 5, the owners stated that their existence was created out of the explicit need to reform political systems in a manner that would materialize into actionable change. One founding partner stated, “After 15 years as an activist, and of demanding change, we got nothing. SE 5 was born out of the idea that in order to enact change we would have to move away from the side of demanding change and go to the supply side, where we would be the ones creating the change.” This is an issue most activists face and in the case of the 14 founding partners of SE 5 presented an opportunity to capitalize on the change and create an innovative business model that would address this identifiably pressing need.

2. Large Number of Beneficiaries

Given the identifiable need that exists for each of the socio-environmental issues being tackled in the country, the potential to impact a large number of beneficiaries for each of the social enterprises exists. Though, at the moment, given the SME nature of each of the firms, the resources available to have large-scale impact on the recipients of the social need are nominal, and therefore prohibitive. For example, SE 2, which has four full-time employees, works with seven disabled individuals, through which they support directly. When possible they also help the families of their staff. As mentioned by the founder “our impact is quantitatively low, but qualitatively high.”

While difficult to precisely measure, SE 6, SE 3, SE 1, SE 4 and SE 5 also reflect some transparency in number of beneficiaries to date. In terms of SE 6, the number of the employed prisoners and ex-convicts reaches up to 150, and drops depending on the seasonality and stability of sales (Dimechkie and Hakim, 2010).

In the case of SE 3, the number of beneficiaries is increasing over time. “SE 3 increased the number of producers from 10 individual producers to over 70 in 2011, impacting around 300 direct beneficiaries who work with the producers (Ghadban and Kylander, 2011). This type of growth of impact on beneficiaries for SE 3 is promising, especially considering the acute lack of opportunity for agriculturalists in the rural sectors of Lebanon (National Agricultural Study Lebanon, 2005). In the case of SE 1 and SE 4, no specific number of beneficiaries was determined, though society at large benefits from the environmental advantages provided. Those living within the domain of the green buildings build based on the consulting advice of SE 4 will receive the greatest benefits. SE 1’s most prominent recipients are those living in the municipalities that have handed over their waste management responsibility over to SE 1. At the

moment, seven municipalities have done so, which benefit from the composting of five to ten tons of waste everyday, depending on the amount of waste they produce.

“Outside the Beirut area, 5 and 10 tons per day of waste is generated by a community of 10,000 and 20,000 inhabitants respectively” (company website).

3. *Defined and Measured Impact*

The level of systematic measurement of impact among the majority of the enterprises, was virtually non-existent. SE 2 was the only SE who presented a highly systematic process of measuring their impact, providing key performance indicators for each type of impact they create. (See Figure 8 for details).

IMPACT AREA	Description
EMPLOYEES	
COMPENSATION BENEFITS	100% paid above market rates
% WHO RECEIVED TAILORED SOCIAL PROGRAM	100% in 2011
% TRAINED IN NEW SKILL ACQUISITION	100%, 6 month minimum training
WORK ENVIRONMENT	Flexible hours: allows mothers to look after their kids. Garden.
DIVERSITY REPRESENTATION	IN HOUSE: 2 religious groups, 2 Ethnic groups OUTSOURCED: main Lebanese sects represented
CONSUMERS	
BENEFICIAL PRODUCT	Aesthetics, History and usefulness (Lighting!)
PROMOTION OF UNDERSTANDING	Arabic Literacy program taught by US volunteer. Improved perception of Lebanese among western customers
CULTURAL HERITAGE	Active exposure to Lebanese heritage in the West Inform locals to richness of their own heritage. Collaboration with preservation organization
COMMUNITY	
# of NGO ACTIVE JOINT INITIATIVES	4
% OF LOCAL RAW MATERIALS SUPPLIERS	75%
ENVIRONMENT	
MANUFACTURING FACILITIES	Main materials all recycled, Natural pigments used in restoration process, reuse of fabric leftovers with prison inmates, migration from Polyesterene filling use to shredded paper
ENERGY USE	Assessment planned Salvage use not new creation: quantified impact TBD
ACCOUNTABILITY	
TRANSPARENCY/REPORTING	Use of advanced accounting system for up to date reporting
GOVERNANCE	Advisory board planned

Figure 8: SE 2 Impact Measurement

SE 3 also presented the use of some key performance indicators that measure the impact on their producers, one of their main beneficiary groups. The founder stated, “we directly measure the impact on our producers, based on their sales, the growth of their sales and as of the total percentage of what we are generating from income from their sales.” However, measurement indicators of impact in other beneficiaries and stakeholders, such as the female cooks and the environment have not yet been instated.

SE 6 does not have a process by which she measures the improvement in the livelihood of the prisoners as a result of the work that they have done. Success stories and anecdotes from the employed prisoners play a role in providing a qualitative understanding of the impact; however no quantifiable process has been put in place to keep track of the progress. The founder of SE 1 is also in the same category, in that no systematic measurement tool is used to routinely highlight the improvement and contribution to the economy on a regular basis, despite their institutionalized zero-waste policy. While estimates are calculated based on how much waste is being recycled, the equivalent benefit this has on the environment in terms of reduced pollution, and on society in terms of improved air quality, or other related indicators have yet to be established.

The SE 5 team did express that they do have a balance scorecard upon which they measure their performance in which indicators for sustainability, impact, profit, motive, participation of beneficiaries and responsiveness of society have been included, each of which are assessed bi-yearly, though specific indicators were not described in detail during the interview. According to the founder of SE 5, “we are measuring but not as much as we should be. It is in the plans for later, but it takes so much time, and resources, which we do not have at the moment.” In the interview with SE 4, the founder suggested “since we are not compensated monetarily for the environmental impact, we are not yet measuring its relevance.” It becomes evident from these findings, that both SE 5 and SE 4, measuring performance indicators relative to economic value creation is given greater consideration. SE 5 speaks about direct measurement of performance based on profit, while SE 4 prioritizes their monetary compensation over their social impact.

Direct vs. Indirect Impact

Though measuring impact is not yet solidified between the SE's, the findings also revealed that among the social enterprises that were interviewed, a difference existed in the types of social impact they generated. Four out of six, (e.g. SE 6, SE 2, SE 1, and SE 3) can be categorized as companies who generate *direct* social impact, wherein their core service offerings directly lead to social or environmental impact on their beneficiaries.

For example, in the case of SE 6, a beneficiary is benefited for every product that is manufactured and sold. Thus one way of measuring the impact on each beneficiary is per unit item produced and sold. For every item that is produced at SE 6, certain benefits are realized in the form of built capacities, confidence, and monetary advantages, among others. Such logic can be followed to explain the types of impact generated by SE 1, SE 2, and SE 3.

SE 4 and SE 5 are both providers of consulting services wherein social impact is *indirect*. The initial beneficiary is the government, in the case of SE 5. In the case of SE 4, the first beneficiary is the construction company. Both beneficiary groups are receiving a social value-creating consulting report. However, the benefit to society is realized at the time when the social value-creating consultation is actually implemented by the client, and not when the service is offered. As we will see in the next section however is that the level of institutionalization of social purpose and core values into the operations and daily lives of all relevant stakeholders of the business begins to blur the line between direct and indirect impact.

4. Institutionalization

Each of the firms that were interviewed reflected a level of integration of mission and core values into their value chain. A prime example of this is SE 3. The owner mentioned several interesting points during the conversation that reflected his commitment to integrating the purpose into every aspect of the business. Among the first notions mentioned in the meeting, was “in everything we do, we must be making a positive contribution, in every single aspect of the value chain. We must always choose the least harmful option possible in everything that we do as a business.” SE 3 sources the majority of the food from their organic farmers for SE 3a and empowers marginalized women from the villages to come cook at the restaurant so as to help the women sustain their livelihoods. They have a non-smoking policy in the restaurant, “that is understood by [their] clientele, without even having to put up signs.” The furniture in the restaurant is made out of eco-friendly material that has been recycled and the set-up of the restaurant is created to promote a comfortable community atmosphere characterized by “elegant simplicity” (Ghadban and Kylander, 2011, p.8). It is quite evident that in the case of SE 3, living the core values through the various levels of the value chain was a natural progression of their business model.

In a conversation with the founder of SE 2 about selection and recruitment of employees, he mentioned that there is a deliberate attempt to diversify backgrounds and religions to create a platform of coexistence in the workplace. Also, in terms of suppliers, though difficult, SE 2 makes a conscious effort to work with the local suppliers, as opposed to taking the work outside of Lebanon, where quality of the work has generally been much better. They also source all of their materials from demolished homes, while the fabrics used are vintage pieces that would otherwise go to waste. This

is all done in a concerted effort to restore whatever possible. In one scenario for example, SE 2 stopped working with one supplier when they found out that he was promoting the demolition of old Lebanese homes, an act that goes against the core value and mission of SE 2.

In terms of SE 1, institutionalization of the environmental purpose was evident in the way that the owner described the business, which he himself actually refused to call a “business.” In response to a question about the longevity of the business, he responded, “I have never been in a “business,” this is what’s great, I am doing all of this because I am totally convinced and I am totally in love with it, and I have been doing it like this for 19 years.” What many would consider his livelihood was to him, a lifestyle. Moreover, in speaking about production, the owner stated, “we do everything with the absolute least pollution possible. We use sustainable raw materials when we produce anything. In the case of eco-boards, we will soon stop using electricity, and we will generate our own form of power via biomass, which is created out of green waste.” His mission to ensure zero waste and not engage in “shady deals” is engrained in minds of all of his stakeholders. “I make sure everyone is well aware of the values we represent. I hammer the message day in day out to employees/customers/partners of SE 1.”

In the case of SE 6, institutionalization in operational aspects of the business was slightly less evident. More specifically, raw materials are sourced without much attention to their origin. The extent to which the details of the core values are engrained in the relationships with suppliers was not clear, nor expressed in detail. However, until today, it is clear that decisions to expand the business have been hindered by the fear of diminishing the social need in the process of scaling the business. “I know that my print line sells well and it costs less to make, but if I scale that, I only need machines. Yes,

my costs decrease, but I will take away from the work of the prisoners. I do not want to compromise their benefits in light of expanding the profits of the business.” In this case, institutionalization requires some fine tuning.

In relating back to the differences between direct and indirect impact aforementioned in the prior section, it becomes clear that the greater the institutionalization, the greater the social value creation on a greater number of beneficiaries over and above the initial group whom the business is directing their services too. SE 3’s primary beneficiaries are the small farmers who sell their organic products at the farmers market, and the woman who are hired to cook and sell at SE 3a. The direct benefits of the firm go directly to them. However, the various steps that SE 3 takes at different levels of the value chain, such as the non-smoking policy and the eco friendly furniture used in the restaurant lent to social value creation for the society at large, over and above they added value to the farmers and women for whom the business was built. SE 4, on the other hand, who generates indirect impact on society via green building consulting, has expressed a direct effort in taking environmentally friendly behaviors within their office to ensure that they live by the company values. This tangible effort implies that direct impact can be generated on the ground, despite the indirect nature of the impact generated by the services provided by the business.

B. Economic Value Creation

1. Acceptance by the targeted community and the integral involvement of beneficiaries in the organization’s work

While it has been proven that the presence of a large and identifiable need for solutions to social problems exist in Lebanon, the implementation and the idea itself has

to be accepted in the community in order to be successful. In the case of each of these ventures, there are at least two divergent communities that must be considered, the consumers and the beneficiaries of the social cause being tackled by the mission driven social venture. In the case of SE 6, SE 2, SE 4 and SE 3, the “acceptance” of the work in the community is twofold, manifested in both the reaction of the clientele to the product and those who have been hired, in an effort to address the cause, to produce the product. For example, in SE 6, the success of the venture is dependent upon whether the inmates are accepting of the work they are given, as well as if the group of women targeted as consumers of the products are compelled to purchase the product.

According to one of the prisoners at SE 6,

At first, I had no interest but I tried the beeding and it helped me forget I was in prison which is a ‘cemetery for the living’- closed in within four walls with no light and nothing to allow you to feel that you’re alive. [The founder’s] enthusiasm was contagious and the work she gave us provided meaning to our lives and helped make us independent... She pushed me to become more than I was... (Dimechkie and Hakim, 2012, p.3).

The customer’s at SE 6 are also highly involved in the cause and the product. The increase in sales over time is one indicator of this. Also, “According to Marianna, SE 6 sales manager: Clients love our designs because they are hip and trendy, and because they like supporting the cause behind them” (Dimechkie and Hakim, 2012, p.15). The media has also given SE 6 good press coverage, which has further stimulated acceptance of the cause. “The press highlighted the fact that our bags are a link between the most advantaged and the most disadvantaged segments of society in a way they reflect Lebanon’s extremes” (Dimechkie and Hakim, 2012, p.14). It is significant here to note that customers do purchase the product for its “fun, trendy and stylish design” (Dimechkie and Hakim, 2012, p.15). It is appealing to the target market for those

reasons and thus also represents a driving force explaining customer's behavior.

Sarah's staff is not necessarily trained to present the story of the inmates; rather the sales staff is oriented towards pursuing the client to make the purchase. "My retail staff will tell the story behind the cause if someone asks. They already receive a card with each purchase that communicates the specifics."

At SE 3, the willingness of farmers and producers to pay the \$25 fee and take part in the farmers market away from their hometowns every weekend is one indicator of their acceptance of, and need for, the concept by the beneficiaries. Customers, on the other hand, at SE 3, are a loyal and engaged community who appreciate the social and environmental progress embodied by SE 3. For example, in the interview with the founder of SE 3, he mentions "Look around, there is not a single non-smoking sign in the restaurant, though in Lebanon everyone can smoke anywhere. In Europe, where smoking is banned, they put signs up to prohibit smoking. At SE 3, it is simply embedded in the culture and our customers just know." Also, upon visiting SE 3 several times over the course of this project, many of the same faces are seen, all of which are part of the lives of the founders and follow the movement with determination. There is also a strong emphasis on quality; customers will receive a good product that they want to come back for.

SE 5's role as political reformists, via the provision of consulting services, has been timely both to Lebanon and the region. Both society and various governments in the region today are seeking their support. "The governments in transition need us," said one founding partner of SE 5. "With the uprising of the Arab Spring, we are in the right place at the right time." Another founder added that "in the Gulf and Levant regions, they are looking for management consultancies with highly personalized

services from people who are well aware of the region and its priorities, something that large multinational agencies do not always provide... They like us because of our indigenous efforts, and because we usually come in and fill the gaps of the high-level strategic work offered by the likes of the large consulting firms.” The regional and local platform that SE 5 provides is a critical driver of their success when it comes to acceptance by the markets they seek to transform.

SE 2’s beneficiaries are mainly the disabled individuals, those of whom are lacking employment support from other sectors and are in need of jobs and livelihoods. In terms of the customers of SE 2, the majority is international. The local Lebanese market is not as interested in the product as per the interview with the founders of SE 2. According to them, the Lebanese don’t like “rusty stuff,” in describing the disconnect between the local market and SE 2. Here acceptance from the part of the beneficiaries is high, though customers are not as responsive.

The case at SE 1 is slightly different. Though support from the municipalities of Lebanon, his first clients, was positive, it was mainly due to the fact that he was performing a much-needed service of managing the mounting waste, predominantly in the areas outside of the capital city of Beirut, where a privatized waste management company was doing a majority of this kind of work. The level of acceptance by the customer was therefore driven by the need for a fundamental solution to a big problem. It was not the social cause that drove the acceptance. This was also reflected in the products sold by SE 1, such as the fertilizers and eco-boards, where the price point was a greater determining factor in the ultimate buying behavior of the customers. Clients are not yet very aware of, or interested in, the added social value of their products, but more so on price point. The founder of SE 1 explicitly stated, “people do not care about the

fact my product is made out of recycled goods, they only care about the \$15 differential, they will cut down trees, it does not matter to them.” Similarly, the founder of SE 4 stated, “the demand for this type of work is low. We have tried to approach many businesses for procedures on corporate environmental policies that reduce environmental impact within businesses... and the response was very weak for this, we only got 1 project. We need a lot more awareness in the country, awareness and will.”

Overall, these findings reveal that acceptance is relatively high for the majority of the firms for various reasons (social cause, price point, convenience, need), while few are facing barriers in this regard, mainly due to the lack of awareness and openness by their beneficiaries of the significant long-term paybacks that such firms can provide.

2. Social Capital and Social Competence

Social capital played a role in the initiation of the majority of the social enterprises, including SE 6, SE 2, SE 1, SE 4 and SE 5. In the case of SE 6, SE 2, and SE 1, close relationships with NGO’s at the outset of the venture initiated the launch and set the first few projects in motion. SE 2 founder mentioned, “If it was not for Arc En Ciel, we would not have had access to the team who would create our first orders.” SE 6 Founder, who said, “through Dar al Amal I have access to the prisons, and that is the only way I can work with and help these women”, shared this same sentiment. SE 1 got their first five composting jobs through affiliation with NGO’s with environmental missions. The circumstances of the other enterprises were similar at the outset, though their links were to other private organizations. SE 5, for example, began as an offshoot of a profit-driven commercial management-consulting firm. Resources were mobilized to begin SE 5, through this affiliation, and the networks of the 14 partners who came

together to launch the social business. SE 4 is part of a larger holding company based in the UK, which provided the capital and resources necessary to launch the Beirut office.

In the case of SE 3, the capital generated out of SE 3a, their for-profit venture, was key to mobilizing the necessary finances and resources to sustain SE 3 as a whole. “At SE 3a, a fixed price of \$25 per meal and short hours of operations had helped SE 3 earn near \$615,000 in sales in 2009-2010. After operational expenses were subtracted, SE 3 achieved \$106,500 in profit in its first fourteen months, which was reinvested towards SE 3 development projects (Ghadban and Kylander, 2011). However, it was also the partnerships available through SE 3 itself that forged the path for SE 3a’s success. Firstly, the customer base of SE 3 became avid customers to SE 3a upon the launch, which initiated sales, beginning from the inception of the venture. Additionally, “Most of the produce and ingredients used at the SE 3a were purchased directly from SE 3 producers (Ghadban and Kylander, 2011).” This vertical integration allowed for more efficient processes that played a large role in the sustainability of the organization as a whole.

3. Dedication, Passion and Relevant Work Experience

Dedication and passion is off the charts across the board. Each business owner firmly believes in his/her mission, vision and business. “There was no financial determination for me. It was at the beginning, it was for me, the total falling in love with the concept of going against the trend of the mega landfill and to bring this on a communal level. I fell in love with the biochemistry of it that you can turn garbage into something that can be useful, in three days. I go everyday excited and anxious to try something new. I am part of this land, I am part of this area, and there is where I feel I make the most

impact and I want to do that,” said founder of SE 1. In the opinion of the founder of SE 3, “Social and environmental responsibility is not an option, it must be embedded in everything we do, in every step of the value chain, and that is how we run our business...” Founder of SE 4 repeats, “this way, to me is logical, it is rationale, it makes sense socially, financially, in any way... I cannot understand how it can be done any other way.” When asked if they had to make sacrifices to start the company, founders of SE 5 unanimously agreed that the fulfillment and social returns that they are receiving from their current work is better than and strict financial returns they would get otherwise. One of the founders emphasized, “when you are happy, the money will come, and this is the type of business and the work that I am dedicated to and it is what drives my passion... Financially, of course there are sacrifices, but the trade off is worth it, and more.”

All of the business owners had relevant work experience in the industries respective to their businesses, prior to the launch. The commerce and design oriented businesses came from creative or corporate backgrounds. The environmental businesses had engineering related backgrounds relevant to the capacity of their business and the remaining followed the same trend. The founder of SE 4 stated, “I worked in the office in London for 9 years, and then decided I wanted to come back to Lebanon, and do the same thing.” Also, the founder of SE 3, “as the son of a farmer, leveraged his previous experience as a food and travel writer, teacher of macrobiotic cooking and chef of a budding television series broadcasted in the Middle East, to implement development programs that could offer a platform for small farmers to sell their produce at a fair price,” (Ghadban and Kylander, 2011) launching what is today SE3 and SE 3a. In the case of SE 6, her business was created out of her expertise in design and fashion, fueled out of a master’s thesis on prostitution and women

empowerment. SE 5’s managing partners and founders came from different commercial and academic backgrounds, though the majority was activists and advocates for various types of political reform as well. Each of the interviewees harnessed their respective past experience in a way that would tackle the social and environmental causes they were passionate for. Their backgrounds served as the driving force that ignited the passion and purpose of the social enterprise they respectively launched.

4. Clarity of Purpose

Each SE presented a clear mission in terms of their role of as change agents for social purposes, representative of their overall corporate strategy. (See Table 5 below for each of the social enterprises mission, based on what is presented on their respective websites.

Table 5: Mission Statement/Purpose by SE

SE 1	SE 2	SE 3	SE 4	SE 5	SE 6
<ul style="list-style-type: none"> •Design, Build and operate ZERO waste recycling plants without engaging in any shady deals to get business. 	<ul style="list-style-type: none"> •Restore the unseen beauty of the broken 	<ul style="list-style-type: none"> •Celebrating food and tradition that unite communities while supporting small-scale farmers and producers through fostering innovative, environmentally sound, economically viable, and socially responsive approaches 	<ul style="list-style-type: none"> •Works with its clients to find innovative ways to lower their ecological impact through economical solutions. 	<ul style="list-style-type: none"> •A consulting firm and a social business established to attain innovative, inclusive and participatory governance systems across the Arab World through creating learning opportunities for people, institutions and communities 	<ul style="list-style-type: none"> •Design and locally produce creative designs fusing Arab tradition with modern (western) trends working through disadvantaged women in Lebanon

The social purpose is inextricably linked to each mission, highlighting the product or service offered while reflecting how the social purpose is interwoven as part of the fundamental process of the business.

5. Core Values

A clear mission sets the path for well-defined core values. It has become largely evident that social values drive the behavior of the social enterprises interviewed. For most, their sole existence has been created due to social needs that each are driven to pursue and resolve. However, the creation and implementation of explicitly stated and administered core values are not as evident among all of the firms. SE 2, SE 1, and SE 3 stood out in this regard. Table 6 below highlights each company's core values, upon which they base the business' overall strategy.

Table 6: Core Values by SE

SE 1	SE 2	SE 3
<ul style="list-style-type: none"> • 0% environmentally safe and affordable treatment of Municipal Solid Waste. - No burning or landfilling. Strive for 95% or higher Recycling Rates. - 100% Committed to organic agriculture.- Support and train farmers in their switch from traditional agriculture to organic and provide them with all necessary certifications- Help farmers sell their organic produce on the local and international markets. 	<ul style="list-style-type: none"> • Bridging ends between food producers and consumers by increasing presence in new markets and regions • Promoting social and economic recognition for small food producers • Contributing to the preservation of tradition through culinary events and the promotion of traditional recipes • Building citizenship among diverse communities through the promotion of respect and interaction • Impacting the environment through the introduction of new campaigns and new environmentally friendly practices • Developing a platform for diverse communities to gather to share a common vision and set of values. 	<ul style="list-style-type: none"> • Beauty • Preservation of tradition and cultural heritage • Compassion • Reconciliation/social integration • Respect for the environment

In the companies that exhibited core values, the main focus is that of the social purpose that drives the business. SE 6, SE 5 and SE 4, on the other hand, have not yet established a SE 3 of core values upon which their businesses are held accountable to. The lack of precise core values to drive the business presents an opportunity for operational improvement that all of the social enterprises can benefit from.

6. Inherent Business Capacity: Operational and Financial

Each of the interviewed founders exhibited a tacit understanding that the social enterprise had to function like a business and balance their profit motive if they wanted to be successful, despite the relentless passion they manifest for their mission motive. Founder of SE 1 stated that it was “a "stick-to-business-basics" sense of developing sellable products that lifted us from the losses incurred during the war and the changing of the business model.” Founder of SE 3 stated, “I have to pay salaries and the bills, I have to generate income.” In an attempt to ensure the business and financial capacities, three out of the six SE’s interviewed brought on board consultants and corporate minds of the like to join the teams in order to develop this part of the business. SE 3 hired a management consultant of 10 years who was looking for the opportunity to mix her professional expertise with her passion for socio-environmental causes. SE 2 founder eventually brought on her commercially-minded husband to take over the role of operations and financial management. This was also the case with SE 6, who during the interview expressed the need for a business mind. “I have been looking for someone for three years to help me with my financials and business development...I can be the creative mind. I just need someone to take over the other side,” she said. It was clear that the social entrepreneurs were well aware of what they needed to achieve as social ventures, though their ability to put the necessary components of running a business into practice proved much easier said than done.

a. Defined Organization and Roles and Responsibilities

To begin with, given the SME nature of these SE’s, the organizational structure has been generally limited to exactly what was needed for the SE. Founder of SE 1

stated, “we have no need for HR and marketing departments yet, I can handle that, we just need the engineers who make the actual work happen at this stage.” Here, the founder is taking responsibility of the administrative and operational roles. At SE 3, the co-founder stated “our staff is completely saturated; no one can do anything else.” Founder of SE 6 said, “I have thirteen people working for me, three are in accounting and admin, two in production and stock, one who handles marketing and PR, four in retail and two in design and me. The ladies who manufacture the products themselves work either in prison, in their homes or in the atelier.” Here roles were well-defined, and the tasks seem to follow this arrangement, with a centralized structure, wherein all decisions go through the founder, herself. At SE 2, the management team is made up of the two founders, and two full-time staff, who work in the atelier. At SE 2, the outsourced employees work in the factory on a project-by-project basis. At SE 4 the team is made up of five consultants who share both the core consulting and operational functions necessary to run the firm.

One interesting example that stood out in terms of organizational structure was SE 5, who uses a partnership model in the organization, whereby everyone that starts is a partner. In the case of this firm, every employee that comes in takes shares in the firm and takes the position of partner in a department that defines the role that they serve in the firm, which was defined based on their capacity and capabilities.

b. Operational

The SE’s interviewed generally differed in their capacities to manage the internal operations of the ventures. One of the fundamental problems faced by SE 2 is the ability to capture the local market, albeit a six years history in the business. “The

Lebanese market does not like our pieces; they are simple luxury, which does not usually meet the tastes of the older generation here. The younger population is more interested, but we are too expensive for them,” said the founders. The lack of success in the local market is partially due to the differing tastes in the country; however lack of marketing and sales capacity also contributes to the small market share that SE 2 suffers from in the country. At the moment, no advertising is done outside of word of mouth. No professional brochure has been created and the existing social media campaign remains ad-hoc and inconsistent. Additionally, the retail staff who sells the products outside of the atelier also lacks the proper and relevant customer service training that would greatly enhance the purchasing process. With SE 1, in response to a question about how various HR, marketing and accounting functions are addressed; the founder shrugged off the importance, highlighting rather the role of all of the engineers to the core competency of the business, and the lesser need for the operational functions which he and his accountant manage. This is likely be tied to the nature of the small business and the many responsibilities that fall on the few in management positions in such types of businesses as mentioned in the aforementioned section on organizational structure. However, this short-term thinking, especially in terms of human capital functions and operational details has been linked to declining efficiencies and lower firm performance in the long-term, something that SE 1 should consider, given his 19 year history in the industry. In the case of SE 3 and SE 6, the opportunity for greater marketing and promotion became evident through exploring their business. While they are capable of securing enough revenues to sustain their core business, there is untapped market potential given the limited marketing that is being done. In both cases, reliance on PR and word of mouth seems is primary form promotion. They have both undertaken social

media campaigns, which are meant to play a role in better communicating the brand, in pursuit of addressing this issue.

SE 5 has been launched as an offshoot of a management consultancy firm with clients from multinational organizations and the private sector as a whole. This is where they get a lot of our resources and assistance from and consequently implement them into our practices. They have also had success in their pricing strategies. The founder of SE 5 openly stated that they sell their consulting services for a high prices – “We are proud of charging the price that we do. It gives us legitimacy in our sector.” “SE 4 is also a subsidiary office of a London-Based consulting company, wherein additional resources in terms of HR and marketing are made readily available.

c. Financial Capacity

While most of the SE’s did not expose their financials in full, discussions about their experiences revealed some telling information about their general financial standing over the last five years. The majority are breaking even or profitable as of today. Between the years of 2006 and 2011, SE 1 was operating at a loss, primarily due to the post-Israeli war slowdown and the R&D investments that were being made within the company. The founder of SE 1 stated “after the 2006 war and the changing of our operating model we have taken R&D losses in order to develop new technologies (slaughterhouse waste recycling - EcoBoard - Biomass Renewable fuels) this year we broke even although we didn't get a mega project deal. In the next 5 years we anticipate revenues of about 2 million/year.” SE 2, after six years of business, expects to break even for the first time, this year. SE 3’s founders just started receiving salaries, 8 years, post launch, and according to the founder, expect reasonable profitability levels this year. SE 6 generated \$1.37 million in revenues in 2011, out of which an estimated 27%

profits were retained. The price point of the product, which averages around \$300, the large international market and the high gross margin retained per unit (on average 60%), all contribute to the profitability. SE 4 founder expressed that the last few years; especially after the recession was “terrible”, and last year was not great, expressing that “our vision is long-term, though we have not yet realized the monetary added value just yet. It is picking up though.” SE 5 is realizing profits, coming in from large institutional projects and support from their mother company.

C. Expansion, Growth and Development

1. Long Term Partnerships

The majority of these firms maintained long-term cooperation with the specific organizations that helped them grow, and consequently attribute much of their current success to them. SE 2 began realizing social impact through their participation with Arc En Ciel and Habitat for Humanity, the former of which helped provide the manual support and the latter of which provided the material for the designs. These two organizations, among other smaller contacts, have been aligned with SE 2’s cause since their inception six years ago, and continue to play an integral role. Partnerships with scrap yards that provide the material to SE 2 also proved beneficial in providing them with their raw materials, and simultaneously aided in cutting costs. “SE 2 faced a low risk of losing salvaged items due to sustainable and long-term relationships with scrap yard operators who would contact the company upon finding new material... they would also hold materials aside for a reasonable period of time, at no additional cost” (Jamali and Tarazi, 2011).

In the case of SE 6, her relationship with Dar al Amal continues to be the gateway to the prisoners she works with. The founder of SE 6 also maintains strong

affiliations with other NGO's (e.g. Autism Society and Endeavor Lebanon) who provide support in various dimensions, also promoting her legitimacy, credibility and her growth in society. SE 1 was not as agreeable when it came to relationships with NGO's, but rather expressed a slight cynicism in this respect. Rather, he mentioned that aside from the help of some private financing and bank loans, he is working primarily on his own or with private investors. In the case of SE 3, it was the ability of the founders to develop strong internal relationships with their existing stakeholders, which has developed the success of the business. "Now the farmers in the villages know about us and they come to us asking to be part of the farmer's market. From that point on, they are exposed to several possibilities that improve their livelihoods, and in the end, that is very good for us too."

The relationships that SE 4 and SE 5 have with their mother companies provide the continuous support necessary to maintain the businesses. In terms of SE 5, the founder mentioned the significance of the networks that each of the 14 partners brought into the business, highlighting that the partners were hubs for a large base of contacts that continue to allow the business to survive. She explicitly stated "we do not even do any outright marketing yet; we are still very much dependent on these contacts to keep us going."

2. Drive to Grow

Just as every firm expresses extreme passion for the cause, and its business, so too did they reflect a drive to expand and grow their business; Founder of SE 4 said, "our down time gives us more time for strategic and innovative thinking on how to expand the business" While founder of 2B mentioned, "we are willing to go anywhere

that will allow us to go do our job and do good. We are looking outside of Lebanon now, if we can get big out there, the benefits will spillover here, and that is what we want.” SE 5 is already growing and is in the process of even greater expansion. We have offices in Lebanon, Kuwait, Libya, and Bahrain. We are already in talks to open in Egypt, Tunisia, Mauritania, and Jordan. We have a strategic ally in KSA. SE 3 just expanded SE 3a, from their one Beirut based restaurant to another in Ammiq, Lebanon. Also during the interview with the founder of SE 3, another meeting was taking place in the same location finalizing the expansion plans of SE 3a with the partners in Qatar and mentioned additional expansion possibilities in the UAE and more in Lebanon. One outlier, SE 6 expressed an aversion to expansion, with the worry that her growth may compromise the development of her beneficiaries. Despite this plans to find innovative ways to grow her business are underway as she expressed during the interview, wherein she explained some ideas she has on how to grow her business, while maintaining the element of value creation that her incarcerated employees depend on.

3. Emphasis on Learning and Growth/Innovation

In terms of innovation, I began by looking at the extent to which the enterprises focus on internal growth and learning. To begin with, the founder of SE 1 stressed the importance of R&D as the driving force behind the success of the business. He said “In order for this type of business to generate innovative methods that allow it to maintain its core values, R&D is critical. He later went on to say, “it was the mere relentlessness of our research coupled with a "stick-to-business-basics sense of developing sellable products that lifted us from the losses incurred during the war and the changing of the business model.” It was clear that SE 1 encouraged learning and innovation in their

business model. SE 6 also stressed the importance of continued learning for her employees, in light of changing fashion trends and tastes of her clientele. The founder said, “fashion is dynamic and always changing, so the ladies need to always be up to date with the latest trends. I give them books or train the team leaders who disseminate the message further.” This presented a good opportunity to develop the skill-sets of the incarcerated and marginalized groups, while developing the business as needed.” This was one way, as one journalist wrote, that the prisoners “could stitch their way out of prison” (Dimechkie and Hakim, 2011). In the case of SE 3, several long-term capacity building programs for the beneficiaries were implemented. These included the farmer’s market itself, in addition to programs that raised the abilities

of small farmers and build awareness around the importance of incorporating natural products into one’s diet. This included a project called Tatweer, which sought to build, reinforce and improve farmer’s capacity in agricultural and food processing techniques and business development. Subjects included guidance on sales, administration, financial management, and brand identity (Ghadban and Kylander, 2011).

In the case of SE 2, new employees would receive 6-7 month trainings that would allow them to learn the necessary craftsmanship skills for their products. Other ad hoc trainings were also offered when necessary or if the opportunities arose. “We had one lady who was illiterate so we brought her a tutor to teach her how to read and write in Arabic.” In another case, a part-time employee at SE 2 had lost his voice to cancer, so they took a portion of their profits to purchase a machine from the US that would allow him to speak again, which in turn made him more capable of working and supporting himself. In one case, SE 2 brought a professional financial planner to help teach the employees about budgeting and balancing their own finances, however the

employees opted out as they either did not see the need to take part and share their financial information with a stranger.

In closing, this chapter highlighted findings relevant to the framework of success factors that have been identified as leading indicators of social and economic value creation as well as to growth and development of the social enterprise. In the succeeding chapter, a discussion of the findings is presented, in terms of the strengths, weaknesses, opportunities and threats that have been revealed in the discussion and exploration of these prominent Lebanese social enterprises.

CHAPTER V

DISCUSSION

A. Social Enterprises in Lebanon Analyzed

The findings revealed strengths, weaknesses, opportunities and threats characterizing the existing social enterprise ecosystem in Lebanon.

In order to gain an understanding of the positioning of each of the SE's interviewed based on the stated definition of successful social entrepreneurship used throughout the project, a graphical representation (Figure 9) has been presented below, adapted from the notions of Adler (2007) and Dees and Anderson (2003) on the various levels of significance given to mission versus profit within a social enterprise. While it has become clear that each of the SE's are attempting to strike the balance between the two, the interviews and available first hand information on the ventures exposed that there is room for improvement in pursuit of reaching this goal.

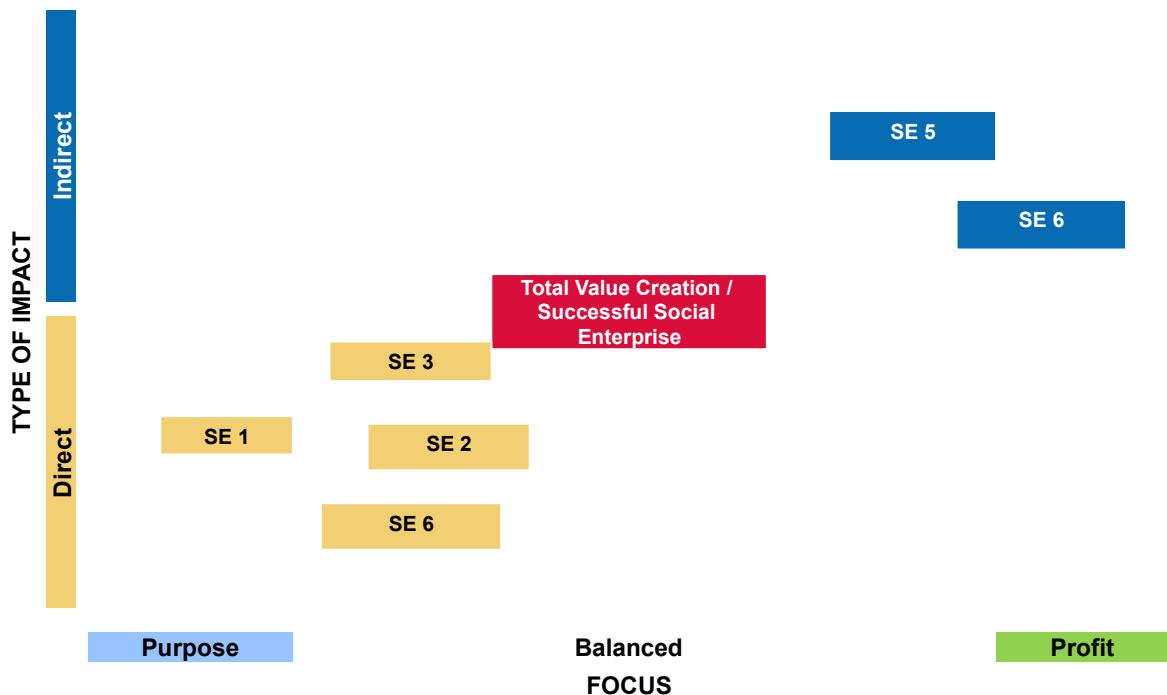


Figure 9: Social Enterprise Matrix

First and foremost, given the need to balance purpose and profit as intrinsic to social enterprises, I was able to place each of the firms on a continuum represented by the purpose that drives the behaviors of the firm on the X-axis and the type of impact (direct or indirect) on the Y-axis. As you move vertically down the matrix, the firm, in terms of direct and indirect impact, is illustrated. Firms that create a direct impact on society (e.g. SE 2, SE 6, SE 3) and the environment (SE 1) through their business operations fall in the lower spectrum, and those that impact society as a byproduct of their services (SE 4 and SE 5) fall within the upper spectrum. The further right down the continuum, the greater the profit focus, the less the social purpose shined through the work that was being done on the ground. The closer to the vertical line, the more capable the firm is in balancing its mission motive with the profit needs. A firm that falls on or close to the center, such as that of SE 3 at the horizontal juncture, gets close to blurring the boundary between the two, whereby social impact is maximized, and all stakeholders benefit from its existence, not just the beneficiaries for whom the SE exists. Firstly, at SE 3, there was a high level of integration of the beneficiaries into several aspects of the business. Also, SE 3 founders exhibited a strong passion for the cause that is evident in their mission statements and core values, however with a greater inclination to maintaining sound financials and revenue generation than the other SEs. For example, they aspire to create quality products using “economically viable solutions.” They also created SE 3a with an objective to create the financial means to sustain itself and SE 3, in an effort to not only maintain, but also widen their social and environmental impact, thereby underscoring the need and desire for revenue generation as an important element of the entity. The high degree of institutionalization as

described in the findings further emphasizes their positioning closest to the center of the matrix.

Starting at the left of the matrix is SE 1, which has been given this location predominantly due to the highly purpose driven (and not profit driven) behavior of the leader, which has infiltrated the decisions made at the firm. While the firm has been successful in creating environmental value, as revealed in the findings, the ability to maintain a sound revenue base and to create economic value has not been the case at this SE. Decisions were predominantly made without a “financial determination,” and more so out of the passion and dedication for the process and the social outcome. This lent to greater institutionalization of the social cause into the production of the product and service which amplifies social impact past the initial service provided by the SE, reasserting its positioning near the horizontal line.

Moving more to the right is SE 6; this location has been determined based on the ability of this SE to retain profits, though not at the expense of expanding and compromising the social value she creates for the group that she already works with. It was also revealed in the interview that at SE 6, financials are not representative of many of the expenses that are spent on the lives of the beneficiaries, such as medical care, education, and basic need costs that are paid over and above their base salaries. There are also additional costs that are attributed to the scraps and lost materials that are not accounted for in the process of production which further highlight some inefficiency in the accounting process. This highlights the lesser significance given to the profit-based bottom line of the business, in light of social value creation.

SE 2, overall, exhibited a solid understanding of their role as a social enterprise and in their need to find the balance between social and financial ends. They have

reached out to third parties, such as Dreams Indeed, that have helped them solidify their objectives based on the triple bottom lines they strive to achieve. SE 2 also has two founders, one of whom has a strong corporate background working in marketing and strategy departments in multinational organizations. Nevertheless, SE 2 has been unable to generate profits since their inception, primarily due to the purpose driven decisions that have slowed the growth. The positioning of SE 2 below SE 3 is due to the opportunity still available for greater internal integration of the core social purpose into additional levels of the value chain. Opportunity for balance between economic and social objectives therefore still exists. These three firms, SE 6, SE 1, and SE 2 explicitly highlight social goals in both their missions and core values, with little to no emphasis on the financial bottom line, which further affirms their positioning on the left portion of the social enterprise matrix.

Both SE 4 and SE 5 are subsidiaries created out of private management consulting companies that were aiming to use their competencies as advisors to create social and environmental change. Thus, the support that they received from their mother companies proved beneficial in terms of the already existing business expertise necessary for launching the business, which in turn dictates the corporate driven strategic direction and focus of the company. Additionally, SE 4 and SE 5 create indirect impact, as described above. The majority of their time and resources are allocated to consulting third parties on socio-political or environmental reform plans, and by way of doing so impact society. Thus, both of these firms must primarily focus on their core business as consultancies, and do those well, in order to reap the fruits of their social byproduct. The difference between SE 4 and SE 5 however, lies in SE 4s internal institutional decisions of having a paperless office, using energy efficient

lighting and environmentally friendly products in both the construction of the office and the materials that they use inside the office. There is also a strong inclination to hire people who carry the same social values. Integration of the social values in the firm itself lend to amplified social impact, past just the core service provided by the firm. However, profit drove these decisions, as they were more economically viable and because they are in line with the brand image of the firm. The need to actually evaluate the benefit the social impact both in the office and in terms of the core service was second priority, and viewed more as a positive externality. SE 5 however was made up of a group of core founding partners who were largely driven by the social cause due to the majority of their past work as social and political activists. Their desire to change political systems from the inside was what drove the business, though the business influence from their mother company provided a corporate strategic direction that ensured a profit focus took some precedence, in the strategic decision making of the firm.

At the intersection of the vertical and horizontal line, in the center of the matrix, is the point of “total value creation,” identified as the ideal point where the social enterprise has reached stability and sustainability, in terms of both financial and social returns. The graphical representation above underscores while the SE firms in Lebanon are doing something right, there is opportunity for improvement. Below is a reflection of further insights that can be extrapolated from these findings.

1. Strengths

The strengths of the social enterprises interviewed relative to the success factors predominantly lie in the leadership qualities identified in the framework (Figure 6). This is extremely important given the importance of the leader in the molding and

shaping of a firm. “Imprinting seems more salient in the case of SMEs, with more chances for the identity of the founder/top manager to spill over to the identity of the organization, with persisting lifelong consequences (Jamali, Zanhour, and Keshishian, 2008, p.358).

As discussed in the findings, passion and dedication of each of the founders proved high across each of the SE’s, contributing to the success of creating social value. Their passion drives the institutionalization of the core values (for those who have defined them) and the social purpose of each respective social enterprise. Each of the firms presented clear and defined motives and purposes behind the creation of their social mission, which gives way to clear strategic direction, and thus greater economic and social value creation. Most of the firms also exhibited explicit core values. Though, the firms with determined core values were largely driven by their social purpose, as per the firms that have been placed in the bottom left quadrant of the continuum (SE 1, SE 2, and SE 3 - see Table 6). Here the profit/purpose balance is slightly tipped, presenting an opportunity for each social enterprise to reassess their core values to address and include the necessary values that will also allow for economic value creation. This will in turn help the organization set the right measures for performance management indicators that can further fuel economic social value creation as well. Moreover, it is this same passion for and dedication to the purpose and for the business that drives the ambition to expand and develop the enterprise into a long-lasting model that can be replicated in various markets.

2. Weaknesses

There are common shortcomings among the SEs that can be attributed to the strategic and operational priorities set forth by the framework, specifically within the

breadth of economic value creation, as highlighted briefly in the preceding section. More specifically, the weaknesses that hinder SE success are effectiveness of leveraging social capital, measurement of social impact and inherent business capacities.

Social enterprises demonstrated an ability to leverage NGOs and other activist groups in the country but in many cases, were highly dependent on only one or two organizations. High reliance on few actors places these organizations in a position of vulnerability that may significantly impact sustainability in cases when partner organizations become obsolete. Additionally, the nature of social capital may limit the span of social impact enterprises are able to achieve by focusing on a portion of society that is covered by their partners and potentially excluding others in need.

There is an entire ecosystem of support in the form of incubators, accelerators, and networks in Lebanon that exist to foster entrepreneurial growth and small businesses development. Universities in Lebanon have also begun teaching this curriculum on an interdisciplinary basis and encouraging relevant research which has also increased the awareness and development of the topic, though it remains limited to few universities. This growing platform is a place that social enterprises can and should heed of for further growth.

Lebanon is also replete with non-profit organizations that are working towards the improvement of the various sectors of economic development that compliment the work of the social enterprises, and the NGO's too can greatly benefit from this cross-section of the private sector to drive their causes, not only in terms of mobilizing the necessary capital and resources, but also in ultimately collaborating and working towards the same issues. These partnerships should be leveraged as a whole, and integration should cross sectors for maximized social impact and financial success.

Parallel to this is the limited measurement of social impact. The sample of enterprises covered reveals that the pressing social issues in Lebanon are, to a certain extent, being addressed; however the potential impact remains largely untapped. While there is an understanding of the benefit that is being made to society within each enterprise, how much benefit has yet to be defined and quantified. There are several reasons why this is the case: 1) The built-in social or environmental impact is not as important as the product or service provided, and/or 2) there is lack of information and awareness on how to quantify social impact and thus there is a lack of significance placed on the potential of measurement and its value to the longevity of the social enterprise.

The concept of social return on investment requires that organizations identify desired impact during planning to establish a baseline from which to compare. However, most SEs have been unaware of their positioning as social enterprises until recently, and even with this, the bifurcation of definitions and lack of identity intensifies the struggle for setting the right objectives as social businesses. In their inception, the majority of these SE's simply did what they loved to do, that of which entailed a social or environmental cause. As such, SEs are only realizing their impact after projects or activities are fully implemented when it becomes much more difficult to measure effects and outcomes without an already established baseline. Lack of definition and clarity poses problems that limit the scope of each enterprise in achieving their social mission, in being sustainable and in terms of creating a replicable model that could instigate even greater development. Social enterprises must continuously revisit their social purpose objectives, ensuring their prioritization in the firm's strategic planning process in order to set the stage for measurement of the desired social impact in the

future. Defining and measuring impact also sets the stage for additional performance measurement indicators that add value to the intangible value of a firm, in economic terms.

The lack of inherent business capacity as demonstrated in interviews is an additional factor common to SEs in Lebanon that are limiting their success, more specifically from a profitability perspective. Many interviews suggested that organizations lacked internal capabilities to manage finance and human resources and realize efficiencies in this regard. Founders suggested that limited business training and experience in managing businesses hindered their ability to effectively run theirs and build the required systems and tools to support their growth. This is also linked to organizations with unclear roles and responsibilities for their staff, which lead to their stunted evolution from start-ups to SME's. In many cases, employees wear multiple hats in addition to their main role, which lacks clear delineation. This constraint results in the SEs inability to effectively manage finance and realize greater returns from cost savings and efficient use of human capital.

3. Opportunities

The opportunities available to SE's lie in the stakeholder priorities that have been identified in the framework. Most importantly, the level of success of these prominent social enterprises is largely dependent on the fact that the need exists in the country. The social enterprises interviewed for the sake of this project have begun to scratch the surface in meeting these needs. There is ample opportunity in this dimension for new SE's to come in learn from the existing ecosystem, in order to launch their innovative solutions to the ample social ills that the country suffers from.

The findings shed light on the fact that each of the SE's are providing products and services based on a social purpose, no doubt, however the end product, is either specialized, such as in the case of compost and wood material, at SE 1, or luxury, such as high-end bags and accessories in the case of SE 6, luxury home design pieces, in the case of SE 2 or more expensive organic food options, in the case of SE 3. Thus, as identified in the findings, these products are created by the poor and disadvantaged for the wealthy and advantaged. The integration of the beneficiaries is low, past the production phase, which provides opportunities for social enterprises in Lebanon to begin finding ways to allow the marginalized to play a more active role in both the production and consumption of the service offering of the SE. Thus a recommendation revolves around urging businesses in Lebanon to begin considering approaches that more specifically focuses on providing services to, and building the capacities of, the "bottom of the pyramid." A prime example of this type of social enterprise is that of the Grameen Bank, a micro-finance organization that gives loans to the poor to start their own businesses within niches that are specific to their skill-sets and relevant to needs within their communities. This model encourages the development of the beneficiary of the loan over the long-term, while also impacting the beneficiaries' community.

4. Threats

Threats are predominantly systemic and market based. Social enterprise today lacks a specific definition on an international scale, and Lebanon is not an exception to this condition. Social enterprises look to identify with and benchmark against the existing structures, such as commercial or non-profit entities, even though their nature is neither. This ambiguity stifles the development of social enterprises in the country because it does not give them an accurate standard to live up to. This results in the

enterprises losing focus and running their businesses according to divergent objectives. One conventional definition for social enterprises must therefore be established and standardized as part of common business practice and rhetoric in the country.

From a systemic perspective, there is a triple threat in being a social enterprise. “We have to create a good product, at a competitive price, while being responsible in every action we take.” The journey is much more complex, but the outcome is a benefit for all,” said Co-founder of SE 2. Interviews with the other founders shared the same general contention. The struggle to realize impact and financial returns, in order to sustain the impact requires greater investments and efforts from the part of the social enterprise. The Government, whose intrinsic role is citizen satisfaction and economic development at the minimum, is today not yet proactive about fostering the efforts of these types of businesses. More specifically, social enterprises today register in the government as commercial businesses. They deal with the same costs and challenges that such enterprises are subject to, while not receiving the benefits of the not-for-profit enterprises, which are also performing for the social good. The lack of recognition by governments about the importance of social enterprises goes back to the unclear definition of SEs among their founders and in general, which together needs to be addressed to create an enabling environment for enterprises to succeed in effective social impact, supporting local economic development and achieving financial rewards along with overall sustainability.

The creation of a definition however poses some critical reflections that must be noted. First and foremost, in the case of some of the SE’s interviewed, a slight notion of cynicism and defensiveness by the entrepreneurs was revealed in relation to their new titles as “social entrepreneurs.” There was a general discontent about being given a

definition and a name, especially when most simply saw themselves as simply running a business the way it should be run- to benefit society. This relates to the psychological principle of reification, wherein an abstract concept is given a concrete definition. Such structured thinking has likely brought about some uneasiness amongst the SE's in Lebanon in that they are now placed in a classification whereby they must live up to, or be associated with, certain criterion or expectations that otherwise did not exist.

On the other hand, in the case that a classification and consequent incentive scheme is created by the public sector, the country risks the possibility of private, non-social business firms trying to fit themselves into the definition, in order to receive the benefits. Considering the potentiality of such a scenario, the government would have to implement regulations that would curtail this type of fraudulent behavior to complement the creation of this type of enterprise. Consequently, the process necessary to further such an evolution in the country becomes more bureaucratic and difficult to implement.

An additional systemic constraint to the success of social enterprises in Lebanon is the high level of corruption in the country. In the interviews, it was suggested that the fundamentally corrupt process of doing business in the country limits the capacity of the firms to fully institutionalize responsible business practices. The firms further insinuated that they have made the firm decision not to take part in such fraudulent behavior, which in turn however, hindered the progress and development. Nevertheless, none of the social enterprises directly addressed the issue of human rights and corruption, though it is one of the most prevalent social ills in the country and is directly relevant to their role as actors in the corporate world.

Lebanon is also plagued with political instability that stifles economic growth and business development, specifically in times of war and civil unrest. Conversations

about the nature of these occurrences, and the negative impacts they had on their businesses were commonplace in the discussions with the SE's. For example, the financial decline, which resulted out of the 2006 Israeli war, left many of the SEs suffering up until last year in 2011, with expectations of financial break even in 2012. Today, political instability continues to impact the state of the economy in Lebanon, and indicators prove another slowdown in light of the current heated civil strife. Such circumstances make it difficult for any business to survive and thrive.

The capacity of the social enterprise to begin addressing the socio-economic problems represents a clear opportunity for the SE's in Lebanon to start solving some of the problems that stifle their ability to grow given their context. This can be possible in the case of need-based social enterprises, whereby the social good is the driving force for the business practice, but which requires a clear understanding from founders, government and society at large about their role and support to succeed in balancing social and economic returns. This is in contrast to starting the social enterprise based solely on the competency and passion of the entrepreneur, which is what the majority of the cases studied in this project exemplify. Thus, a social activist approach to social entrepreneurship becomes a feasible option.

Social activists and social entrepreneurs share similar natures, both in terms of their motivations and their characteristics. Martin et al highlight this stating "A second class of social venture is social activism. In this case, the motivator of the activity is the same – an unfortunate and stable equilibrium. And several aspects of the actor's characteristics are the same – inspiration, creativity, courage, and fortitude (Martin et al. 2007, p.37). Also, successful social activists and social entrepreneurs are "transformational leaders who motivate people to achieve transcendent or end values

such as liberty, social justice, and equality (the ends over means) (Triverdi and Stokols, 2011, p.11).

“Successful social activists can yield substantial improvements to existing systems and defined by ... the exclusion, marginalization, or suffering of a segment of humanity that lacks the financial means or political clout to achieve any transformative benefit on its own, and even result in a new equilibrium of these systems (Martin et al. 2007, p.37).

Such a reflection of social justice and equality is also the ultimate objective of the social entrepreneur (Martin et al. 2007, p.37).

In order to achieve the value embedded in the collective vision it is necessary for a social entrepreneur to embrace end values ... Such a leadership style can attract followers who take up the SEV's mission and social values and carry forward or enhance them realizing the common vision of the SEV and fostering collective purpose... Hence, a successful social entrepreneur, who is highly active for his firm's cause, will have greater influence on the relevant stakeholders, both internal and external to the firm, when advocating for his purpose” (Triverdi and Stokols, 2011, p.11).

The difference between social activists and social entrepreneurs is that of their action orientation (Martin et al, 2007, p.38), in that activists enact change indirectly and entrepreneurs do so directly. “Instead of taking direct action, as the social entrepreneur would, the social activist attempts to create change through indirect action, by influencing others – governments, NGOs, consumers, workers, etc. – to take action (Martin et al, 2007, p.38). Ultimately, a successful social entrepreneur should have the ability to enact both indirect and direct change, characteristics that have become evident in the SE's interviewed. SE 5 represents one company closest to this type of activist social enterprise that was created out of the need answer the unrelenting calls of political activists in the region that were being shunned. Strands of activism also clearly shine through the other organizations that have exhibited institutionalized core values that trickle down into several layers of the stakeholders at different parts of the value chain. “A social entrepreneur must first be a social activist addressing the issues that

cannot possibly be tackled through the practices of business” (Roy, 2012). Social entrepreneurs who have a solid understanding of the issues that are largely pressing to the society and have both the fire and clout that can influence the system from the inside out, in their pursuit to create transformative change pose one plausible approach to solving hard-pressed development challenges. Weak emerging countries, wherein governments and civil society are considered ineffective, such as Lebanon and the surrounding area, that are characterized by deep rooted corruption and socio-economic fragility are in even greater need of intrinsic systemic change that can be made possible through activist based social enterprises.

Along these same lines, the majority of the social enterprises demonstrated resilience, in the face of political instability that majorly thwarted their success for several years. According to the definition, resilience is the “ability to recover from or adjust easily to misfortune or change” (Merriam Webster, 2012). The social entrepreneurs interviewed showed remarkable ability to live through the misfortune that struck their business during the times of political strife. Despite the financial, psychological and logistical difficulties faced in circumstances, such as the 2006 Israeli invasion, 2008 internal strife, and the current regional turmoil, these businesses were able to bounce back. Today, they press on, in light of the high likelihood that conflict will strike again. In the case of SE 1 for examples, the firm operated at a loss since 2006, and today, in 2012, began to break even. Revenues of SE 6 also dropped dramatically during the year of and after the Israeli invasion. SE 6 also suffered in terms of “access to the employees, transportation, deliveries, and just the general slowdown of business.” In countries characterized by war, conflict and strife, resilience, a subset of dedication and passion, is necessary for the creation of social value, wherein the option

of leaving the country and starting elsewhere becomes a much easier and lucrative option. It can be argued that passion is inherently linked to resilience, though there has been no significant casual relationship found in the literature. “No single concept is necessary or sufficient to enhance resilience for any one person” (Kaplan, 1999). In the conversations with the interviewed founders, pure observation brought on the notion that nationalism to the country was one significant driver of resilience in the case of the Lebanese. This leads to other potential ideas for future research past this paper. Nevertheless, resilience has been highlighted as another component that has allowed these SE's to sustain themselves in the midst of fierce barriers to development and growth.

From a market perspective, Lebanon is a small country that does not always provide a sufficient market place for social enterprises to generate enough revenues to grow and succeed. Many SEs interviewed are looking to expand business outside of the region in order to maximize returns and spread knowledge of social good being achieved outside the country's borders. Scale may need to happen outside, but this does not mean that impact has to decrease in Lebanon. Social entrepreneurs must find ways to continue to manufacture in the country, keep the production in the country, but sell to the global market. Opportunities outside of market development and in diversification of product lines are also feasible for such businesses to consider when trying to maintain local impact while balancing greater revenue generation. This also contributes to increasing the contribution of production to our GDP, and takes less dependence on service-based business that contributes to the status of Lebanon as a “rentier-state”, which is not as helpful to our economy.

Overall, social enterprises in Lebanon today are bursting with passion, activism, and know-how, all of which are necessary factors for success. The concepts of the businesses are sound; as they have met many of the criterion presented in the success factor literature and have thus withstood the challenges that mark the journey of a start-up business. These businesses also touch on some of the most pressing social challenges facing the country today. Nonetheless, these SE's still have room for improvement in their pursuit of strategy, operations, growth and scale. They are all seeking some form of business capacity that will allow them to sustain their businesses and maximize their impact. They must realize that the social element of their business has, to a certain extent, minimized their potential, as they have been unable to find a balance that meets their "triple bottom lines," taking them slightly off track, in terms of their ultimate objective. They are however, at inflexion points, defined by their desire and readiness to strike the social and financial balance, which has shed light on greater opportunities for growth and scale. This has come with increased awareness of their business models despite the difficulties that are woven into the social fabric of the country.

Systemic and market forces working against the SE's also exist in the country. Lessons on the ways that these SE's managed these threats can be learned from the Lebanese examples. To begin with, international market potential should be considered for greater scale, considering the size of the Lebanese market, though this must be checked and balanced against the social purpose so as to ensure that social value creation is not compromised. Additionally, activism and resilience have proven to be additional factors that social entrepreneurs in similar socio-economic and political

contexts should consider in their pursuit of creating social and economic value creation, while building a long-term business with growth and expansion potential.

CHAPTER VI

CONCLUSION

This paper is not meant to praise social enterprise, as the one and only quintessential answer for economic development and societal progress. It simply intends to give prominence to the idea of the social enterprise as one solution and suggests that if this is true, than social enterprises have to be successful to impact change. The literature reiterates that business, in its purest form, is made by the people, and ultimately exists, for the people. Self-interest permeates throughout the financial and political arenas on a global scale, which tends to jade the social value that is inherent to business. However, out of the recent international crises, large and powerful groups of people have emerged who are demanding more from the “1%” who are today in control of the majority of wealth and resources necessary to leverage the livelihoods of the remaining 99%. The status quo is no longer acceptable and society at large is ready and willing to use the resources available to them to communicate this dissatisfaction, until change is realized.

The situation in Lebanon is no exception to this rule. The country deals with strife in every sector: public, private, not-for profit and the consequences of this are felt in the society, on the economy, in the politic arena and on the environment. Social enterprise, in its pursuit of balancing profitability and sustainability, has the potential to alleviate the socio-economic and environmental problems that hinder the fundamental development of Lebanon and its people. In order to do so, existing social enterprises in Lebanon must work towards optimizing their processes along the lines of the success framework depicted in this project. In doing so, their chances of success in creating

social and economic value, while growing and scaling. Such enterprises will in turn become benchmarks, and furthermore, role models for aspiring purpose-driven entrepreneurs. Successful business models that are replicable also breed copycats. In the case of social entrepreneurship, this corporate vice becomes a virtue, wherein a virtuous circle of “good” competition is born. Ultimately, it is this culmination of both existing and emerging social enterprises in Lebanon, working towards striking the balance between purpose and profit that will result in sustainable and replicable change.

This paper is a stepping-stone towards practical application of social enterprises in Lebanon and other emerging contexts in light of this new trend. It provides a framework upon which such businesses can test their positioning and determine their needs for optimization. It teaches lessons about how social enterprise can be implemented into countries that have similar backgrounds, wherein the population is highly capable, but simply lacks the correct institutional structures to foster their development.

The paper is not void of critiques. The sample is small, a function of the circumstances in the country and the lack of definition given to this type of business. It is also practical in nature and provides a top-level understanding of the current context. Therefore the explanations and recommendations are simplified, though their implementation is highly complex and challenging. For example, the study does not focus on the difficulties of starting a business in Lebanon. These include the procedural work involved, time, cost, and barriers to entry in the market, which are all among the highest in the world (World Bank Study, 2011). This is a pilot study that introduces many concepts, which can be expanded into in-depth research on specific topics that are largely relevant to the topic itself, and its relation to emerging countries. Lastly, the

study explores the social enterprises from the perspective of the founder, who can have a more idealistic vision of the firm's outcomes, given both his proximity and dedication to the business.

Several opportunities for further research have presented themselves in light of the study done in this project. Examples include:

- A similar study of a sample of social enterprises from the region relative to the success factors framework in order to gain a greater understanding of the comprehensive picture of the MENA, in order to present further recommendations that are extrapolative for the region.
- A study that looks into the acceptance levels of social entrepreneurship in the eyes of the government in Lebanon and how to better incorporate the public sector as a driving agent in the proliferation of social enterprise in the country.
- A mirrored study that studies social enterprises in Lebanon, and their success, but from the eyes of the beneficiaries and stakeholders themselves, to gain a better idea on how to optimize the businesses from their perspectives.
- Institutionalization of core values has proven to be relevant and significant to social enterprises success, therefore an in-depth exploratory study based on grounded theories of institutionalization tested on Lebanese enterprises could prove insightful and prescriptive.
- An analysis of the actual level of impact realized by social enterprises in Lebanon and a consequent recommendation on how to continue to optimize this success/failure.
- A paper that studies the link between nationalism and social enterprise success in emerging country contexts.

Given the nascence of social enterprise research in Lebanon, a plethora of options are available in terms of better understanding the phenomenon in this country, especially given its potential to serve as a viable solution to the mounting socio-economic issues plaguing the country. Social entrepreneurship in Lebanon and the region is at its tipping point in terms of both practice and research. Furthermore, social enterprise is being prescribed as the way forward in terms of corporate business model structures. This study thus opens the door to a wealth of information that social enterprises in the region will seek in their attempts to find *their way forward* when it comes to *striking a balance of purpose and profit*.

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APPENDIX

A. Profile of Companies

Name	SE 1
Year established	1992
Mission	<ul style="list-style-type: none"> -100% environmentally safe treatment of Municipal Solid Waste. - No burning or landfilling. Strive for 95% or higher Recycling Rates. - Waste treatment affordable for ALL municipalities. - 100% committed to organic agriculture. - Support and train farmers in their switch from traditional agriculture to organic and provide them with all necessary certifications - Help farmers sell their organic produce on the local and international markets
Social Issue Addressed	Environment, via waste management and rehabilitation of quarries and Lebanese industrial sites
Type of Impact	Direct
Service/ Product Offering	Recycling Plants for various types of waste
Beneficiaries	Society as a whole, at different levels. Direct beneficiaries include government, municipalities, and local Lebanese farmers.
History	Began out of the expertise of the owner in industrial engineering and the study of waste management in addition to a dedication and passion to live, and make a difference in, his home country of Lebanon.
Number of Employees	36
Market Addressed	Government Municipalities and Private Sector
Future Plans/ Expansion	Continue to develop projects in Lebanon as iterated in the mission of the company, Eventually expand use of waste management technology outside of Lebanon

Name	SE 2
Year established	2006
Mission	Mission: Restore the unseen beauty of the broken
Social Issue Addressed	Unemployment of the disabled and impoverished, restoring the Middle East's disappearing traditional heritage Source: SE 2 Ivey Case Study
Type of Impact	Direct
Service/ Product Offering	Tables, Lamps, Chairs, Chandeliers, Candle Holders made of restored artifacts
Beneficiaries	Disabled and poor populations in Lebanon
History	Began as a commercial business based on the founders passion to address the rapid extinction of the old homes and architecture in Lebanon.
Number of Employees	4 in house and 7 outsourced through NGO affiliation
Market Addressed	Mainly an international market. Lebanese consumers are few and are among the younger generation with higher disposable income – Average price per product is \$400.
Future Plans/ Expansion	Replicate the concept in different countries beyond the borders of Lebanon, allowing marginalized people to participate in the restoration and preservation of their common land's heritage

Name	SE 3/SE 3a
Year established	2004
Mission	Celebrating food and tradition that unite communities while supporting small-scale farmers and producers through fostering innovative, environmentally sound, economically viable, and socially responsive approaches Source: AUB Case Study
Social Issue Addressed	Unemployment, environment, rural development,
Type of Impact	Direct
Service/ Product Offering	F&B – Organic and locally made food and beverages
Beneficiaries	Small local Lebanese farmers, unemployed females from rural villages
History	Began as an NGO (SE 3) focused on reviving small farmer affected by urbanization and technology. Based on the passion and love for the country of Lebanon, food and community development. Developed into a restaurant concept (SE 3a) and packaged foods (Dekanet), in order to find sustainable and secure sources of revenue.
Number of Employees	? Full time Staff and Employees
Market Addressed	The Lebanese urban middle to upper class, high disposable income, artistic and cultural crowd, highly expat
Future Plans/ Expansion	Expansion into various areas of Lebanon (i.e. Ammiq) and into the Gulf: Qatar and the UAE.

Name	SE 4
Year established	2008
Mission	Works with its clients to find innovative ways to lower their ecological impact through economical solutions.
Social Issue Addressed	Environment
Type of Impact	Indirect
Service/ Product Offering	Consulting services for green building
Beneficiaries	Society as a whole, direct beneficiaries include the occupants of the buildings within which the green practices are implemented
History	Subsidiary office of London based headquarters
Number of Employees	5
Market Addressed	Architects, Contractors, Housing Development agencies, for both up and coming buildings as well as renovating those already existing
Future Plans/ Expansion	Focusing on developing the business here through awareness of the service and of the social impact

Name	SE 5
Year established	2009
Mission	A consulting firm and a social business established to attain innovative, inclusive and participatory governance systems across the Arab World through creating learning opportunities for people, institutions and communities. Source: www.SE 5.com
Social Issue Addressed	Political reform
Type of Impact	Indirect
Service/ Product Offering	Management consulting services to public sector institutions, Advocacy of social entrepreneurship
Beneficiaries	The respective society in which the work is being done: consultation impact for beneficiaries varies by type of project, and consequent implementation
History	Offshoot of a commercial for profit management consulting company that handles multinational clients. Created with the intention of driving political reform by utilizing their consulting expertise in large institutional projects.
Number of Employees	12 partners
Market Addressed	Governments in Lebanon, Libya, Bahrain, Algeria, Tunisia and across the MENA
Future Plans/ Expansion	Further MENA expansion

Name	SE 6
Year established	2000
Mission	Design and locally produce creative designs fusing Arab tradition with modern (western) trends working through disadvantaged women in Lebanon Source: Sarahsbag.com
Social Issue Addressed	Unemployment, Women Empowerment, Lebanese Heritage
Type of Impact	Direct
Service/ Product Offering	Commerce – Fashion Industry (Bags, Accessories, Shoes, Clothing)
Beneficiaries	Female Prisoners, Ex-convicts and their families – Tripoli and Baabda
History	Began through the research conducted during the founder’s master’s thesis, written on prostitution and exposure to the treatment of women in Lebanese Prisons. Found a way to tie her past experience in fashion, design and merchandising into a way that would improve the lives of the women while in prison and their livelihood after their sentence.
Number of Employees	14 in the Achrafieh HQ 150 prisoners available for production and manufacturing
Market Addressed	Women of high society in Lebanon with high disposable income who are fashion savvy. 70% are between 25-49. There is also a large international market, Japan, Europe, South America, though the majority is from the MENA
Future Plans/ Expansion	International market development, product line extensions, Expansion of business overall.