MAINSTREAMING A CSR INVESTMENT THROUGH A SOCIAL CORPORATION

International Master in Sustainable Development and CR

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“This is the real meaning of corporate social responsibility: to operate in a manner that promotes broad social objectives including non-market goals, in a way consistent with core business principles, values and practices. It means much more than simple corporate philanthropy, it demands creativity.”

Jeffrey Sachs
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1. Introduction

Sustainability and Corporate Social Responsibility (CSR) have been concepts very much in fashion throughout the corporate world in recent years. Outside pressures from civil society and governments have slowly but surely pushed companies towards being more aware of their role beyond just business as stated by Milton Friedman.

Corporations have a clear and now accepted role in society; companies can with their power and influence have an impact in the development of economies and societies in a local and global level.

In a world where corporations are increasingly being expected to implement integral CSR strategies, a more and more competitive environment is being created where these companies are being set side by side and compared beyond typical financial returns. Corporations are now also competing for being more sustainable and more socially responsible for this is what is expected by stakeholders.

In this, achieving differentiation for a company represents true competitive advantage.

Traditional approaches to sustainability and CSR are constantly changing as new standards are implemented and companies adjust to the new expectations of stakeholders. This represents a great opportunity to seek innovative ways of creating impacts on social, environmental and economic aspects.

For a company to be credible its actions have to create a value for society that can be clearly seen and not be interpreted as public relations stunts. Here lies the greatest challenge for companies: finding how to implement actions that fulfil their obligations with society while still managing to be strategic in terms of business.

In this work we intend to propose one of these innovative ways of implementing an action that is both in the strategic interest of a company and with a clear social value. Through the inspiration of the concept of Social Corporation promoted by Nobel Peace Prize winner Muhammad Yunus, this work designs a model in which a company can create a Social Business as part of its CSR strategy.

To do this, we have focussed first of on the methodology necessary for identifying how this action can be strategic for the company, the actual model necessary to implement the actions and then the guidelines for designing the respective Social Corporation.
To further clarify our proposal we have also created a case study based in Costa Rica where an investment in creating a Social Corporation is applied to Intel using our model and then actually creating the business plan for this proposed Social Corporation.

The final intention of this work is to further show how much room there is to create and innovate in the world of sustainability and CSR. The model not only represents a clear example of this, but through the case study there is further prove on the viability of the proposal.
2. Justification

2.1. Context of Corporate Responsibility

This section aims to analyse the current CSR structure, and with that identify which are the general trends and limitations that are constraining CSR to deliver a more sustainable result. In first place, it will be presented some of the conclusions from interviews with CSR consultants regarding the current situation. These comments have based the following part, when identifying the common failures nowadays in CSR.

Final conclusions will lead to the justification of the model proposed in order to go further on the concept of CSR used until the moment, and provide a tool to improve these results.

The objective of the interviews was to do a research with experts in the CSR consultancy field to find out which are the strong and the weak points when talking about CSR and which are the most pressing challenges they are facing. These interviews are a background or a framework to support the identified failures on CSR, and from this to be able to take into account all the aspects in the tool proposed.

The conclusions from these interviews are:

- There’s a slow transition of companies integrating CSR in their business, and considering these initiatives profitable. Social media is playing a major role to integrate sustainability, responding to its stakeholders.
- The most pressing challenge at the moment for companies to fully integrate CSR into their strategy is to translate initiatives into tangible results and profits for the company.
- Lack of awareness of the company and investor to what is CSR. Investments in CSR are constrained by low understanding of its implications and considering it only as a cost with no direct benefit.
2.1.1. The concept of Corporate Social Responsibility

The concept of Corporate Responsibility started having international recognition in the early 1970s when a lot of corporations where constituted. The term was focused on the social initiatives as well as introducing the concept of stakeholders, showing interest not only for its shareholders but as well as for other actors influenced by the company’s activity.

Throughout the history of corporate responsibility, major industrial accidents have played an important role in advancing towards sustainability. In these early stages some cases marked the beginning of the corporate responsibility, which will be briefly mentioned. A significant case could be the industrial disaster of Bophal, which took place in 1984, caused by a leakage of a dangerous gas and other chemicals. The Bophal was then the reason for the revision of legislation in the industry, and strengthen the standards. Another significant example could be the one of the Exxon Valdez oil spill in Alaska (1989), after which several representatives from private companies gathered in order to define principles that could help companies to prevent these disasters and to react in a responsible way. These were the CERES principles, a series of ten principles that companies would endorse in order to manage environmental risks and conduct in an ethical way.

This increase in corporate responsibility and accountability towards society started to be parallel to discussions and roundtables regarding the concept of sustainability as shown in graph number 1, in the core of United Nations meetings. The concept of Sustainability was officially defined in 1987 in the report of the Brundtland Commission, Our common future as the “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”.

This incipient responsibility from corporations has been slowly converging with the concept of sustainable development, which states that the economic success of companies has to go aligned with a responsibility towards the environment and the community at large.

Nowadays, the concept of Corporate Social Responsibility is defined by the WBCSD as a “continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large”.

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2 Union Carbide Corporation. Bhopal, Information Center
There are a wide range of definitions and perspectives to understand the concept, but the essence is usually similar, organizations (at large) need to be transparent towards their stakeholders about their practices and initiatives and need to account for their impacts generating a social and environmental benefit while making profits.

Ever since, corporations have started to develop different types of approach towards corporate responsibility, from different perspectives and angles. Some have placed a big effort on environment protection, as this was thought to be the trend supported by green activists and by society.

2.1.2. Multi-stakeholder approach

Along the different definitions and approaches of corporate responsibility, one of the common points would be the use of the term stakeholder. This term has been evolving from focusing on shareholders/owners towards a holistic approach, on which employees, community, environment, etc. are also included and taken into account in the decision-making processes.

The term stakeholder was coined in 1984 by a widely recognized professor named R. Edward Freeman, referring to stakeholders as those groups that were significantly affected by the company activities, going further than just shareholders.5

Stakeholder’s engagement is the process on which the organization identifies and responds to the different groups: community, aspects, individual, public institutions, individuals, etc. that could be affected by the activity carried out. This process has constituted one of the key points when starting an effective CSR strategy.

This engagement is carried out through consultations and feedback that are then included into the goals and strategy of the company, in order to complete the picture and respond in a responsible way. There are several standards and initiatives that can help the company carry out this complex process in a professional and exhaustive way.6 One of these standards is the one proposed by Accountability: AA1000Stakeholder Engagement Standard7, which aims to provide a framework to help organizations ensure stakeholder engagement processes are purpose driven, robust and deliver results.

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5 R. Edward Freeman, 1984
6 “The 21st Century Corporation: The Ceres Road Map to Sustainability” 2010
7 AA1000 Stakeholder Engagement Standard (AA1000SES)
This engagement is what makes a corporation perform responsibly, as it seeks this way to create shared value, for itself as a business and for its stakeholders.

All these approaches have shaped the actual initiatives and the way society looks at corporate behaviour these days.

2.2. Corporate Responsibility’s common failures

In the following points, this paper describes the issues that are often left out in CSR initiatives and should be taken into account to generate a mutual benefit towards the corporation and the community. The aspects found throughout this research will be integrated as key factors in the model created.

a) Not integrated in the business model.

Some CSR initiatives do not match with the company’s core strategy. The real success for a CSR strategy to be solid and long term is to be directly aligned with the core business strategy.

In the business as usual approach, sustainability was not part of the corporate strategy. Nowadays, this paradigm is shifting from profit-focused companies, to value creators, reflecting the corporations’ strategy and its stakeholders’ interest.

A recent survey from United Nations shows (Graph nº 2) what are the different barriers that companies and society consider as the main ones in order to integrate sustainability into the corporate strategy. 49% of the CEO’s interviewed considered the complexity of process as the main barrier to integrate sustainability in the strategy.

To evaluate whether an initiative is part of the corporate strategy, or has nothing to do with its core business, a materiality analysis has to be carried out. This approach will be further explained in the following points, but it points out what are the most relevant aspects the company needs to address taking into account its stakeholders’ interests in combination with its core business analysis.
b) Integration of Sustainability

The term sustainable development was defined in the Brundtland report in 1987 as the “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”. This statement has been widely used to justify several CSR approaches, behind the sustainability term. To state that a company is managing its sustainability aspects means that all three pillars are being taken into account equally. A sustainable approach implies a combination or balance between environmental, social and economic initiatives, independently of the nature of the corporation. Several CSR approaches place more importance in one of the pillars, as it might be seen more related with the industry. This concept is not contradictory with the strategic approach; the key to keeping the balance is to clearly establish the context and the dimensions.

c) Philanthropy

CSR is often seen as philanthropy, something that corporations “have” to do to compensate society for their impact under charitable actions. The ways these actions are being carried out is often questionable due to the punctuality of these actions and the lack of sustainability in time. These initiatives are usually unfocused and diffused. Philanthropy itself is defined as “love for humankind”, which can be transferred to the corporations language to donations in order to express or satisfy this “love” for the community. The controversy comes when there is no strategy behind, nor monitoring of results or involvement with the donation.

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8 Brundtland, G. 1987

EOI Escuela de Organización Industrial http://www.eoi.es
Some corporations place their philanthropy initiatives in the core of their social or environmental contributions, as could be the example of the Bank of America\(^9\), whose actual intention of its initiative is to go aligned with the definition of the term philanthropy: “to do the right thing”; this initiative will be described below. To determine in a general statement that philanthropy does not contribute to promote sustainable initiatives would be wrong, as each initiative is different and seeks different objectives.

The point on which corporative philanthropic initiatives are usually weaker is in the creation of a measurable positive change, a change that will not create dependency.

The impact of philanthropic efforts from a citizen perspective is also linked with the activity of the corporation. In the case of a bank, for example, as it is providing a service, the impact that it is generating on the environment or in social terms is not that visible or less significant than other companies in other sectors. The fact that an entity that has visibly no big impact is donating to social causes is seen as a positive initiative creating competitive advantage.

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**Case Study: Bank of America: Corporate Philanthropy**

*Why we give?* Bank of America, we believe that a healthy community is important to all of us. As part of our core company value to “do the right thing”, we are committed to creating positive change in the places we live and work through our philanthropic efforts, employee volunteerism, and environmental initiatives.

*Our Funding Efforts* We are committed to supporting high-impact initiatives and organizations, developing visionary leaders now and for the future, and providing general operating support and funding flexibility to build strong, diverse communities for the future. This year, the Bank of America Charitable Foundation and other business lines, will contribute $200 million to address critical issues facing our neighbourhoods and communities\(^1\)

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In other cases philanthropy is developed under the concept of “Foundation”, a juridical entity through which the corporation or the company owner allocates funds for social, environmental or economic causes.

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\(^9\) Bank of America, 2011
Philanthropy has a major role to play especially regarding its alignment with the business strategy as well as the measurement of results rather than the amount spent, which might not be a true reflection of actual results.

The alternative to this extended practice would be to clearly define the context on which the company operates, and the issues that are material for them in order to participate in philanthropic initiatives that are relevant for the organization.

To conclude, corporations need to redefine their philanthropic efforts from a strategic point of view, as is illustrated in graphic n. 3, in which Porter and Kramer describe the concept of “Creating Shared Value” in which they explain the notion of creating a benefit for the corporation that is shared with benefits for the society. In this sense, philanthropic efforts managed from a strategic perspective could as well represent a competitive advantage for the organization.

Graph 3: Strategic Philanthropy. HBR 2001

(c) Impacts fall short on potential

In order to promote an initiative that makes a change internally and externally, it is very important to measure the impacts. Most of the effort is set on developing these initiatives as well as the way they’re going to be communicated or how will their efforts be rewarded by stakeholders. Instead CSR should concentrate on the impacts\textsuperscript{10}, gaining more credibility and social acceptance from the initiatives implemented. This measurement of results is a difficult task, due to the intangibility of the impacts. As it will be seen further in the report, these results can be measured by defining

\textsuperscript{10} Pripp-Kovac, L., 2006
indicators that provide an estimate of the social impacts achieved. The most difficult part is to determine these indicators and directly link them with the social impact generated.

d) Feasibility for small and medium enterprises.

Case study: INDITEX

Inditex has a CSR structure that has been in place since 1995 until now, broadening the scope of its activities and trying to cover all the aspects related to sustainability covering the environmental, the social and the economic dimension. Analysing their reports and communications, it can be appreciated that their CSR structure is related to the efforts and priority areas that will be tackled. Nonetheless, in order to increase their credibility it would be more effective to explicit which are the impacts that all those efforts are going to generate for the community or for the environment showing the true result behind numbers or initiatives.

Source: Inditex, 2011

Implementing a CSR structure is often seen as something expensive and only reachable for big enterprises, leaving behind smaller companies that have a lower impact on environment and society. Corporate Responsibility is not about sizes, nor the volume of money the company makes, but about what is the commitment of the corporation and responsibility to face the challenge of walking towards sustainability.

In this sense, to have a well developed and established CSR structure is not an easy task for small companies, which are usually overloaded with daily issues and struggling to maintain themselves in the market.

For these companies, to create a transition from business as usual to strategic CSR may turn into a potential added value for the company that it did not consider before, differentiating the company in the market. Integrating CSR in a small or medium company may not seem as an easy task, but after the initial boost of the strategy, the approach when properly managed will bring tangible benefits for the company, trust among clients and long-term stability.
e) Lack of awareness

There is a lack of awareness of the population to what Corporate Social Responsibility is and what the reason for companies to get involved in these new practices might be. There is little trust in what the true intentions behind CSR are besides from people outside the corporate world. One of the most powerful tools for an effective CSR is stakeholder engagement; in order to create an integrated approach that is not only benefiting the corporation but also the environment in which it operates.

This lack of awareness from society has been the subject of several studies done by observatories. Taking as an example the case of Spain, the Spanish organization Forética has recently published its 2011 annual report regarding the context of CSR in Spain.\[11\]

In the following graph (Graph number 4) we can see the outcome of a survey included in this report regarding the level of awareness of the concept. The survey reflects an increase around 10% between 2008 and 2010 that knew what was the concept of CSR. In 2010, an estimation was 43% of population, less than half of the society surveyed that had never heard of the concept or were not able to describe its meaning.

These figures reflect the level of awareness that needs to be tackled in order for the process to be complete. This awareness level takes place in society, and therefore takes place inside the company in departments not directly linked to CSR.

To conclude, in order to increase the level of awareness, communication needs to be accessible and easy to understand. On the other hand, stakeholder engagement is key to make sure that the target groups are aware of the initiatives and they’re as well benefited and taken into account.

No implication of all sector/departments of the business, linked to the previous point the lack of awareness of the process will be reflected by the non-involvement of internal divisions.

In order to carry out a successful CSR strategy, it is essential to have the collaboration of the entire company. Stakeholder engagement is basic inside the company, employees need to see the usefulness of the process and when they understand it then they will collaborate and make it easier, at the same time as feeling part of the process. Complementary, a good internal communications

\[11\] Forética Report, 2011
strategy will be reflected in an effective and faster process of identifying the material issues as well as implementing the initiatives.

The objective of the previous research was to identify which are the aspects that are often left out in CSR, in order to be able to incorporate them in the model that will be proposed. This model aims to integrate an effective tool complementing the existing efforts of the organization to walk towards sustainability.
2.3. The Model

Concept: Mainstreaming a CSR investment through a social business

The final aim of the model is to lead the organization towards the creation of social impact while positively influencing the organizational culture at the same time.

Taking into account the previous research on CSR, the model explains how to implement an initiative integrating it into the core business strategy and how to measure its impacts. This initiative is a social enterprise, a tool that the corporation places at its CSR core, in order to increase the effectiveness of moving towards sustainability.

The concept of “mainstreaming” refers to the impacts that the social enterprise will generate to the corporation as well as to the community involved. The proposal is a social investment aligned with the corporate strategy, in order to create a social enterprise whose only objective is to cover a social need.

Creating a social business through an investment in CSR is a way of taking CSR a step further and obtaining social benefits of higher value and sustainability, as will be explained in depth in the following section. The objective is to develop a tool that understands the challenge that CSR is facing at the moment, and seeks to fill the gap between the efforts and the tangible results.

Taking into account the research carried out for the corporate responsibility context at the moment, it could be stated that the tool proposed should comply with the following aspects in order to be effective and to generate a positive internal and external impacts:

- It has to go aligned with the business strategy and therefore with the corporate responsibility strategy.
- The social business needs to tackle a social need that at the same time is material for the company.
- Stakeholder engagement plays a major role along the creation of the social business.
- Sustainability is placed at the core of the social business.

The model explains the steps that the organization needs to take from “scratch” in order to create a social business and achieve its main goal, which is to generate a positive social impact in the context where it operates and to internally generate a positive change towards the involvement of the company with society.
The model is divided into five main sections:

- Core Business Analysis of investing company
- CSR Analysis of the investing company
- Monitoring the social impacts generated
- Definition of strengths of the investing company for the creation of the social business.
- Creation of the social business plan

http://www.eoi.es
2.4. The Social Business

2.4.1. What is a social business?

Social business is a term that has been widely used, with different definitions and applications depending on the source and the organization. It aims to be a market-based tool that seeks to benefit the company placing itself in the core of its CSR strategy, and the community by satisfying their needs and involving them.

In the following points, some of the definitions found along the research that have clearly inspired the final one used.

“A social enterprise is a business whose objectives are primarily social, and whose profits are reinvested back into its services or the community. With no financial commitments to shareholders or owners, social enterprises are free to use their surplus income to invest in their operations to make them as efficient and effective as possible.”

Health Department, UK Government

This section describes the concept of social business, partially inspired on the model proposed by Muhammad Yunus, which has been widely used in several successful cases.

The following points explain the criteria with which a social business has to comply with:

• **Value-Driven:** The Social Business as any usual business has a mission. In this case, this statement expresses the values and core principles that will guide the process. Serving as a code, these values will be shared amongst investors, workers and community.

• **Sustainability:** This point highlights one of the most important aspects of the social business, and clearly the one that will define the stability and future success or the mere economic contribution with no impact at all level. The Social Business needs to walk towards sustainability, taking into account considerations regarding the three pillars: society, environment and economy. Being a business that is created to satisfy a **social** need implies that the mission, vision and specific goals will be directed to improve the life of a community or certain people, therefore this objective must be in the center of the project. The **environmental** concern is directly linked with the social aspects, in some cases.

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12 Health Department UK, 2011
13 M. Yunus, 2009
cases the protection of the environment or the conditions in environmental terms will benefit the community living standards. Environment aspects will as well be taken into account. Finally the **ECONOMIC** aspects, as every business, it has to make profits in order to survive. As it was stated in the definitions, the social business seeks to gain profits by providing an accessible price for its products/services, giving back the investment and reinvesting in the social business any further profit. These profits or sales will allow the social business to maintain itself for the future and increase the social impacts that was intended.

- **Strategic:** The social business needs to be aligned with the corporate strategy, in order to promote sustainability along the project. A social business that is in the same sector as the investor corporation will clearly benefit the corporation by providing competitive advantage, and will benefit the community by providing the know-how of the sector.

- **Profits:** The social business has to be financially sustainable as any other business, with the clear difference on the fact that it has to aim for a margin that balances out this sustainability with the ability of providing a service or product at a more than accessible price for the intended client.

- **Results measurement:** The results generated in the social business will be firstly defined in terms of social or environmental impacts. These criteria, usually harder to measure than the financial statements will allow the investor to acknowledge a true change in the community. Obviously, the financial aspect will as well be taken into account, as the investment needs to be recovered.

- **Workforce:** The social business has to promote the local recruitment. Through training sessions and capacity building, the local population is the most attractive workforce to make the social business sustainable in time and truly benefit the community.
2.4.2. Successful case studies

There are a lot of successful social enterprises being run in a sustainable way \(^{14}\). The viability of managing business from a social point of view aiming to be economically sustainable has been proven, as they have existed for over a century now.

Displaying examples that corroborate this model is essential in order to appeal for the convenience of creating social enterprises as a long-term strategy, which if preform correctly and following a set of guidelines, will guarantee a successful outcome of the social enterprise.

Social enterprises vary in size, activities and performances, as well as in results obtained. We will expose a sample of different successful social enterprises to prove the viability and to convince that this methodology has a well-established base that is not experimental any more and is at least as predictable as any other business-as-usual model if preformed correctly.

The most famous successful social enterprise by media coverage and documentation is Grameen Danone Foods. The exposure of this social enterprise due to the importance of a world leader in dairy products production and the Noble Peace prize winner Muhammad Yunus has placed this project into the spotlight, where the benefits and the drawbacks these enterprises may face will be analyzed. The social pressure for a positive outcome has been key for the performance and the energy that was set on this project.

In the following points, this paper describes two relevant examples of successful social enterprises.

- **Case 1: Grameen-Danone**

As Muhammad Yunus clearly states in his book *Building a Social Business* it was not an easy path, many efforts had to be done by Danone and Grameen in order to achieve a successful outcome. They faced many problems that were not expected; problems with funding, with product pricing, with sustainability, with sales and with the business concept. That was the real challenge, not convincing a big corporation that a social enterprise was a good idea but overcoming the different challenges any business-as-usual has plus the added difficulty of solving those challenges bearing in mind the social mission of the enterprise.\(^{15}\)

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\(^{14}\) Social Enterprise Works, 2011  
\(^{15}\) M. Yunus, 2009
• The birth of Grameen Danone

The Grameen Danone social enterprise started in order to overcome Bangladeshi children health problems through dairy products. Bangladesh has 49% of the total population living under the poverty line\(^{16}\) and over 48% of children under age of five were underweight and lacking access to healthy living conditions\(^{17}\). The challenge was to produce a drinkable yogurt at an affordable price for the poorest families in the Bogra area that was fortified with 30% of all the micronutrients needed per day for a health development. The other objectives were to create employment (especially for woman), protect the environment and be economically sustainable.

Dr. Yunus proposed the idea of creating a social enterprise to Franck Riboud, the CEO of Danone, over lunch in Paris in November 2005 and there is where all started. Exactly a year later the first production site of Grameen Danone started producing a micronutrient-fortified yogurt under the name Shakti Dohi that means “energy yogurt”.

• Facing problems

The first 2 semesters reported better than expected sales. The product was on the market, and there was a wide acceptance to a product that had been able to lower the normal market price in 75% and providing 30% of daily-required micronutrients. But then sales started to decrease; the economic crisis was affecting Bangladesh too. Sales did not maintain and the first price of 5 Taka was not affordable anymore. The board of Grameen Danone got together to solve the first big problems that were threatening not only the company but also a model that aims to solve a social issue based on a business model.

Discussions were held in order to determine how to maintain the cost and nutritional characteristics but it was clear that maintaining both was not economically viable and therefore not sustainable. So even though finally prices had to be risen, there was a change in image, and the engineers tried their best to come up with a way of maintaining all the nutrients at a lower cost, something that had never been done before in any of the Danone production sites around the world. Grameen and Danone had faced a social problem with a social enterprise and therefore when problems raised, they could not expect any kind of philanthropic aid to solve their problems so they had to solve them as business-as-usual decision makers in order to continue being sustainable and adopting strategies to serve the social mission.

\(^{16}\) UNDP: Human Development Index
\(^{17}\) Hiromi Tsuboi, 2008
Lessons Learned

In this joint venture, Danone was producing one of their most famous products that is sold in many countries of the world. Still they faced many uncertainties and new challenges business-as-usual does not present. This new business model has pushed the engineers, marketing staff, board of directors and other workers to the limit in order to achieve a successful social enterprise. All those efforts have served to achieve their goals: the Bogra plant is up and working obtaining enough profit to remain sustainable and providing a quality product for the poor, and a new production plant is being build in Bangladesh which will be even more effective and cheaper to run than the Bogra production plant. ¹⁸

These achievements are not only for the Bangladeshi society. Danone as a multinational corporation has gained the experience of working in these conditions. New production plants prototypes, new marketing strategies, and other skills obtained during the execution of this project may be applied back in Danone’s business-as-usual model and make their core business more sustainable and efficient. Internal reports show how the employees feel closer to the company and are happier and share more of the main core business values. Finally the exposure Danone has had (and continues having) with this project has clearly affected positively the image of the corporation, not only because they have worked hand by hand with a peace Nobel prize winner but because of the social nature of the project, and the added value a action of this kind provides to the corporative image.

¹⁸ M. Yunus, 2010
2.5. Mainstreaming: The Concept

The concept of mainstreaming in the context of this model refers to the social impact that is created with the project as well as the assimilation of this impact in the community. This concept is described internally towards the organizational culture and externally towards the community where the social business is established.

Once the social business has been created, it is basic to define the relationship between the company and the social business. This relationship defines the involvement of the company in the social business, and will influence the internal and external mainstreaming of the project, which is explained in the following points.

2.5.1. Internal mainstreaming

Internal mainstreaming will be directly dependent on the involvement of the company in the social business. Once the company has defined its involvement in the social business, financially and in kind, internal mainstreaming will be the impact reflected in the organizational culture.

In order to generate an impact and positively influence the organizational culture, it is needed to determine internal tools that go from communication to management.

The long-term goal of internal mainstreaming is to normalize this social impact, involving the organizational culture becoming a spontaneous involvement.

2.5.2. External mainstreaming

External mainstreaming is based on the social impact that the project will create over time in the direct beneficiaries as well as the community indirectly involved. The social business by its own nature aims to create a positive, measurable and sustainable result that can be replicable and standardized in the community.
The key success factor for a social business to create external mainstreaming is the assimilation of these social impacts in the community, and the perception of the project for the local community.

The external mainstreaming will be measured through social indicators that will evaluate the social impact created in the community.

### 2.6. Benefits of applying the model

#### 2.6.1. Benefits for the company

The implementation of the model will have several benefits for the company, as part of the internal mainstreaming that has been mentioned. These benefits arise from the relationship between CSR and the social business in case of being implemented.

**a) Responsible acting**

There is a social expectation of companies returning part of their financial success and investing in social actions. As states the creation of the concept of CSR, it is a way to commit with society, to be responsible. The model proposed goes beyond this concept not only giving back to society, but also more importantly directly involving communities in this process, generating capacity building.

The investing company will be directly benefited, as the social business will be its own creation, fully aligned with its strategy. The main difference from another social investment is that it goes further than responding to its stakeholders, it places their needs in the core of the initiative, and creates something towards them. This initiative benefits the company enabling it to financially and in-kind collaborate with the social business with its expertise.

**b) Tangible and measurable results**

An issue with CSR actions is their difficulty in being measured. Creating a tangible enterprise will provide a number of ways of identifying and measuring the results of the investment. The direct link that is created between the social enterprise and the company, allows them to measure the results generated through a clear monitoring plan. This characteristic of the relation represents a change of mindset from the CSR efforts-focused to the results/impacts-focused. To measure the results, not only in figures but also through internal participation increases the trust of the stakeholders in the actions undertaken and generates an atmosphere of credibility.
As it will be mentioned further in the report, to measure the impact, the organization will define social indicators that will provide the information needed to track the achievements and failures of the social business. These results will be one of the main communication tools internally, explaining what are the impacts that the social business is creating, and therefore generating trust and eventually will to collaborate as a volunteer. Regarding the external stakeholders, the communication of the results achieved will likely attract more beneficiaries.

c) Investment

An investment with long-term results, big difference with philanthropy. The Social Business initiative allows the company to integrate the financial aspect along with the social one. This aspect is one of the most important benefits for the company, as the objective of the initiative is that the initial investment needed to launch the business will be reinvested into the organization in a defined period of time.

As it has been described, a social enterprise will make profits allowing the organization to recover the investment and from this point reinvest in the community increasing the social impact.

This allows the company to maintain its financial plan, while contributing to society and generating a positive impact in the community.

d) Internal involvement

Internal audiences´ participation and impact on organizational culture. Audience commitment and involvement with the CSR project, as part of a corporative strategy.

Internal involvement will be part of the mainstreaming of the project, through the collaboration of the employees with the social business, bringing the experience back to the investing organization and influencing the organizational culture. This involvement will promote trust among employees towards the CSR initiatives of the company, as well as awareness of the impacts that it is creating at a country level.

e) Image

Positive image exposure with local brand positioning through the social corporation locally and beyond through positive public relations outreach. The creation of the social business will create brand exposure for the investing organization, which will indirectly attract potential clients.
f) Decision-making

The power of decision-making of the investment company in the social business will be represented by part of its CSR department. The social business aims to be an entity financially independent from its investing organization, nonetheless it remains as part of this organization from the strategic point of view.

The representation of the investing company in the social business will create a link that will facilitate the communication among both organizations, promoting mainstreaming of the impacts.

g) Competitive advantage

As mentioned above, Corporate Responsibility represents a competitive advantage for the organization, by differentiating itself in the market. The social business initiatives, for its new characteristic with very few examples already into place with high success, it will be a clear advantage for the organization acting as an example for coming cases.

In many cases, implementing a CSR strategy or even implementing some initiatives that go further than economic results, are seen as obligatory tasks to preserve certain reputation. This situation is seen as a defensive reflect, as a driver for CSR, tackling sustainability to protect the corporation’s image. This approach of sustainability ignores the tremendous potential of CSR to bring competitive advantage and to differentiate the corporation from others, from a strategic point of view and bringing profits to the company.

The following case studies show the potential of these initiatives to combine a solid sustainability strategy with profits.

*Case study a*: The Toyota Prius was the first mass-produced hybrid vehicle, which was launched in 2007 in Japan. This model had the capacity to use electricity or fuel depending on driving conditions and availability, reducing the emissions of CO₂ into the atmosphere. This model represented for Toyota a big competitive advantage, introducing itself in a market that was incipiently starting and represented a big contribution to reduce environmental impacts while reducing energy consumption and therefore money. Source: Wikipedia
**Case study b: Integrated report: BBVA**

BBVA has recently published its integrated sustainability report. In this report, they present their financial information together with the non-financial, describing the financial implications and savings when taking into account environmental initiatives or promoting social improvements. This has been reflected as a competitive advantage, as the non-financial aspects are presented from the financial point of view, and showing the success achieved.

Society is more and more concerned about the environmental and social impacts, mostly from the point of view of the risks attached regarding sanctions and reputation management. Organizations are starting to consider Corporate Responsibility from the point of view of the investors’ relations as it increases the attraction of investors, reducing the risk of adversity or future sanctions. Investors look for corporations that are managing all kind of risks, and nowadays the environment and social issues are considered as such far more than before, and therefore are a requirement or at least an aspect to take into account when investing. This would mean that a corporation that is properly managing and incorporating the ESG\(^1\) implications into its corporate strategy will likely be benefited from the point of view of investment, due to this considerations. Source: BBVA Sustainability Report 2011.

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### 2.6.2. Benefits for the community

**a) Commitment from the corporation**

The Corporation that creates the social enterprise is not only providing the investment, but is also showing a defined commitment with the community providing the tools to promote a change.

**b) Development**

The creation of a social enterprise will contribute to develop the community in the long term by generating an economic dynamization, through the creation of local jobs, as well as helping entrepreneurs boost their businesses and increase profits.
The development approach of the initiative is focused on providing the necessary tools for the community to help it develop and become financially independent and with the right skills to sustain its profits in the long-term.

**c) Stakeholder engagement**

One of the purposes of the initiative as part of the CSR structure is to take into account the perspective of the stakeholders, as an essential pillar of an effective initiative. The community as part of the stakeholders when talking about society is involved and therefore needs to be consulted in order to get their perspective and develop an effective tool.

**d) Sustainable in time**

The objective is to create an autonomous enterprise with financial and economic sustainability. Contrary to the majority of punctual best practices, the initiative proposed is focused on sustainability in order to enable the community to keep the enterprise in the future case that the corporation was no longer there to support it.

**e) Social objective**

The social enterprise is created to cover or satisfy a social objective. The initiative’s main goal is to satisfy a social need; therefore all the efforts and arrangements will be directed towards this goal.

**f) Employment**

The community will be directly benefited as potential employers of the social enterprise, which includes the local community in the core of the business.
3. Social Business Through CSR Investment Model

3.1. Introduction

The idea of creating a social business through a CSR investment has many advantages to the society and for the corporate sector as we have seen in the previous chapters. But the creation of the social business may not be a straightforward process. Different companies with different core activities may find very diverse possibilities of creating social businesses. What the model proposes is creating a social business that is aligned strategically with the main business (investing company).

This concept of strategically aligning the social business to the core business will be repeated along this chapter, and explaining why this characteristic adds value to the investment and how it will be achieved. Through a series of guidelines provided, in three steps there will be enough information to design a successful social business.

The three areas of work consists firstly on an analysis of the core business from its mission and vision to their materiality analysis, secondly an analysis of the CSR department of the investing company and with the data obtained from these studies the third step is the design of the social business.

3.2. Core business Analysis

3.2.1. Mission

The mission statement describes the overall purpose of the organization.\textsuperscript{19} Therefore the importance of a clear stated mission of any company is closely linked with its performance. Businesses do not only respond to the making-profit incentive, the mission statement provides that greater purpose of the activity performed so that members of the company do not lose sight of the reason of the existence of the company on the first place.\textsuperscript{20}

\textsuperscript{19} URL: Free Managing library
\textsuperscript{20} URL: StepCase Lifehack
The mission statement will reflect the purpose of the company and therefore give a clear view of which are the important issues that concern their activities, the main lines of work of the company, and it will provide the answer to the question of - Why? - To the existence of the company.

The answer to this question - why? - Will be key to create the social business, as it will be described in the following sections. The statement will help inspire the social mission of the social business by abating the gap between the mission of the investing company and to what point that mission is addressed from a social point of view.

At this point an analysis should made and has to lead to understand completely the mission of the investing company. The purpose of a company is closely related with the strategic actions it takes and that is the ultimate purpose of this analysis: creating a social business strategically aligned with the investing company.

3.2.2. Vision

Vision statements reflect the aspirations of the organization and its goals. Ultimately the vision statement provides the companies’ foresees for it to be, in terms of growth, values, employees and contributions to society.

Like the mission this statement is highly important as it reflects what the investing company wants from the future, in terms of what it wants to provide or in terms of how the future will differ from a present situation.

The creation of the social business could help achieve this statement by complementing the activities of the investing company in similar areas of work. Again at this point the vision of the company should be fully understood so that the social business can aim to provide a scenario where those goals and aspirations could be achieved from a different angle that the one used by the business-as-usual model.

It has to be noted that the mission and vision statements are “alive”\(^{21}\), they may change over time. Therefore if the statements of the company have changed over time, the trend along those developing statements should be examined to be able to foresee the possible future scenarios regarding the purpose and goals the company might have. This will provide possible areas of action

\(^{21}\text{URL: Stepcase Lifehack}\)
for the social business and its activities it may perform in order to reach the aims even though it can be through different means and a complete different model.

3.2.3. Core activities and expertise

In order to create a social business whose activities are aligned strategically with the investing company, it is important to define the main activities that the company performs and identify the areas of expertise that create added value to the business. By doing so, the design of the social business will be more effective and easier to implement. The investing company will be able to provide the tools to create the social business, not only considering the financial investment but also the contribution with the expertise and know how of the different departments. Therefore, if this analysis is performed thoroughly, the creation of the social business will be simplified and the ideas of possible business actions will multiply.

The analysis should include every action that adds value to the business. The first area that must be analyzed is the core business activity, and this should be done in terms of how that activity could tend to a social need in an original way. Even though sometimes it may be difficult to advert every kind of business ranging from the clothing industry to concrete factories have a possibility of creating a social business. It is a matter of a well-preformed analysis and time to think of the best way the core business may serve a social need.

Secondly, the different departments and their strengths should be analyzed. If the core business does not offer a clear opportunity for a social business, the qualities of the workers may provide it. Their selling skills, their marketing ideas, their engineering capacities, all those qualities may be useful to create a social business which is aligned strategically with the investing company.

The ideal investment through CSR in a social business would be one that takes both areas into account, the core business and the expertise of the workers. This would create an involvement in every level of the company and the expertise will contribute to the success of the social business. The final goal is to have a social business, which is being fed by the main components of the investing company and therefore strategically aligned with it.

3.2.4. Values
The values of the investing company should be shared with those in the social business. Even though the social business may have a different mission and vision than the investing company the values of both should be aligned. The investment in a social business through CSR implies the commitment of different departments and workers from the investing company; therefore the values on which they operate should not change radically in order to make more effective their contributions. This should be not a rule of thumb but by having the values of both -investing company and social business- aligned the more strategic the social business will be.

3.2.5. Reach

The reach of the investing company will help determine the social business activities and expectations. Being aware of the reach of the company will help establishing the size (net income, employees, global presence), projection and aim of the social business. The bigger the reach and capabilities of the investing company the bigger the expectations of the social business. Bigger business with more reach provide more stability and the name will determine the social business with a starting name that will increase its chances of performing better. Smaller companies may lack these capabilities but on the other hand they might have more leverage due to less initial exposure. Being bigger or smaller will not be an advantage or disadvantage per se, but the understanding of the limitations and the boundaries the investing company has will determine a better scope for the social business to work on.
3.3. CSR Analysis

The creation of a social business through a corporate social responsibility investment must be associated with the strategy of the main business and complement other activities the CSR department (if any) is working on. The same way the core business has been analyzed, the more in depth the CSR is looked in, the more ideas and possible areas of action will arise.

3.3.1. Materiality analysis

The creation of a materiality analysis will determine the strategic areas in which the investing business focuses the most and gives more weight and importance. By performing this materiality analysis the different areas on which the social business may work on will be highlighted, and will create a line of work the social business may focus on.

The materiality analysis can be done in as much detail as desired, though to start a social business there is no need to perform a very thorough materiality analysis, basically enough to determine all the areas which are important to the investing company in order to create a strategic social business. This process will show also the degree of importance of each material issue the company considers and therefore will establish a hierarchy among the different stressed material topics.

To create a useful materiality analysis the following steps must be followed:

3.3.2. CSR Strategy

Graph 5: Uematsu, Ana. 2011

EOI Escuela de Organización Industrial

http://www.eoi.es
The most effective CSR programs are those that have a strategic vision. As L. Burke and J.M. Logsdon reveal in their research paper: “Results show that for the companies interviewed, CSR initiatives that are voluntary and strategic, as opposed to coerced and/or non-strategic, generate the most sustainable mutual benefit to the firm itself and its social beneficiaries”\(^\text{22}\)

To create a social business a CSR strategy is required. Preferably the CSR should follow one of the most important internationally accepted guidelines such as: ISO 26000 or Global Initiative Reporting (GRI). A thorough analysis of the CSR strategy of the business must be made, and extrapolate areas on which the social business could be created in relationship with the strategic vision of the social corporate responsibility.

3.3.3. Stakeholder analysis

In the same way a materiality analysis must be preformed in order to understand the areas that are more important for the development of the main business, a stakeholder analysis will provide the information of the mayor groups of interest a CSR strategy should pay attention to be more effective.

A well-preformed and thoughtful stakeholder analysis will provide enough information about how the actions involved in the CSR strategy may affect them, and therefore actions could be taken in advance to increase the benefits and to reduce possible risks. “It is the capacity of the company to: listen, comprehend, attend, and satisfy the legitimate expectations of different players that contribute to its development”\(^\text{23}\)

According to \textit{AccountAbility} there are 3 generations of stakeholder engagement:

\(^\text{22}\) Burke and Logsdon, 1996  
\(^\text{23}\) URL: Instituto Ethos, Brasil
Fig. Graph 6 showing the different generations of stakeholder engagement. Source: AccountAbility

The first level responds to pressure, a short-term view of stakeholders. The second level uses stakeholder engagement in order to reduce risks by understanding stakeholders’ points of view. Finally the third generation addresses stakeholder engagement as a tool to provide sustainability by incorporating it to the business strategy therefore gaining competiveness. This 3rd generation must be the aim of stakeholder engagement; the success of the social business will be in great deal dependent on how the beneficiaries are engaged so that the activities respond to their need in the most efficient way.

There are different methodologies to identify stakeholders, but only one that is an international standard - AA1000 Stakeholder engagement standard. It has been created by AccountAbility and links with tools like the UNEP Stakeholder engagement Handbook. This is the recommended methodology:

Steps to create a stakeholder analysis:

- Plan - Stakeholder mapping
- Prepare
- Implement engagement plan
- Act, review and improve
Honesty and professionalism is key in this point, as hidden agendas while analysing stakeholders may ruin completely the CSR design.

3.3.4. Setting priorities

The strategy and stakeholder analysis should help define more accurately the areas of action on which the CSR strategy of the business may act upon. There are three major areas on which the CSR strategy may rely on: social, environmental and economic. Preferably the CSR strategy should not be only focused on just one area, as the combination of those 3 areas will define the sustainability of the actions. All the initiatives that have been developed by the CSR department should be placed on one of these areas and analyse how they complement each other.

The concept of sustainability should be kept in mind when designing the strategy. CSR must be sustainable involving activities that the company may implement without adversely affecting the business goals.

This analysis will help advert areas where a social business may fit in. Helping to create connections between different functional areas of the CSR strategy or creating a social business that covers an area that is not being addressed by the company, and therefore an opportunity to improve the company’s CSR.

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24 URL: Simply CSR
3.4. Finding a social need

Defining the area on which the company can provide the optimum support is the key point before the creation of the social business. This will determine the possible areas of action, how much involvement the company will commit to and the extent and size of the social business.

The strengths and the area on which the company can provide that optimum support will be extrapolated from the analysis performed previously of the core business and the actual (if any) CSR strategy the company is putting into place.

Questions one should answer and look for in the analysis are:

- Covering which areas of action could a social business be created?
- How could the core business contribute to the social business?
- Which are the strengths of the main business that could be extrapolated to a social business?
- How could the values and mission of the core business be strengthened by the social business?
- How much is the actual CSR strategy aligned with the core business strategy?
- Which areas are being addressed by the CSR actions and how could a social business fit in the CSR strategy?

The answers to these questions will create a new scope of the type of social business that could be created by the company. This is an important process, not only for the creation of the social business, but also because from a well performed analysis the investing company will obtain better results in commitment and ensure that the benefits of the social business will have a positive effect on the strategy of the core business.

Once the analysis of the scope of the social business is done and the areas of action analyzed, it is necessary to find a social need to address.

Social needs range from a very specific concern in a neighborhood to famine in developing countries. There are environmental problems, educational deficits, societies with lack of economic opportunities, gender problems, street children, malnutrition, social exclusion, etc. A social business should aim to solve a social problem but as any business a realistic and achievable goal must be set. The best way of starting a social business is trying to solve a small problem with a
creative approach and as it succeeds expand and try to obtain a bigger reach. Just as any business would do.  

The social need can be a global issue though the action of the social business should start local, and through trial and error find the better way of solving the social need. The social need will be the main concern of the social business, all decisions will be aiming to solve that problem always with the non-loss principle in mind. This is why the social need that the social business will aim to solve must be clearly defined and well thought of as it will be the main driver of the social business.

It is not always clear how the investing company will try to act upon a social need through the social business. Sometimes a lot of thought is needed to try and advert how could the abilities of the business help to solve a social problem. There is always a creative solution for this. The mind-set of normal for-profit business has to change but still looking for profitability.

When defining the social need the social business should address the following questions:

- How can the core business activities and companies abilities solve a social need?
- Where is that social need?
- What is the size of the social need? Can it be solved? Is it realistic?
- How can a social business solve the social need the company wants to address?
- Does it have a strategic alignment with the company’s mission and vision?
- How could a business model carried out through a social business help solve the social issue?
- Could the social business evolve to solve other problems?

All the information obtained from the different analysis should help design a social business that will be aligned with the core business strategy, the CSR strategy and that will solve a social problem with a market based social business.

There is no one-way of having an idea to solve the social problem. But with all the gathered information and a creative process the social business model should rise fairly easily. Creative and innovative solutions are required; as this is a new way of managing a business the way it is formulated can’t be the same as business as usual either.

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25 M. Yunnus, 2010
3.5. Business plan for social business

The business plan for a social business is 90% equivalent to a business-as-usual business plan. But there are a series of issues that have to be taken into account that make a social business slightly different from a normal business plan. It has to be clear how the social business is going to address the social problem and how it is going to be profitable without jeopardizing the social aim.

This guide for a business plan has to be understood as what it is - a guide -. Each social business depending on the social issue they are addressing will have

3.5.1. Social mission

As it was shown in section 3.2.1 the mission identifies the purpose of the business. In the social business created the mission can be completely different to the one of the investing company, but its objective will be to step in where the investing company has limitation fulfilling its mission. The social mission will be used to cover part of that gap.

3.5.2. Social Vision

The vision of the investing company represents its aspirations and goals. It must be focused on aspiring a better society by eliminating barriers, social problems, injustices, etc.

3.5.3. Objectives

Even though it is a social business and has to be profitable in order to be sustainable, the priority is to help solve an existing social problem. This does not mean that the economic part of the business should be set aside of the social interest the business has, but even though the company must be profitable, that is only so it can continue providing a social service or product.

There are three main objectives a social business must have always in mind: solving a social problem, breaking even economically and being sustainable.

a) Solving a social problem
This is the essence of a social business; it is created with the purpose of improving society by its actions.

b) Breaking even

Breaking even must be as important as addressing a social issue. The social business must be profitable in order to pay back the investment from the financing company. Once the debt is paid back the business must avoid loosing money just as any other business would do. If it makes profit those profits should be re-invested in the company in order to maximize the first objective: solving a social problem.

c) Sustainability

One of the biggest advantages of social businesses is that they have the power of being sustainable by themselves not like NGO’s that depend on systematic philanthropic donations. A social business has the power of overcoming financial difficulties just as any other business would do. Therefore this should be the third objective of the social business, create a sustained activity economically, socially and environmentally.

3.5.4. Services/products

The services have to be clearly defined as well as the target groups. Social business, depending on their nature and the performed analysis to the investing company, could decide to offer either products or services or even both. Any of these are acceptable as long as they help to solve a social problem.

When defining the services and products in the business plan not all services/products have to aim to solve the social issues; some services and products offered may be the means of financing the social activities. Anyhow, all activities, social or for-profit, have to be defined so that the idea of the social business gains credibility. If the aim of these activities is described the business plan will be better and more accurate.

If the social business is starting small but the idea is to grow in services, these must be specified too, so that there is a plan for the social business as it grows. It may be better to start off with few services and as the social business succeeds adapt more services as the experience also increases.
3.5.5. SWOT

As in most business plans a SWOT analysis will give insight to the strengths, weaknesses, opportunities and threats to the business. The importance of this is that the profound understanding of the social business will help overcome and acknowledge possible aspects that can be improved of the social business and on the other hand take advantage of the strengths and opportunities offered.

The strengths should be used to take advantage of the opportunities offered and to reduce the likelihood and impact of possible threats. The weaknesses must be analysed to see how they are stopping the social business take advantage of the opportunities and to avoid them converting the threats into reality.

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3.5.6. Market Analysis

In order to take the social business into reality there must be a market analysis that proves that there is a social problem to be solved and not only that but that there is a market that is capable of taking advantage of the services and products the social business is serving and how these are capable of helping overcome the issue.

The market analysis has to be backed up with figures, which will help quantify the effect of the social business and will provide credibility to the business plan.

The market analysis should include an analysis and possible effects competence may have in the social business, and if possible a differentiation statement form similar operating companies.
3.5.7. Management Plan

The management plan should include detailed information and organizational structure of the social business staff, the hierarchy and the positions of the staff as well as their main tasks.

3.5.8. Marketing Plan

The marketing plan will include all activities that involve the different ways in which the social business will attract customers depending on the activities. In many cases this part of the business plan will have to be carefully developed as products or services that address a social issue they have are being sold, the way of transmitting this information is key not only to achieve sustainability by the income generated by the social business but more importantly so that the final effect the social business has over a community is positive.

When addressing social issues the marketing as-usual may not work in all cases and therefore has to be worked on thoroughly and impacting the beneficiaries with informing strategies that will make them benefit from the services.

3.5.9. The social value

This is one of those points where a social business plan differs from business-as-usual business plans. The main difference of these two types of business is their main driver and while for business as usual is making profit, for social business is to create a positive impact on a social issue. Therefore, a social business plan should include a social value statement in terms of how will the social business improve the present situation.

3.5.10. Operational plan

In the operational plan we come down to the business model: location, necessary equipment to run the social business in detail. All the characteristics that the social business needs in order to run must be described in this section.

3.5.11. Financial Plan
Probably one of the most important parts and one on which most effort must be put into is the financial plan. It is an indispensable requirement in order to attract the investment and to create a realistic social business with achievable goals, revenues, and sustainable in time.

The financial plan must have a prediction of sales, or revenues in at least a 3-year period with future growth perspectives and development of the financial situation of the business. The financial plan must also include a return on investment time period to the investing company.

Pricing strategies and financing strategies must be clearly explained and given in much detail. The financial plan will be a guideline to follow by the business and adjustments can be made but if the predictions are not realistic it may take down the social business.
3.6. Social return on investment

3.6.1 Introduction

One of the biggest difficulties when measuring social impact of a project or an activity is the lack of consistency on the indicators and approach\textsuperscript{26}. The social return on investment (SROI) is a consistent tool that provides understanding the social, economic and environmental outcomes of a project. By means of a set of indicators that are qualitative, quantitative and financial the SROI calculates the added value of a project by including all areas of society that may be affected by it so that it can be managed and proven. The added value of creating a SROI is that it uses financial proxies to indicators that measure impacts that are excluded from markets, therefore sharing a “common” language along the analysis of the social impact.

The SROI is based on 7 principles:

- Involve stakeholders
- Understand what changes
- Value the things that matter
- Only include what is material
- Do not over-claim
- Be transparent
- Verify the result

The SROI requires consistency in order to make it useful. The principles set a base on which the SROI should be calculated. By using this methodology the positive change that is trying to be created can be maximized and the negative impacts identified and managed creating new strategies to increase the social value of the actions.

\textsuperscript{26} SROI blog
3.6.2 Creating a SROI

The SROI provides information of many different indicators and one of the final outcomes is the SROI ratio that communicates the social return obtained from the investment e.g. a SROI 3:1 would mean that for every $ invested there was a 3$ return on society.

Creating a SROI involves 6 stages:

1. Establishing scope and identifying key stakeholders
2. Mapping outcomes
3. Evidencing outcomes and giving them a value
4. Establishing impact
5. Calculating the SROI
6. Reporting, using and embedding

The SROI guidelines may be found in the annex.

3.6.3 Applications of SROI

SROI may be used in two different ways that are complementary. If the activity has not been yet set into place it can be used to forecast the expected social impact of the project, and if it has been an on-going activity which social impact has not been measured (or it has been done with an inconsistent methodology) it can be used in an evaluative form.

Forecasting SROI helps defining strategy and incorporating a way of collecting indicators while evaluative SROI should result in a organizational change to improve the way of collecting data, and maximizing due to the findings the social benefits. Both ways of using SROI should include a commitment to perform future SROI as the real value of this analysis is the understanding of how by decision-making SROI can be maximized.
3.6.4 SROI in Social Business

A social business has two main characteristics as we have seen, on the one hand it addresses a social problem and tries to solve it by the means of the second important characteristic: from a business-model point of view. In this sense, calculating SROI strengthens both characteristics of social businesses.

Businesses-as-usual benefit from SROI as it exposes areas that should be actively managed to maximize profits and achieving goals that have been set. It also improves the monitoring of their activities through better-defined sets of indicators that make the company more efficient as they increase the information of their activities both in quantity and quality.

Organizations with social purposes require SROI methodology to prove and evaluate up to what point their activities are achieving those social goals that most of the times are difficult to measure.

By complementing both practices the SROI in a social business will maximize the efficiency as a business and the social impact created.
4. Practical case: Intel Costa Rica

4.1. Intel Core Business

4.1.1. Brief history of Intel

Intel is an American technology company, the world’s largest producer of semiconductor microchips (by revenue). With a history of nearly 43 years of activity and operating worldwide, Intel is leader in the field of technology, by contributing with significant research and innovative solutions to developing a digital economy worldwide.

Intel was founded as “Integrated Electronics” (Intelco) in 1968 by Bog Noyce and Gordon Moore. Intel’s first factory was established in California in 1970, and it took only two years to expand production internationally. Throughout the years, Intel has succeeded offering its clients the most innovative technology following the rapidly growing pace of the digital era. Along these 43 years of experience, Intel has not only positioned itself as a world leader in the technology field, but has also received awards for its management of employees and for its continuous innovation and development which has placed the company several times in the list of Fortune 500.

This history of success has been the result of a solid strategy, adapted over time, and a positive vision of technologies as one of the key success factors for every company in the near future. Arie de Geus explains in his book: “The living company” what the key factors are that make companies survive. These criteria are respect for the environment, cohesion and identity sense, tolerance towards new ideas and financial conservatism. This concept of de Geus describes how a company like Intel has been managing its business in an effective way and therefore succeeded in creating shared value both for the business itself and for society.

4.1.2. Mission and Vision

Intel’s mission describes its main purpose, defining why it exists. Like the modern company, it is not only looking for profits, but also a way to combine them with the new paradigm of responsible behaviour. Following this principle, Intel’s mission is:

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27 Intel’s CSR Report 2010. Pp. 6
28 URL: Intel, Corporate timeline: A history of Innovation
29 Manual de la Empresa Sostenible pp 15
“Delight our customers, employees, and shareholders by relentlessly delivering the platform and technology advancements that become essential to the way we work and live”

From this statement, it can be concluded that Intel’s reason to exist is to satisfy its main stakeholders delivering quality and innovative services, and more importantly playing an essential role in their lives.

Analysing Intel’s mission from a social perspective, it aims to improve the lives of its main stakeholders through technology. As it will be explained in section (4.22), its CSR strategy’s role is to make sure that this social approach is covered, and that they are responding to their stakeholder’s needs. This supports the concept that every initiative carried out, must be aligned with their mission of improving the lives of people through technology, closing the gap between their mission as core business and their socially responsible mission.

On the other hand, Intel’s vision reflects the way the company looks at the digital future outlook. Intel’s vision is to create and extend computing technology to connect and enrich the lives of every person on earth.  

Analysing their vision statement, it is clear their business and social goals are directly linked. Their expansion has been observed over the years and is the result of pursuing excellence and quality in every action.

Intel’s vision will be evaluated when looking at their CSR initiatives, observing to what extent they are striving to increase the scope of low-income beneficiaries of their technological products and services and experiencing tangible results.

As it has been mentioned in the first part, a responsible company should combine in its mission and vision their unquestionable need of making profits with the purpose of giving a sense to their existence. Together with the values, the mission and vision must be understood and integrated by every member of the company, introducing them in the organizational culture. In Intel’s case, both concepts are part of every initiative and reflected in every strategy or management plan, driving the company towards a more cohesive organization. Intel has recently updated its vision in 2010 and has communicated this to its employees through videos from senior management, intranet tools and training materials.

This long-term approach is translated into a defined set of objectives that drive Intel’s global strategy, which are the following:

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31 Manual de la empresa responsable pp. 46
32 Intel’s CSR Report 2010 pp 10
33 Intel’s CSR Report 2010 pp 10
This strategy was created in 2008 and has been updated in 2010, in which corporate responsibility can be seen as one the main components.

4.1.3. Expertise: Activities and Services

Intel’s original field of expertise was the design and manufacture of semiconductor microchips for PC’s, but has progressively evolved incorporating hardware and software as well as supporting technical service.

Intel covers a wide variety of products ranging from microprocessors, chipsets, motherboards, and wireless and wired connectivity products. The main objective is to improve the overall performance of these products emphasizing its security, quality and efficiency.  

Along the previous year, smartphones, tablets and other devices are the trend in the technological field, and Intel has positioned itself at the core of this trend providing solutions for the most advanced devices. This decision responds to increasing demand, which is reflected in the sales increase in 2010 (See financial situation 4.1.5). Most of these devices (which include Intel’s hardware) will be launched over the following year, increasing the sales figures.

These products are sold mainly to equipment or design manufacturers and other producers of communications equipment. Intel’s main clients are Hewlett Packard accounting for 21% of Intel’s net revenue and Dell Inc with 17%, for 2009 and for 2010. The majority of this revenue comes from outside of the Americas, where these products are sold to the final consumer.

34 Intel CSR Report 2010 pp.6
4.1.4. Values

Intel’s values are integrated in the core of its strategy, and therefore represent its workforce and corporate governance bodies. These values shape the organizational culture driving the company’s behaviour. They are reflected in every decision-making process and initiative, integrating business and corporate social responsibility objectives towards a common goal, which is the vision mentioned above.

- Customer orientation
- Discipline
- Quality
- Risk taking
- Great place to work
- Results orientation

Intel’s values are the combination of a profit-oriented company with a strong focus on their stakeholder interests. The most important aspect when stating Intel’s values, is not only the values themselves, but the level of adherence that all company members have to them.

These values have to be considered when creating the social business, as they need to drive the social purpose of the project and drive the long-term strategy.

4.1.5. Reach

Intel’s reach analysis will provide a general overview of the size and characteristics of the company, as well as prepare the framework on which the social business will be set and identify available resources.

- Financial situation

One of the main indicators of Intel’s success is its continuous economic growth over time. The following graph number 7 represents their revenue in billions of dollars since 2001. This has been
progressively growing, with slight decreases mostly around the years of the crisis, but showing a clear recovery from this period. As can be observed, 2010 has been the year with the highest increase in revenues, with an increase of 24% compared to 2009. This number can be explained through an increase in sales, around 1 millions PC’s sold per day, partially due to the shift from family PC’s to a more individual device. This means that every year more people are joining the digital community, and therefore demanding technological providers. Intel has also played an important role with the new generation of smartphones and tablets, as its demand is considerably increasing over time.

This revenue can be broken down by geographical location, in which the Americas accounted for 20% of the total amount in 2010, larger than Japan and Europe.

Taking economic figures into account, it would be useful to evaluate what percentage of this revenue is invested in social projects or CSR, in order to analyze if they are reflecting their economic success in their social initiatives as shared value.

- International company

Intel’s first factory was established in California in 1970, where its headquarters are located, in the state of Delaware. It took only two years to expand the production internationally, building an assembly facility in Malaysia. Since then, Intel’s operations including assembly facilities, wafer productions plants and offices account for nearly 300 facilities located in more than 50 countries worldwide.

The following graph number 8, shows the different locations of Intel’s wafer facilities and assembly plants.

81% of wafer production is conducted in US facilities. However, a production plant in China (Dalian) was recently opened, as can observed in the graph. Costa Rica’s operations are mainly assembly and test facilities as well as research and development, together with the facilities of Malaysia, China and Vietnam.

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35 Intel’s CSR Report 2010. Pp.21
36 Intel’s CSR Report 2010. Pp.21
37 Intel’s CSR Report 2010. Pp.21
38 Intel Web page: Corporate timeline: A history of Innovation
Employees

Intel employees are one of its main stakeholders and the relationship with them is included as part of their corporate values, under the name of “Great Place to Work”

In 2010 Intel had 82,500 employees, with a majority of women (55%).

Intel restructured its strategy in 2006, aiming to achieve a more efficient organization, and therefore reducing its workforce progressively over time to reduce operating costs, as can be observed in graph number 9.

Intel’s workforce is distributed internationally along its facilities, with the highest percentage in United States followed by Malaysia and China. In the case of Costa Rica, the country operations accounts for nearly 3.3% of the total workforce. This is an important figure considering that the country has a low population compared to the rest of countries where Intel is operating.

4.1.6 Intel Costa Rica

Intel made the decision to invest in Costa Rica in 1996. One year later, the initial $300 million investment in establishing a semiconductor assembly and test facility was materialized. Since then the presence of Intel in the country has expanded, employing more than 2,800 people and more than 2,000 others indirectly.

What was originally just a facility for assembly and testing became a campus that currently includes a services operation for its Latin American Services (LAES) Group, as well as a research and development, showing the very positive results for the company over the years.

Costa Rica on the other hand has found in Intel a source of income and growth that has been unmatched in recent years. The country’s GDP is actually measured with and without Intel’s exports because of their sheer size (in 2006 Intel’s exports accounted for 20% of the country’s total

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39 Intel’s CSR Report 2011 pp 62
exports); however, Costa Rica’s GDP also shared Intel’s downturns. When Intel’s activity dropped significantly in 2000, the country’s GDP growth was held to just 1.4%. Without Intel, GDP would have grown 3%.

After 14 years of the initial investment there is no questioning the importance of Intel’s decision for establishing operations in the country.

Arguably, one of the most immediate strategic impacts that Intel brought to Costa Rica was a significantly better country image for Foreign Direct Investment (FDI). Intel had given an implicit seal of approval to Costa Rica’s operating environment. The endorsement of one of the most respected and emulated corporations in the world – and an undisputed leader in technology – caused other prospective investors to take notice. CINDE, the country’s official investment promotion agency, set out to leverage this interest into a broader strategy that would attract additional FDI and advance the country’s competitiveness as a location.

The strategy adopted by the country’s 1994-1998 administration headed by President José María Figueres Olsen focused on the attraction of high value FDI. After the establishment of Intel, the country has maintained this objective with the clear added intention on concentrating on high tech companies and becoming a regional cluster for this sector, a strategy that has proven successful with the arrival of several other companies including Hewlett Packard.
4.2. Intel CSR Analysis

This section aims to analyze Intel’s CSR strategy at a global and local scale, based on their materiality analysis.

This will allow Intel to identify which are the strengths and areas of performance in the CSR field, providing the framework for the social business proposal to be developed.

4.2.1. Materiality analysis

Intel’s 2010 Sustainability Report states as its Corporate Responsibility Materiality Analysis the following:

Graph 10: Materiality analysis. Intel’s sustainability report 2011
Considering this analysis done by the company, the most important areas for them both for impact on their business as on importance to multiple stakeholders are the ones located on the top right corner of the matrix. These areas make up the base on which Intel develops its CSR strategy on a global scale, adapting to the specific contexts of each country in which it’s present.

4.2.2. CSR strategy and actions

This analysis will be focused on Intel’s Social approach part of their CSR.

“We are committed not just to being a good and responsible neighbor, but also to sharing the innovative ideas and professional skills of our employees with our communities around the world”. Shelly Esque, Intel Vice-President and Director, Corporate Affairs Group; President, Intel Foundation.

Regarding the company’s social approach, Intel states in its 2009 Corporate Responsibility Report: “We strive to cultivate a safe and respectful work environment where employees can thrive, create, and innovate. We also work to promote dignity and respect for people and our planet throughout the global electronics supply chain. As a company whose success has been grounded in innovation, we focus on improving the quality of education and finding ways to strengthen communities around the world.”

Intel has a strong focus on education for its CSR. It’s general programs on this level are as stated in their corporate website:

• Transforming education for a World of Opportunity: With over 200 programs in more than 70 countries, Intel works with and supports governments, NGO’s and communities to achieve educational reform that enables children to excel in the global economy.

• Competitions for inspiring Innovators and Entrepreneurs: Today’s students are innovators of tomorrow. Find out how we enable the next generation of scientists, engineers, and entrepreneurs through competitions.

• Technology for advancing education: We’re using technology to enhance learning environments. See how Intel helps improve education worldwide with advanced technology, Internet access, and digital content.

• Programs for improving teaching and learning: Intel works directly with students, teachers, and universities to enable tomorrow’s innovators.
4.2.3. Intel’s CSR in Costa Rica

As has been already analyzed, Intel’s materiality has as one its most important areas Supporting Education and Technology Access. Being true to this analysis, specifically in Costa Rica Intel has the following programs as stated in their corporate website:

- **Intel® Teach Program**: The Intel® Teach Program helps teachers integrate technology into their classrooms to enhance student learning. In Costa Rica, the Intel Teach Program is coordinated in collaboration with the Ministry of Public Education, and is implemented by the Omar Dengo Foundation. Training is available for teachers in all regions of the country, including those in very remote one-room schoolhouses. More than 50% of K-12 teachers in Costa Rica have participated in this program since the program started in 2001.

- **Intel International Science and Engineering Fair (Intel ISEF)**: In collaboration with the National Science Fair Commission and the Ministry of Science and Technology, Intel promotes student interest in science, math, and technology careers. We also help support 20 regional science fairs as well as the annual Engineer Fair and the annual National Science and Technology Fair for elementary and high school students. Intel sponsors the first- and second-place winners at the National Science and Technology Fair to attend the Intel International Science and Engineering Fair (ISEF) each year. Sixty-five students have represented Costa Rica at ISEF since 1998, winning a number of awards and honors.

- **Intel Computer Clubhouse**: The Intel Computer Clubhouse uses creative technology to help underserved youth develop confidence and acquire problem-solving and technology skills. This community education model forms a network of 120 Computer Clubhouses around the globe locating two of these youth centers in Costa Rica where approximately 1,500 students benefit.

- **Higher Education**: Intel has donated parallel programming labs to UCR Universidad de Costa Rica and ITCR (Instituto Tecnológico de Costa Rica) in 2008, and to the UNA (Universidad Nacional de Costa Rica) in 2009 which allow computer science students to learn new programming skills that were not taught before in the class room. Professors at these
universities are working on the curricular changes needed to teach parallel programming techniques. This will bring Costa Rican students in par with their peers in other countries.

Intel is also supporting undergraduate and graduate students as research assistants in nanotechnology research projects that are being conducted by both UCR and ITCR. These projects attract a sizeable amount of students and professors together from the materials science, chemistry, physics, electronics and computer science departments. Additional research collaboration in the form of a visiting faculty program, enables a professor from a university to research on a particular topic at the Intel site while keeping in touch with his students. This interaction brings back real life hands-on experience to the students as curricula and research direction aligns with industry’s development of technology.

Scholarship programs cover several areas. 4-year engineering scholarships enable a high school student to pursue an engineering degree. A total of 6 students are being supported under this program, 5 at ITCR and 1 at UCR. A special 4-year engineering scholarship has also been awarded to an ISEF winner who is currently studying at ITESM (Tecnológico de Monterrey, Mexico). And finally, university and technical high school students, that graduate and join the dynamic service center job market as well as the more qualified technical positions in multinational companies, see their job possibilities broadened through our English as a Second Language scholarship programs. A total of 50 technical high school students and about 15 university students are supported by this scholarship program.

• Technical Education: Working closely with the Ministry of Public Education, Intel Costa Rica helps strengthen the country’s technology knowledge base. We have donated 30 industrial robots and other specialized manufacturing equipment machinery to 21 different technical institutions. Students in these institutions design and build demonstrations, create manufacturing processes, and practice maintenance procedures with high-tech equipment. Intel places particular emphasis on the importance of conduct and occupational safety procedures in laboratory and school environments. Intel works with the technical education system to further promote the values and skills that are required in the workforce.
4.3. Definition of the social business

4.3.1. Country context

Costa Rica is a country with a strong educational base, where primary school is practically universal and investment in education is 8% of GDP (as has been recently approved by the government, bringing it up from previous 6%). As years have passes, the country has shown a steady economical growth and is considered to be one of the most developed in the region.

The country has achieved its current position with different strategies, but the attraction of foreign investment is definitely one of the most successful. The combination of a relatively cheap labor force but specialized and with a strong educational profile have made the country very attractive. With so much industry in need of workers as well as a very big public sector, the formation of people has been directed towards being an employee and not so much towards creating an entrepreneurial mentality. This however has begun to change, and more and more small entrepreneurs are beginning to move to build their own businesses. This movement of new local and specialized businesses could very well be what the country needs to make a push towards development.

This new breed of entrepreneurs faces several challenges, an important one being the lack of formal education in management, marketing and information and communication technologies.

A study by the Consulting Commission on High Technology (CAATEC) in 2005\(^{40}\) revealed that that the main two reasons why SME´s don´t use Information and Communication Technologies (ICT´s) are that they are unaware of their importance for their business and the lack of training on the issue in the companies. In the same study, SME´s were asked what kind of information they would like to have access to, to which they mentioned the following: marketing, advertising, computer skills, sales strategy, information on new markets, business management, customer service, personnel training, technological innovations and exports\(^{41}\).

For entrepreneurs, having the initial idea leads to finding out how to grow in this very competitive market. The use of the internet is an essential tool to achieving this, yet many of these entrepreneurs don´t have neither the access nor the knowledge on how to use it in the most ideal way for their business.

\(^{40}\) Ricardo Monge González, Cindy Alfaro Azofeifa, José Alfaro Chamberlain. 2005.
\(^{41}\) Francisco Briceño and Jorge Muñoz. 2009.
Small and local enterprises many times limited to growing because of not knowing the opportunities that the internet provides them. The potential of many initiatives is being dwarfed by the lack of access to the technological tools and the respective know how.

4.3.2 Entrepreneurship and economic development

It is considered that companies benefit by the economic growth of its host country, this because of the improvement of conditions to do business. This being so, the argument will be on how the focus on a specific factor as entrepreneurship will be an investment in line with the purpose of assisting in the development of the host country, and therefore the consequent benefit for the company.

The Global Competitiveness Index (GCI) by the World Economic Forum classifies countries based on their level of development according to the three phases of development determined by Michael Porter which are: Factor Driven, Efficiency Driven and Innovation Driven 42.

Moving beyond the Factor Driven economy which is characteristic of least developed countries, the GCI highlights report of 2010-2011 states: “As a country becomes more competitive, productivity will increase and wages will rise with advancing development. Countries will then move into the efficiency-driven stage of development, when they must begin to develop more efficient production processes and increase product quality because wages have risen and they cannot increase prices.” 43

At this stage competitiveness bases itself more on education and training, efficient goods market, well functioning labor markets, developed financial markets, the ability to harness the benefits of existing technologies and a large domestic or foreign market.

Costa Rica is considered by the GCI as being at this second efficiency stage, where it has surpassed being dependent on factor production and is becoming more focused on specialized industry. According to Porter, in this stage external methods are not just applied but are actually improved upon and foreign technology and methods are mastered in-house. 44

In this stage, the willingness to invest is its main advantage and product design is mostly based on market needs.

42 Michael E Porter. 1990.
The third stage of development is innovation, and here industries compete to produce new and different goods using the most sophisticated production processes. The transition towards the innovation stage is characterized by increased activity by individual agents and is biased towards high value added industries in which entrepreneurial activity is important.\(^{45}\)

Taking this into account, one important strategy that Costa Rica should adopt towards reaching the third stage of development is the promotion of entrepreneurship amongst its population. It’s important to make a differentiation between “opportunity entrepreneurship” which is the active choice to start a new enterprise based on the perception that an unexploited or underexploited opportunity exists, and “necessity entrepreneurship” which is having to become an entrepreneur because you have no better option.\(^{46}\)

It’s opportunity entrepreneurship which creates value in the direction of reaching the third stage of economic development.

Correlations exist that show how the ratio of opportunity-necessity entrepreneurship is actually a key indicator of economical development, which means that as more people leave the necessity entrepreneurship there’s an increase in opportunity entrepreneurship.\(^{47}\) Zoltan Acs states: “When there’s an ideal combination between a country’s capacity to encourage start-ups and the skills and motivations of those who wish to go in business by themselves, these conditions will lead to offshoot businesses, which in term will increase innovation and competition within the marketplace. The end result is a positive influence on national economical growth.” \(^{48}\) Acs presents with his studies a clear view on how entrepreneurship when focused on the ideal path will help a country’s economy grow.

There are several variables that influence the rise of entrepreneurship within a country, being one of the most important having the institutions (legal and government) that can enable individuals to seek their own business. Another factor is education, which plays a vital role in having the entrepreneurial initiatives be of technological and innovative value. It is clear also, that having access to tools (technological and know how) that can allow an individual to make the best of his initiative represents a basic need.

\(^{45}\) Zoltan Acs; Laszlo Szerb. 2010  
\(^{46}\) Zoltan Acs. 2006.  
\(^{47}\) Zoltan Acs. 2006.  
\(^{48}\) Zoltan Acs. 2006.
4.4 Social Business Plan: EmprendeTech

4.4.1 Executive Summary

EmprendeTech is a business with a social focus on providing up and coming entrepreneurs or established SME’s with the tools and knowledge to make their businesses and ideas grow to the fullest of their potential.

EmprendeTech is a social business funded by Intel as part of their strategic CSR. This business plan explains the objectives of EmprendeTech, its motivation, social value and the strategy for being financially sustainable.

EmprendeTech’s main source of income will be through the renting of its space to companies and organizations who want to take advantage of the center’s innovative and differentiating environment and facilities. These can be used from management meetings to conferences.

Also spaces will be rented out for individuals, organizations or companies who want to carry out workshops or courses and don’t have the appropriate infrastructure. Furthermore, EmprendeTech’s web page focused on entrepreneurship in Costa Rica will provide another source of funding.

These previous points will help the center provide its main service to its most important clients at an accessible price. This service will be the provision of personalized business plan design and planning focused on ICT tools. This will be implemented by university students who will do their respective university community service in the center.

EmprendeTech’s social mission will be promote entrepreneurship, and allow this important segment to grow for the benefit of the country.

4.4.2 The Concept

The Center is a place in which entrepreneurs can come and learn on how technological tools can help their business thrive. It promotes innovation and intends to bring the potential of the many starting entrepreneurs to real results.

In the Center, know how will be provided and individuals will learn on how technological tools can help them make their businesses grow. This will be done by the direct interaction of its clients with experts on different subjects.
The infrastructure of the Center will be designed to promote an environment of creative thought, where individuals will be motivated towards making their business grow.

Complementary to the actual center, EmprendeTech will have a web page that through Crowdsourcing will present successful projects for investors who can then finance these entrepreneurs.

For these clients, EmprendeTech’s work can be visualized in the following graph:

Where EmprendeTech through its center will aim to get to these potential entrepreneurs and SME’s and help them reach full potential by providing the know how, and then with the web page will attempt to give them the opportunity to get the funds they might need through crowdsourcing.

4.4.3. Mission and Vision

**Mission**: Provide the technological tools to entrepreneurs and help them take their business and ideas to the next level.

**Vision**: Become a launch pad for entrepreneurs and a reference point for the promotion and support of businesses looking to go beyond.

4.4.4. Objectives
4.4.5. Services

The services offered by the centre will provide individuals with resources and know how to use technological tools for their business development. Together with this service, the centre will as well be a meeting point for conferences and other events related to technology and entrepreneurship. All of the services offered will at the same time strive to offer the opportunities for development while maintaining its financial sustainability.

- Personalized integrated e-business plans/strategy. This is the main service of the centre to its beneficiaries. The aim is to offer clients with an initial no cost analysis of how our services can benefit their business (or if they don’t). Next, for individuals who are determined to be a fit for the centre, the services aim to fit with the beneficiaries business needs, maximizing the available resources to achieve tangible results in the short term.

For this service, the following areas will be covered:

- Web design
  - Electronic payment
- Graphic design (Photoshop, illustrator)
  - Corporate Identity
  - Logo design
- Digital Marketing
  - Email marketing
Apart from this, the centre will also provide other services that will allow the business to be financially sustainable:

- **Multi-purpose renting space.** One important service the centre will provide from the financial point of view will be the availability for external renting. This rental will be for public or private organizations to hold different events ranging from casual meetings in a different atmosphere to big presentations or formal events.

  The criteria used to allow this use of the space will be mainly the topic of the presentation/event and its relation with EmprendeTech. The ideal situation would be to promote this service for enterprises or colleges, with interesting topics and events for entrepreneurs.

  This service will not only promote the centre’s activities and Intel’s initiatives, but also will as well attract future beneficiaries and provide networking opportunities for the entrepreneurs of the centre.

  The prices for the renting service will depend on the length of the event as well as on the number of people that is estimated to attend. These will be estimated in the financial plan. (see 4.4.14)

- **Workshops.** In this case, the workshops would be carried out by Intel. This service will be one of the participation channels for Intel and its employees to interact with the center, and to collaborate with its successful development. These workshops might be independent from the activity of EmprendeTech, directed to Intel’s employees with the possibility for the beneficiaries of EmprendeTech to attend. Another possibility is that the workshops or conferences are directly related to EmprendeTech’s activity, about a topic that would be relevant both for Intel and for EmprendeTech.
The funding of the workshops will be sponsored by Intel at no cost, even for partners, as this service will be mainly directed to its employees and a way of promoting the center as well as generating the mentioned internal mainstreaming.

- Meeting space. The center’s facilities will also be offered as meeting space for companies wanting to leave their usual place of work for specific meetings or gatherings.

- Web Page. EmprendeTech’s Webpage will serve as a link between the entrepreneurs and potential investment through Crowdsourcing. This service will be offered with no cost for selected entrepreneurs and their projects. The page will generate income for EmprendeTech by selling ad space.

The services mentioned above will aim to provide the framework for entrepreneurs to develop their ideas with the aid of technological tools, acquire the needed skills to succeed in an ever-changing digital era and share their experiences. The center aims to be a reference in the entrepreneurial field as well as a flagship action by Intel.

### 4.4.6. SWOT

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Innovative service</td>
<td>• Initially could lack expertise</td>
</tr>
<tr>
<td>• Large potential market</td>
<td>• “Risky” return on investment</td>
</tr>
<tr>
<td>• Intel’s support and experience</td>
<td></td>
</tr>
<tr>
<td>• Cross financing</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Government promotion of SME’s</td>
<td>• Entrepreneurs don’t know the benefits that internet provides for their business</td>
</tr>
<tr>
<td>• Free Trade Agreements open business opportunities</td>
<td>• Experienced similar business in the field with accessible fares.</td>
</tr>
<tr>
<td>• Promotion of technology for development</td>
<td>• Convention centres and other centres used for lectures</td>
</tr>
</tbody>
</table>
4.4.7. Market analysis

- Small and medium enterprises

According to statistics from the Costa Rican Social Security Institution (CCSS) 98.1% of the registered enterprises in the country are micro, small or medium as seen distributed in the following graph:\n
In these statistics enterprises are qualified in the following way:
- Micro: 1 to 5 workers
- Small: 6 to 30 workers
- Medium: 31 to 100 workers
- Large: more than 100 workers

According to the CCSS the majority of micro, small and medium enterprises (SME`s) are from the sectors of commerce and services.

As it has already been mentioned previously, there have been studies made on what SME´s believe they need, and amongst the most important responses it´s important to point out: marketing, advertising, computer skills, sales strategy, information on new markets, technological innovations and exports. These are all areas that the centre will address and therefore all of these SME´s represent potential clients.

4.4.8. Entrepreneurs

The Centre will focus on entrepreneurs from low-income levels of society that in normal conditions don’t have access to technological tools or don’t have the know how to use them for business purposes.

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The target group would be entrepreneurs, start-ups and micro and small enterprises in Costa Rica. The centre with its services offers these individuals the possibility to launch and develop their businesses with the help of technological tools.

The social business will aim to promote equal opportunities between men and women, as both are potential successful entrepreneurs. This principle will be placed in the core of the social business strategy, broadening the scope of the packages offered and therefore reaching all kinds of businesses.

Since the centre considers that there is no relation between entrepreneurship and age, there will be no limitations regarding age to benefit from the services offered.

### 4.4.9 Competition

There has been an important increase in presence of companies that provide services related to ICT, with a considerable focus on web design and marketing.

The services found in the market can be categorized in the following:

- Web design
- Graphic design
- Web marketing
- Web hosting

The prices for these services are offered either in packages or individually and their price ranges from US$300 to US$ 2500 for a complete web design and marketing strategy, plus around US$50 for web hosting.

### 4.4.10. Management Plan

EmprendeTech will be setup as a Stock Corporation (Sociedad Anónima). This structure requires a board comprised of a minimum of three members: President, Vice-President and Secretary. Also a fourth individual has to be designated as “fiscal” and has a auditing role.
The organizational structure is as followed:

The Board will be comprised of a representative of Intel as President (ideally the person in charge of CSR) as main shareholder of EmprendeTech. The Vice-President position will be held by one of the managers of EmprendeTech, and the Secretary position will be offered to a person with expertise in the area of entrepreneurship. Since the board does not have to be limited to three people, over time more individuals can be included that can help guide EmprendeTech in a more effective way.

The two managers split tasks between day-to-day managerial work, representation of EmprendeTech, participation with the Advisory Board, organization of volunteer work and service to clients.

Administrative staff will consist initially of an individual working as receptionist and supporting the managers´ work.

4.4.11 Marketing Plan

Finding our clients

The overall strategy will be based on direct contact with potential clients. The idea is to have the opportunity of presenting the advantages that EmprendeTech offers to individuals with potential of taking a step further with their businesses or ideas. For this, first of all there has to be a segmentation of where EmprendeTech will look for these entrepreneurs:

a) Rural Areas

b) Universities
c) Technical Colleges

The final objective will be to base the marketing on word of mouth, where EmprendeTech will become progressively in a household name for start-ups and entrepreneurs.

Next is an overview of specific action for each segment:

a) Rural areas:

A lot of micro enterprises and entrepreneurs operate in rural areas and run their business locally. Because they do their business within what are normally small towns it is important to get directly to them. The strategy for this will be the following:

- Achieve contact through rural towns´ communal centers (centros comunales) to determine local entrepreneurs. This will be done by personal visits by EmprendeTech´s personnel.
- If possible local meetings/workshops will be coordinated with entrepreneurs to talk about EmprendeTech and the possibilities it offers.

b) Universities

Students especially from public universities will be approached by the EmprendeTech team presenting the center as a tool for them to materialize their ideas.

- Presentations in universities for advanced students.

c) Technical Colleges (Instituto Nacional de Aprendizaje - INA)

INA is an institution designed to provide individuals with specialized education in different fields offering an alternative to universities.

- Presentation in INA´s locations presenting EmprendeTech´s services.

Also, the EmprendeTech web page will be used as a communication tool for the attraction of people to the business. This will be done by the placing on the platform information on the center, what it does, methodology, services, success cases, news and further information of relevance, as well as everything related to Crowdsourcing.

Other marketing actions:

- Event rental space promotion
The promotion of rental space in the center will be focused on highlighting the special environment that EmprendeTech has. The heavy investment on refurbishing will precisely be aimed at making the center highly different from standard meeting places and therefore highly attractive for clients.

Direct contact with companies will be made, organizing meetings with managers and offering the center for their activities. The center’s advantages will be highlighted and also part of the pitch will be focused on the help they would be providing EmprendeTech by renting.

- **Opening Event**

Once the planned renovations are done in the center, an opening event will be organized. The idea is to host an event were key stakeholders are invited, which would be invited also through Intel to make use of their local networking.

Press coverage is important, and pro bono assistance from a Public Relations company will be sought to work on media management and ensure the best possible coverage.

- **Promotion of the center amongst Intel’s employees**

As a way to promote the center and get the interest of its targeted audience, an internal communications campaign will be suggested in Intel to bring awareness of EmprendeTech to the employees. This way word of mouth promotion will be used so these employees inform potential clients about EmprendeTech, be it family, friends and other acquaintances.

### 4.4.12. The Social Value

EmprendeTech will help entrepreneurs take their business to the next level. By focusing on individuals of low income the Center brings these tools to people who would not be exposed to them normally. The Center fills a gap, and intends to equal the possibilities of entrepreneurs to make their business grow regardless of their economical and social background.

By promoting entrepreneurship in this way, EmprendeTech also plays a role in the development of the country through the empowerment of individuals in making business, creating new markets and employment. The translation of the potential of all these individuals into real initiatives is vital for the future prospects of the country.
By presenting the entrepreneurs with the possibility of obtaining finance through Crowdsourcing, there’s further sustainability by not just providing the tools to the individuals but also attempting to give their business a push forward.

4.4.13 Operational Plan

- Physical location

Emprendetech will be located in the district of Mata Redonda in San José. This district has an area of 3.68 square kilometres and a population of 9,296. It is at a distance of about 20 minutes by car on average from Intel in San Antonio de Belén. It is centric and of relatively easy access from all parts of the city.

- Infrastructure and equipment

Emprendetech will be a centre located in the District of Mata Redonda, in the northwestern side of San José. Taking into account this district is mainly residential; the objective is to find a building or an existing centre to transform it into Emprendetech, using the available infrastructure.
This option has several benefits; in first place it would avoid the construction phase, which means less initial investment and bureaucratic procedures. In second place, the centre would already be located in the middle of an urban area, which will increase the accessibility of the centre for the people.

The concept of EmprendeTech is to be a place where entrepreneurs can meet, learn from each other, share experiences, etc. therefore the infrastructure has to provide this space for encountering.

The criteria for the selection of the centre will be the following:

- Good location, in the centre of the district, easy to commute with the rest of the city and outskirts.
- Open space, available infrastructure to reform the space, creating small spaces, an auditorium for events and a big meeting room, open
- The dimensions of the centre will be depending on the building and its characteristics, trying to maintain the original design and infrastructure as much as possible.
- The design of the centre will reflect the entrepreneurial spirit, trying to maintain the original design and infrastructure as much as possible but combining it with a modern and technological ambiance, that reflects the concept of EmprendeTech.

The centre will be divided in four main areas:

<table>
<thead>
<tr>
<th>AREA</th>
<th>SERVICE</th>
<th>EQUIPMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creative Area</td>
<td>Meeting point for entrepreneurs. Open working space.</td>
<td>4 tables, chairs, 10 laptops available and whiteboard.</td>
</tr>
<tr>
<td>Auditorium</td>
<td>Space dedicated for events and conferences.</td>
<td>Capacity for 60 people, projector and whiteboard.</td>
</tr>
<tr>
<td>Office Area</td>
<td>Working space for employees and volunteers, for administrative tasks.</td>
<td>3 desks, 3 desktops, kitchen and toilets</td>
</tr>
<tr>
<td>Classroom</td>
<td>Area dedicated to individual/group sessions</td>
<td>4 rows of desks, 9 desktops, projector and whiteboard</td>
</tr>
</tbody>
</table>

Regarding the equipment that EmprendeTech will need to start running, apart from the physical space:
Computers. One of the key components of the centre will be the technological tools to develop the most advanced solutions for its beneficiaries. In order to carry deliver the mentioned services, the centre will have 24 computers, 14 desktops (fixed computers, mainly for the classes and the administrative work) and 10 laptops; these will be at the reception and available for the beneficiaries to use for their individual work of sessions and not being able to take them out of the centre.

As we will see more into detail in the financial plan, computers prices have been estimated at a lower price than its market price, considering the possibility that Intel could provide them as a donation (part of the investment), or with a significant discount from its suppliers.

This donation of computers would be under its initiatives of contribution to society, which in 2010 donated 100,000 computers through its Education programs.

- Projectors. They will be needed for the individual/group sessions as well as for the conferences or events. The centre will have 2 projectors. One would be in the classroom and used for the workshops or courses that may take place. The other one would be located in the auditorium and used for audio-visual support in the conferences or events.
- Whiteboard. There will be one whiteboard in the classroom and another one in the auditorium as audio-visual and academic support.
- Office material
- Desks. The centre will need 12 desks or tables. These will be bought from local suppliers; preferably, these tables will be made out of recycled material assuring the provisions of sustainable materials for the equipment. The price that will be estimated for the desks, takes into account that this type would be bought, with the possibility of saving in case of using recycled ones.
- Chairs. As has been mentioned in the chart above, the centre will have 80 chairs distributed along the different spaces.
- Stationary (notebooks, pen, staplers, whiteboard markers, etc.)

How will EmprendeTech look like?
INTERNATIONAL MASTER IN SUSTAINABLE DEVELOPMENT AND CR
Mainstreaming a CSR investment through a social corporation
4.4.14. Financial Plan

In the services section (see 4.4.5) all activities EmprendeTech performed are explained. The pricing scheme for these activities is divided into 3 segments, each segment addressing a different target group and also different pricing.

The 3 segments are created to cross-finance the social activities, by creating different target groups. Cross financing means that there will be services with surplus that will finance activities with deficit. Normally the activities in deficit will be the social activities, as the prices have to be as low as possible in order to achieve their objective. These social actions will be financed by the other activities of EmprendeTech that are not focused on the social part of the business but receive more revenues.

The 3 different segments in which EmprendeTech is divided in are:
• The first segment is targeting corporations, associations, businesses or individuals willing to rent space in EmprendeTech to give conferences or promote their activities in any way. This segment is the most expensive one and the main source of income of EmprendeTech.

• The second segment is targeting small business and entrepreneurs who are willing to rent offices or reduced working spaces to develop their projects. Material of EmprendeTech would be available. The pricing will be adjusted to the service so that it is sustainable.

• The final segment is targeted to the main clients of the EmprendeTech, this section of the business offers integrated business plans and advises to entrepreneurs at a very low cost. This segment is financed by the surplus of the more expensive services EmprendeTech offers and therefore is able to provide the service at low cost.

<table>
<thead>
<tr>
<th>Area</th>
<th>Time</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renting space</td>
<td>Auditorium</td>
<td>½ day</td>
</tr>
<tr>
<td></td>
<td>All EmprendeTech</td>
<td>½ day</td>
</tr>
<tr>
<td>Workshops</td>
<td>Auditorium/training area</td>
<td>2h</td>
</tr>
</tbody>
</table>
The financial forecast of EmprendeTech includes a 5 year detailed statement of revenues and costs taking all expenses and expected revenues into account. Furthermore, the forecast includes a calculation on the return of the initial investment in two different scenarios: One realistic with our assumptions and another were EmprendeTech’s launch is not as successful as expected.

Thanks to the model based on volunteer work, from universities’ programs and Intel, the gross costs are reduced to the salaries of the three permanent workers of EmprendeTech as shown in the organizational plan, and the rental of the EmprendeTech facility. These two expenses are more than 90% of the monthly expenses as there is no product sold or intermediaries. For this reason there are non variable costs, except a minimum extra usage of the utilities, which is negligible compared with the fixed costs.

The initial investment required from Intel adds up to $56,600. That investment pays the rent for the first 2 years, the infrastructure and the reform of EmprendeTech to make it into an area that attracts conferences and events.

The first year has been forecasted monthly to show a clear assumption of the revenues intended to obtain are distributed. The intended results are as realistic as possible thanks to the market research performed and to the trust in the marketing plan that EmprendeTech will be able to gather enough events in order to provide a cheap service to entrepreneurs that can’t afford the services we offer in the current market.
EmprendeTech is looking forward in order to attract by the 5th year more than 250 clients and therefore achieving the goal of its social mission taking the Costarican entrepreneurs to the next level. By the fifth year more than 2500 entrepreneurs will have passed through EmprendeTech.

The return on investment for Intel will take 10 years. As shown on the balance sheet, 60% of the revenues of EmprendeTech will be destined to repay the initial investment. From year 5 to ten there is no prediction of growth as for the uncertainties on the revenues and costs of the fifth year are maintained constant. Therefore, by the end of the tenth fiscal year the initial investment will be completely paid back.

The other 40% of EmprendeTech income will be distributed as follows: 30% to an annual entrepreneur prize and the remaining 10% to reinvest on EmprendeTech to improve the services to our beneficiaries.

EmprendeTech entrepreneur prize

Each year, in order to attract attention towards EmprendeTech and to serve our social mission, EmprendeTech will create a prize that will be given to one of the beneficiaries which has a project with great potential. Depending on the year and the prize money (dependent on the yearly revenues) there can be one or more prices, which the managers of the social business will determine how they are granted. Giving the prize through public voting will attract attention and EmpendeTech will become a reference in favouring low-income entrepreneurs.

5.10. Social return on Investment

The social return on investment (SROI) is a model based on indicators where change is measured; therefore SROI is applied to outcomes. Sadly there are no outcomes for EmprendeTech at the moment but a forecasting SROI can be performed.

Forecasting SROI may not be as useful as evaluating ones but EmprendeTech will develop a set of indicators so that the SROI can be obtained after the first year and the following comparing results and therefore knowing the added value of the company and how well it is responding to its main driver: empowering entrepreneurs and taking them to the next level. And it is important for EmprendeTech, as taking these entrepreneurs to the next level will have many positive side effects to their families, their communities and hopefully the country itself.
Along with each indicator there is an expected outcome for the first year of EmprendeTech. This value will help evaluate as the business is running how far behind or ahead we are from the forecast.

Indicators:

- Number of customers interested \(\rightarrow\) 200 people
- Number of customers that perform integrated business plans \(\rightarrow\) 168
- Increase in productivity in their businesses \(\rightarrow\) Ave increase of 25-40%
- Number of start-ups \(\rightarrow\) 30% of customers
- Decrease in number of bankrupt business among beneficiaries \(\rightarrow\) decrease in 40%
- Increase in revenues from entrepreneurs \(\rightarrow\) 30% increase
- Alliances between entrepreneurs \(\rightarrow\) 15% of customers creating alliances
- Increase of awareness about ICT tools in entrepreneurship \(\rightarrow\) 90% making use of ICT tools
- Participation increases \(\rightarrow\) annual increase of 15%
- New beneficiaries from word to mouth \(\rightarrow\) 30% of customers come word of mouth
- Beneficiaries hire workers \(\rightarrow\) 10% increase in hiring among customers
- Beneficiaries return to the centre \(\rightarrow\) 20% return to show their achievements
- Empowering beneficiaries (they give conferences after success) \(\rightarrow\) 60% of customers increase their volume of work
- Return of beneficiaries who have fail (persistence) \(\rightarrow\) Of the total dropouts 30% return to EmprendeTech to re-try as entrepreneurs.

There are no figures for these indicators yet. But these indicators will help EmprendeTech to look for social return. It is not only about the money EmprendeTech has to make to be sustainable, but also EmprendeTech must look closely to the social return on investment so that the impact it creates can be quantified and monetized. As EmprendeTech starts more indicators should be added to the list and they have to be continuously monitored. Once the first year-ends, those figures have to be given a monetary value. How does pushing entrepreneurs to the next level create value? It is
not only for the extra income as extra income means more food on the table, more future perspectives for education for sons and daughters, and that means more future income and better-paid jobs and happier lives. It is difficult to set monetary values for all these indicators, but the SROI guide provided in the annex states the way it should be done in page 45 of the manual.

Pushing entrepreneurs to the next level is EmprendeTech’s mission, not only to increase their income but to improve their quality of life and their families and therefore the countries well being.
Outcomes and challenges

This work set out to produce a new tool for CSR, one that is not only effective in terms of having value for society but is also strategic for the company. Within this spectrum, the work intended to use an already proven success case as is with Social Businesses and apply it as a generic CSR action. With the resulting model, this analysis proves not only the practicality of the proposal but also its feasibility through the practical case created using Intel’s operations in Costa Rica.

There are several important points needed to be taken into account when considering this model:

- Even though this is a clearly plausible model, its finality is directly related to the proper application of CSR in general terms; meaning that as in all cases, the action must be backed by a clear institutionalized CSR strategy that properly seeks to be aligned with strategic business goals.

- Creativity is essential in coming up with a Social Business that can truly tackle a social problem while still being strategic for the investing company. While there is clearly no ease in creating this, it can provide the investing company with great possibilities of integrating employees and will have an even stronger value in terms of internal satisfaction.

- Companies’ intentions when doing actions in CSR are always questioned by people who don’t trust them beyond being Public Relations or Marketing. By creating a Social Business, there is more pressure on the investing company on having tangible results and concrete social impacts. This, at the very least, guarantees in the ideal situation that the action even if not coming from a true CSR perspective will have positive results.

- The concept of mainstreaming is essential when seeking true sustainable value in CSR actions. This model, by creating a Social Business, creates an entity that is fully within a determined community and context and has a far greater possibility of achieving mainstreaming then the company itself as an outside actor, especially when referring to multinationals.

- Multinationals when in developing countries should support actions that provide help towards development. This should be seen as beneficial to the company also, for all the benefits that in can provide on the long term for the company, but also in terms of reputation it reflect a company that is aware of its context.
Bibliography

Mainstreaming a CSR investment through a social corporation

Webography

- Zoltan Acs; Laszlo Szerb. 2010. The Global Entrepreneurship and Development Index.

Annexes

1. Financial Plan
2. Interview Andrés Ibáñez
3. Social Return on Investment Guide
4. Executive Summary
5. Brief