

Social Entrepreneurship and Sustainable Economy: can new forms of organization combine business models and social impacts?

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I. Introduction

The world is at a critical juncture, facing unprecedented challenges where inequality, poverty, and climate change are at the center. To overcome these issues, we must forge new organizations that dare to combine business and social impact because, not surprisingly, pursuing one or the other is insufficient. According to the World Bank (2022), an estimated 700 million people still live in extreme poverty, and the COVID-19 pandemic has exacerbated this problem, particularly in developing countries. However, the rise of social entrepreneurship¹ (SE) and sustainable economic models in these markets provides hope for a brighter future.

There is growing evidence that businesses can successfully combine social and environmental(S&E) goals with financial success. In a survey of 3000 companies, Harvard researchers found that businesses that prioritized innovation and S&E goals had stronger customer loyalty and increased revenue growth compared to those that did not. (Eccles & Serafeim, 2013). Moreover, integrating S&E objectives into a company's business model can help create shared value and reduce costs through more efficient resource use (Porter & Kramer, 2011). These findings challenge the idea that sustainable development and economic success are mutually exclusive, providing strong evidence for the advantages of combining business models and social impact.

Although the rise of SE represents a beacon of hope for a more equitable and inclusive future, many SE's still struggle to secure the necessary resources to make their visions sustainable. Research has

¹Definition of Social Entrepreneurship: “[It] adopts a mission to create and sustain social value (not just private value), recognizes and relentlessly pursues new opportunities to serve that mission, engages in a process of continuous innovation, adaptation and learning, acts boldly without being limited by resources currently in hand, and exhibits a heightened sense of accountability to the constituencies served and for outcome created.” (Dees 1998, 4), extracted from research by Mara, G.S. 2021.

shown that these challenges emerge partly because SE's focus on social goals rather than solely financial ones is not aligned with traditional forms of finance. However, in recent years different types of finance, including impact investing and crowdfunding, have emerged that cater more to their needs (Bosma et al., 2020). With the appropriate support, these social entrepreneurs, armed with innovative business models and a deep understanding of the needs of their communities, have the potential to tackle some of the most pressing global challenges.

This paper will focus on SE and its ability to drive both economic and social impact. First, it will provide context on a country facing multiple socioeconomic challenges and then deep dive into three of these challenges. Next, the paper will showcase a SE venture that successfully combines a social and business model to address the challenges discussed in the first section. Finally, through the chosen case study, the paper will answer whether SE can effectively combine business and social impact to drive sustainable development, address social inequality, and foster economic growth. This evaluation will be accompanied by a video that highlights the power of SE and its ability to ignite economic and social empowerment while addressing sustainability challenges.

II. Context | Togo: A small country with big challenges

In Togo, a country with a population of around 8.5 million, young people aged 15-35 years old represent just over a third of the population (33.5%). Despite their demographic strength, almost 7% of this demographic remains unemployed, nearly twice as high as the national unemployment average (3.9%) (Amenoudji & Wonyra, 2023). Amenoudji & Wonyra's research also discovered that youth unemployment leads to social exclusion, malnutrition, mental illness, and loss of self-confidence, resulting in depression . Youth unemployment is not just a youth problem; it is a problem for society at large. Their disproportionate unemployment has contributed to increased crime and violence, leading to the high prevalence of civil conflict and migration in Togo (Amenoudji & Wonyra, 2023).

A case study done by the UNDP revealed that the Togolese government acknowledged the need to address this unemployment issue, recognizing the intrinsic link between social cohesion and sustainable development. However, action to build an ecosystem that solves this problem has been slow.

Fortunately, SE offers a quicker and more sustainable solution. By combining social and business principles, SE ventures can shape youth's understanding of social challenges as ones that can be addressed from a business perspective. This mindset shift enables youth and other members of society to become creators of solutions that can drive social change, create jobs, and ultimately foster economic growth.

Food insecurity and poor waste management

Like many countries in Sub Saharan Africa, Togo faces significant challenges in food production and land use, ranging from soil degradation, deforestation, and inadequate infrastructure for storing and transporting agricultural products. The country has one of the highest deforestation rates in the world; only 3.6% of Togo is still forested (UNDP, 2023). Intense deforestation has negative externalities, including soil degradation, threatening the country's food security. In 2022, an estimated 500,000 people were food-insecure, with another 1,400,000 people at risk of food insecurity (WFP, 2022).

Togo, and specifically its capital city Lomé, faces significant waste management challenges as well, including inadequate waste collection systems and disposal facilities. In Lomé, approximately 25 000 tons of plastic waste is generated annually, while only 10% is collected and recycled under hygienic conditions (HubCity Memorandum, 2022). The overburdened waste management system, coupled with improper waste disposal, poses significant health and environmental risks. These conditions also contribute to the spread of diseases, with cholera outbreaks being a common occurrence in the city.²

² According to the WHO between 11 November to 28 December, 2020 a total of 67 suspected cholera cases presenting with diarrhea and vomiting, including two deaths a case fatality ratio (CFR: 3%) were reported from the municipalities in Lomé, Togo(WHO 2021)

Economic inequality and limited access to financial resources

In a country where over half of the population lives below the international poverty line of 1.25 USD per day, economic inequality and limited access to financial resources are not just statistics, but harsh realities that impact the everyday lives of Togolese people (WFP 2018).

Consider the story of Kafui, a local vendor who has been selling handmade crafts in the market for over a decade. Despite her experience and high-quality products, she struggles to compete with the influx of cheaper, mass-produced goods flooding the market from international vendors. With limited access to financial resources and a lack of support from the government or other institutions, Kafui finds herself constantly on the brink of financial insecurity.

The effects of economic inequality and limited access to financial resources go beyond just financial instability. It leads to a lack of investment in education and healthcare, creating a cycle of poverty that is hard to break. This issue is further compounded by the fact that traditional financial institutions are often inaccessible or unaffordable for those who need them the most. With high interest rates, strict eligibility criteria, and poor understanding of local needs, these institutions often fail to serve the most vulnerable members of society.

III. Can SE effectively combine business and social impact?

Social entrepreneurs **can** indeed effectively combine business and social impact. One organization that embodies the abovementioned principles is Woelab (*way-lab*), based in Lomé, Togo, which is part of a larger initiative called HubCity(2012). HubCity is a start-up studio aiming to create an inclusive alternative to traditional "Smart City" models, which often favor elitist and top-down dynamics. Its founder, Sénamé Koffi AGBODJINOU, envisions reestablishing the synergy between humans and nature, more concretely, transforming traditional business mindsets to prioritize social and environmental impact **alongside** profits.

Spaces for Technological Democracy, like Woelab have the power to create social innovation through the responsible appropriation of the digital revolution. Their projects, such as SCoPE, Urbanattic, and Sys'Woe aim to tackle issues such as plastic waste, food insecurity, and poor access to financial institutions. Through their work, Woelab demonstrates that emerging markets have the power to create the change they want to see and become empowered agents of their own development.

The Business Model: 5 Financial Pillars of HubCity

In maintaining a business mindset, HubCity’s financial strategy is based on five main pillars. Below is an illustration demonstrating how each pillar contributes to the life of the Hub.

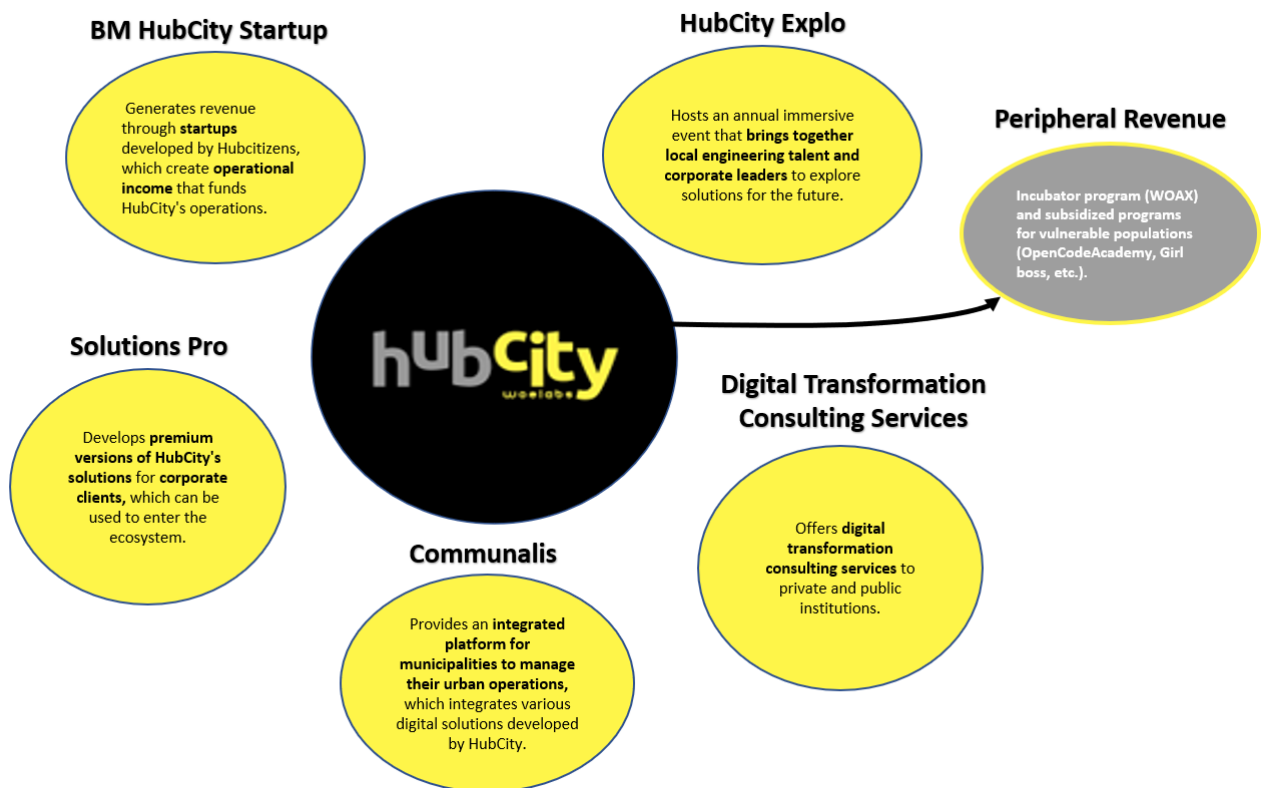


Illustration 1: 5 pillars of HubCity self-financing mechanism

IV. Social Impact Model: Integrating social and environmental objectives with business models³



SCoPE: Restoring the environment

SCoPE's (Sorting & Collecting Plastics in our Environment) aims to efficiently connect the problem of plastic waste to existing solutions through a web/mobile device, the Mizāmike (*reuse us*) platform. SCoPE acts as an intermediary between community members and plastic recycling companies, which are its customers, and provides a regular income based on the quality and quantity of plastic purchased. By connecting the problem of plastic waste to existing solutions, the platform offers real-time monitoring and alert systems that enable efficient sorting and collection of plastics.

Impact:

The initiative also encourages community participation in waste management, creating a sense of shared responsibility and ownership. The result is a significant reduction in improperly disposed waste, which promotes cleaner living spaces and a healthier environment. Moreover, it keeps gender challenges at the forefront; 86% of its employees are women.

Woelab's SCoPE project has already secured 47 users who supply plastic waste within a radius of one kilometer around the Plastic Bank installed at WoeLab Zero. The main users are women aged 40–55 who run small shops at home and consume significant amounts of plastic materials. SCoPE, currently collects around 1, 128 kilograms of plastic per month. However, the team has grand aspirations: to collect 10 tons per month and reach 640 users. With more financial support and an ecosystem that enables SE, this goal is more than achievable (HubCity Memorandum, 2022).

³ All information on the below mentioned initiatives were extracted from the [HubCity Memorandum](#) provided by the founder of the organization.



UrbanAttic: Environmental, Food Security + Job creation

Urbanattic is a social, health, and environmentally conscious initiative that creates co-constructed green spaces in urban areas, offering shared experiences in relearning agricultural techniques and promoting a return to the land. The initiative has two notable effects: (a) It promotes the availability of healthy and locally sourced products, remodels and cleans up the urban landscape, and creates non-genetically modified, pesticide-free, and decarbonized agriculture. (b) Each attic installed creates nine permanent jobs, which can increase with the operation's size.

Demonstrating Urbanattic's economic robustness: The initiative started with an initial investment of €39,219; now, the activity generates an average annual cash flow of €35,103.63 over the repayment period of 5 years. Over ten years, the cash flow has seen a 450% increase (€ 9,430 to €52,632).



Sys'Woe: Financial Inclusion

Sys'woe(*sis-way*) recognizes the pressing need to address two critical challenges: (1) the impact of Covid-19, where banknotes pose a significant risk for transmission, making a contactless tool for exchanges essential, and (2) the nature of the African economy, where the majority of jobs are in the **informal** sector, and a low banking rate(10%) creates a problem of exclusion for the majority of the population(90%)(Agbodjinou, 2021). Responding to these challenges, Sys'woe is a solution that enables currency-free exchanges of goods and services, allowing individuals to exchange their

produced value without relying on traditional currency. This modern bartering system includes a universal account system that provides access to banking services for all value-producing individuals.

VI. Does this operation meet the criteria for being an organization that effectively combines business and social impacts?

When put to the test, HubCity proves that businesses **can** be successful while integrating social impact into the fiber of their work. The business has been self-funded for over ten years (450k invested), has trained over 500 fellows, and acquired 20 active partners worldwide. However, to scale up and impact more beneficiaries, more funding is needed. Research finds that most social entrepreneurs cite access to funding as their biggest challenge, furthermore a grand majority said they could not secure the funding they needed to grow their organizations (Shossain, 2020). Thus, this predicament is not unique to HubCity's experience.

By demonstrating that sustainable development and economic success are not mutually exclusive, the rise of SE represents a beacon of hope for a more equitable and inclusive future. It is a reminder that the power to effect positive change lies not just with governments or large corporations but with anyone with the courage and vision to pursue an idea that can make a difference. More organizations should embrace the principles of shared value and foster a business culture that promises to create a world where profit and purpose are not at odds but rather mutually reinforcing. The potential of these new forms of organizations to combine business models and social impacts is immense, and we can only imagine what kind of world we might create if we fully harness it.

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