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Social business and social innovation: the Brazilian experience

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Abstract

Purpose – The aim of this article is to contribute to the field of social businesses, particularly considering the dimension of social innovation.

Design/methodology/approach – The authors adopted a qualitative approach, whose purpose is to gather in-depth insights into a problem to understand its contextual elements and interrelations. The authors used an exploratory descriptive design and a multiple case study, which allows the identification of similarities and differences in the research subjects. They developed a scale that enables the classification of the operation logic of the social businesses analyzed.

Findings – It became evident that social businesses present a few differences in their *modus operandi*: those based on a social logic are more concerned with the generation of socio-environmental value, however with small-scale innovation; in contrast, social business guided by a market logic do not intend to generate socio-environmental value in different dimensions and are more concerned with the wider range of their innovations.

Research limitations/implications – This research analyzed social businesses from a founder and manager perspective and did not comprise all stakeholders. The purpose of this study was not to measure the effective impact generated by innovation, but to understand its potential to generate socio-environmental value.

Practical implications – The generation of socio-environmental value and the strategies to expand practices of social innovation are associated with the operation logic of social business.

Originality/value – The created scale allowed the classification of social businesses in terms of operation logic (greater emphasis on market or social aspects) and proposes a few dimensions to evaluate a socio-environmental innovation.

Keywords Social entrepreneurship, Social innovation, Social business, Socio-environmental value

Paper type Research paper

1. Introduction

The emergence and expansion of social businesses in different parts of the planet makes this phenomenon the focus of administrative sciences not only by diving into its empirical characteristics, but also to apply knowledge stemming from organizational theory and the possibilities of modeling appropriated management tools.

Nicholls & Collavo (2019) affirm that social business is inherently a different phenomenon to define and describe because its nature demands a combination of typical logics and activities of social and public sectors with logics and activities associated with the entrepreneurial sector. One distinctive feature of social businesses is not the institutional



elements they incorporate, but the organizational patterns, logics and structures used by them. This sort of actions is capable of taking advantage of the organizational hybridity to boost innovation and changes focused on social and environmental results through the generation of positive externalities and participation of communities in their own empowerment and/or improvement (Nicholls & Collavo, 2019).

Within the social business field, new hybrid organizational structures are emerging, which pursue the accomplishment of two objectives previously considered incompatible: financial sustainability and generation of socio-environmental value (Alter, 2007). Social businesses, inclusive business, social business and social impact companies are some of the terms currently used to assess organizations that aim to solve socio-environmental problems efficiently and to achieve financial sustainability through market mechanisms.

Considering it is a new terminology derived from the entrepreneurial environment, it has been the target of heated debates between scholars and practitioners. The lack of a homogenous vision is explained by two main factors: the different ways to define the social character of ventures and the different ways of assessing the innovative character in this sort of organization. In this broad spectrum of actors, the configurations of these businesses take on different formats. Each organization will position itself according to its own objectives and interests and will give different weights to each of the factors that make up the concept.

This article presents the results of an exploratory descriptive research whose general aim was to analyze the relationship between social innovation and social business in the 27 states of Brazil. For such, we developed a theoretical framework to allow the classification of the different social businesses and their contributions in terms of socio-environmental value. The innovations implemented by these organizations were analyzed to identify characteristics and patterns that could help formulate hypotheses on social innovation and social entrepreneurship.

The present article thus aims to fill a gap in the theoretical field of administration, particularly regarding the configuration of innovative models of social businesses and the generation of socio-environmental value. In this sense, clarifying the distinction between determinants and analytical dimensions of innovation, providing insights under the lens of results, and decoupling social innovation from only nonprofit organizations can contribute to advances in literature by addressing such research gaps. Finally, we expect that the reflections presented herein can contribute to understanding the limits and the potentials of social entrepreneurship in order to promote sustainable development through innovative solutions, be they of an incremental character or capable of causing disruptions that may lead to transforming social changes.

2. Literature review

2.1 *Social businesses: different approaches*

One can find in literature three main lines of thought that explain social businesses. The European perspective, derived from the traditional social economy (associativity and cooperativity), emphasizes the operation of civil society organizations with public functions. The North American perspective understands that these businesses are private organizations guided by the logic of the market focused on solving socio-environmental problems. The third perspective, predominant in developing countries, considers social businesses as socio-environmental ventures that operate according to the logic of the market and that aims to reduce poverty and the transformation of social conditions that marginalize or exclude people (Comini, Barki, & Aguiar, 2012).

A research carried out by SEKN (Social business Knowledge Network, 2010) emphasizes the role of small and medium-sized companies, cooperatives, and civil society organizations to provide solutions aimed at low-income population. According to such perspective, the

population at the bottom of the pyramid is often playing the role of producers instead of simple consumers.

When analyzing the different definitions and characteristics of social businesses available in literature (SEKN, 2010; Celli & González, 2010; Sen, 2000; Nicholls & Collavo, 2019), it is possible to list four factors that distinguish the differences among the approaches/lines of thought found in literature on social businesses, namely: the purpose of the venture, value chain, governance structure and financial sustainability.

Although there are different views on the format and management of social businesses, there is a consensus around the fact that these ventures pursue the intrinsic generation of economic and socio-environmental value. Social businesses are, therefore, characterized as hybrid organizations (Battilana & Lee, 2014; Battilana, Lee, Walker & Dorsey, 2012; Alter, 2007); however, with a very diverse spectrum in their *modus operandi*: some are more like traditional companies, with stronger emphasis on the market; others operate according to a logic similar to that of civil society organizations (regardless of their legal nomenclature) with greater concern for the generation of socio-environmental value. The present study proposes a continuum to describe the types of social business.

2.2 Generation of socio-environmental value

In literature on social businesses, there is a tendency to associate generation of social value primarily with the generation of income, which reflects a limited view on the meaning of poverty. As emphasized by Sen (2000, p. 10), development consists in the elimination of deprivations of liberty that limit people's choices and opportunities to exercise their condition as agents. The reversal of poverty involves the provision of and access to fundamental social and economic conditions, such as education, health services, energy, housing, and opportunities to generate income (Sen, 2000).

Torres, Barki & Comini (2015) highlight that combating poverty relates to an increase in the assets of a determined population: physical capital, including land and material goods; human capital, including education, health and work power; and social capital, which relates to the extension and nature of social relations. When the notion of capital is expanded, comprising several types of assets that make up the heritage of a population, the scope and complexity of sustainable development start to demand an essential prerequisite: society's access to full participation and to means of communication and information exchange (Ostrom, 1999; Bak, 2018; Patiño & Faria, 2019). Thus, it is possible to affirm that the generation of socio-environmental value is closely related to combating the causes of social exclusion and inadequate exploitation of the environment.

Based on the analysis of 33 social businesses in the Ibero-American region, SEKN (2010) identified a few legal, symbolical, and cultural obstacles involved in the social exclusion that prevent the satisfaction of needs and the exercise of rights in promoting citizenship. One of the main aspects is the difficulty for low-income population to build an identity as members of a wider society and the sense of belonging, which goes beyond the borders of their own community.

In addition to the increase in assets, social businesses may also contribute to lower transaction costs for small producers or population in need. The famous argument regarding poverty penalty i.e. the phenomenon that poor people tend to pay more for consumer goods, can also be thought of as a specific type of transaction cost incurred by families (Mendoza, 2011). In fact, the particular living conditions of some groups of the poor – especially regarding the place of residence – can imply much higher costs in terms of access to private products and services, as well as in terms of proximity to labor and access to public services (even if free).

Biodiversity and ecosystem services are natural assets that play a key role in sustainable development. Sustainable tourism activities, community activities focused on tree-planting, and the use of agroforestry systems that minimize risks of soil degradation inherent in

agricultural activities and optimize productivity are examples of contributions to enhance natural capital. In this sense, [Schartinger \(2019\)](#) highlights that a more sustainable economy is an important issue for social innovation in the environmental field. It depends on more sustainable production chains in every aspect of the circular economy (i.e. design of long-life products, maintenance, restoration, reuse, remanufacturing, renovation and recycling) and in consumption patterns and consumer choice.

Taking into consideration the literature references presented in this subsection ([Bak, 2018](#), [Torres, Barki & Comini, 2015](#); [Mendoza, 2011](#); [Sen, 2000](#); [SEKN, 2010](#)), in this article we propose nine categories to assess the contribution of social businesses in the generation of socio-environmental value: increase in the quantity of physical capital, increase of productive capital, increase of human capital, increase of social capital, increase of cultural capital, citizenship, reduction of transaction costs, increase of natural capital, contribution to low-carbon economy and reuse of materials ([Figure 2](#)).

The way in which social businesses structure and offer products and services in order to generate socio-environmental value leads us to the debate on social innovation. Just like the concept of social businesses, social innovation is also considered a polysemic concept closely related to new solutions to meet social needs ([Bignetti, 2011](#); [Defourny & Nyssens, 2012](#)). Authors like [Terstriep and Kleverbeck \(2019\)](#) point out that finding the appropriate business

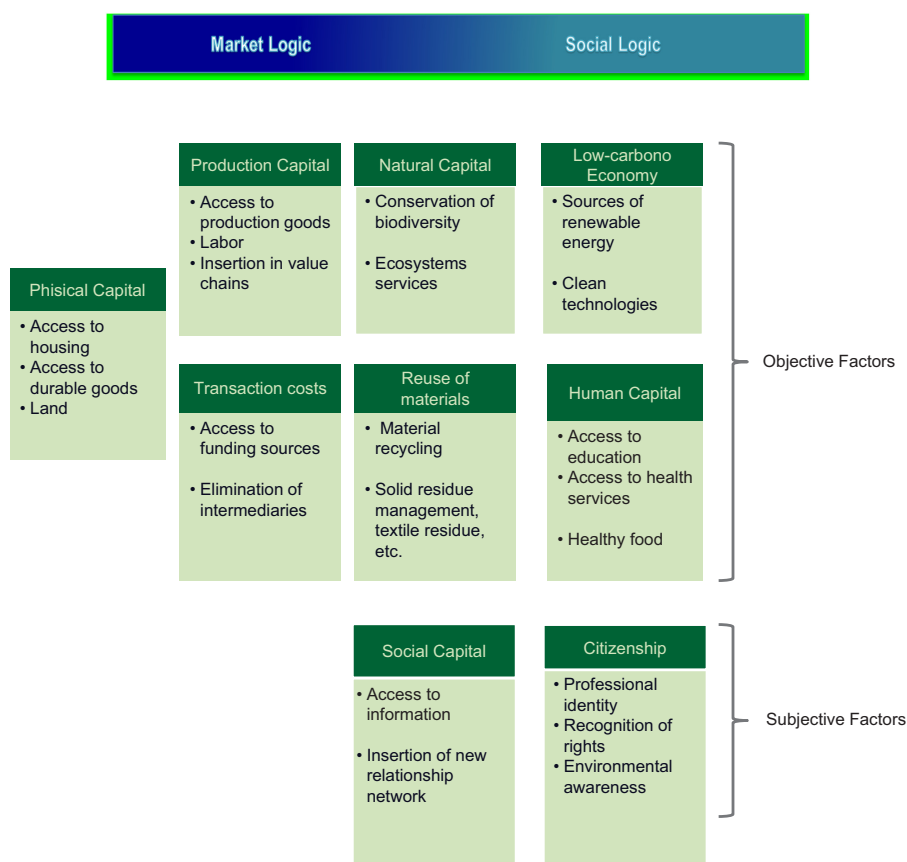


Figure 1.
Continuum –
positioning of social
businesses

Figure 2.
Categories of the
generation of socio-
environmental value

model to generate economic value while maintaining and increasing socio-environmental value is, therefore, extremely important for the long-term success of social innovation organizations.

2.3 *Social innovation as a research field*

Social innovation has stood out in literature as a research field in formation. D'Amario & Comini (2020), when considering this still incipient research field in literature, developed and validated a scale to understand how social entrepreneurs identify the social innovations created by their ventures. In this study, the authors classified the types (product, process, marketing and organizational) and the intensity of social innovations (disruptive, institutional and incremental).

It is possible to observe that several international studies have mapped the evolution of research in the field of social innovation throughout the 20th century and have pointed out the multidisciplinary nature of this area, which comprises sociology, economics, geography, political sciences, environmental engineering, administration, among others (Crossan & Apaydin, 2010; Sharra & Nyssens, 2010; Moulaert, Maccallum, Mehmood & Hamdouch, 2013). De Bruin and Stangl (2013, p. 1) point out that “while the term social innovation is relatively new, its practice is not. The practice of individuals, partnerships and community groups working together in innovative ways to devise and implement resourceful solutions to complex social problems, has a long history.”

Sharra & Nyssens (2010) show that there are two main approaches in literature to understand such social phenomenon: result-oriented and process-oriented approach. In the first case, the perspective is more normative. Social innovation is then conceptualized as a more effective, efficient and sustainable solution to a social problem than the existing alternatives (Phills, Deiglmeier & Miller, 2008). According to this current of thought, there are three criteria used to analyze a social innovation: originality (the solution must be new for the user, context or market), type of unmet social demand, and the purpose, which must be primarily social. The second perspective prioritizes the analysis of the process, i.e. how the innovation emerges, how it is adopted, and how it is disseminated. These two perspectives explain the reasons why the concepts of social innovation are so different. According to Pol & Ville (2009, p. 881), “social innovation is a term that almost everyone likes, but nobody is quite sure of what it means.”

Bignetti (2011) presents five dimensions that distinguish technological innovation from social innovation. First, there is a difference in the *values*: technological innovation emphasizes value appropriation (self-interest of economic agents that may benefit from high profits through the exploitation of an opportunity) while social innovation highlights the creation of value (accomplishing unmet needs of the community in a satisfactory way). The second difference relates to *strategy*; while the traditional innovation literature focuses on competitive advantages, literature on social innovation emphasizes the need to establish partnerships and collaboration in order to enable long-lasting social transformation.

The third dimension refers to the *locus of innovation*. According to Bignetti (2011), the locus of traditional innovation is centered on the company, which is provided with many resources to carry out research and development. In the case of social innovation, actions are structured in the community through small and local efforts. The fourth difference refers to the *process*: technological innovation has been approached in sequential phases controlled by management tools. In contrast, for a social innovation to be successful, it must be the result of a collective construction. It means that the phases of conception, development and implementation are closely interconnected and are carried out through the cooperation between the actors involved in a continuous process.

Nevertheless, it is important to point out that literature on innovation created by profit-seeking companies has advanced in terms of development process. Authors like

Chesbrough (2006) emphasize a few benefits stemming from the cooperation with other partners within the concept of open innovation: “If firms cannot or don’t wish to develop sufficient absorptive capacity themselves, they may utilize alliances in order to gain such knowledge or utilize complementary resources to exploit that knowledge” (Chesbrough, 2006, p. 9).

The fifth dimension indicates the most important difference, since it approaches the diffusion of knowledge. Intellectual property protection mechanisms seek to prevent a developed idea or technology from being copied and used by competitors; social innovations, however, are guided by diffusion mechanisms that favor the replication and expansion of results to other communities (Bignetti, 2011, p. 7).

Social innovation literature does not make a clear distinction between the determinants and the dimensions of innovation (Crossan & Apaydin, 2010). Based on a systematic review of articles on innovation from 1981 to 2008, we propose a framework that distinguishes the determinants of innovation (leadership, organizational competencies, and management) from the analytical dimensions of innovation (process and results). From a process perspective, the basic question is: How does innovation occur? (How?). From a result perspective, the question is what is being done and for what purpose (What and What kind?).

In this article, we consider social innovation from a result perspective; in other words, from the generation of socio-environmental value for a community through the introduction of new products/services or process in a determined market or context. Such definition was defended at the first Forum on Social innovations carried out in 2000 through the OECD Local Economic and Employment Development (LEED) program. It means that, in this article, the aim is to distinguish a traditional innovation from a social innovation, and not to assess the locus/actors that conceives and implements it (Phills, Deiglmeier & Miller, 2008; Pol & Ville, 2009; Chesbrough, 2006). This aspect is very important because social innovation studies with a social entrepreneurship approach associate innovation only with nonprofit organizations. “Scholarly study has progressed sufficiently to accept that the locus of social innovation is not only civil society. Social innovation can occur in the non-profit sector, the private or public sectors and intersect across sectors” (De Bruin & Stangl, 2013, p. 1).

De Bruin & Stangl (2013) propose specific dimensions to analyze social innovation as an outcome. The authors pointed out three aspects to be considered, namely: type of innovation, magnitude and extent of scale/impact. The type of innovation refers to the description provided by the Oslo Manual (OECD, 2005), which defines innovation as the implementation of a new or significantly improved product (good or services), or significant changes in production and logistics methods (process innovation), or a new way of serving the customer (marketing innovation), or new organizational practices (organizational innovation). Magnitude implies analyzing whether the proposed solution is aimed at supplying a market failure, presenting in this case nothing but an incremental innovation, or to reconfigure the market structure, becoming an institutional innovation. An innovation can yet change the social system, becoming a disruptive innovation. The extent of the scale/impact can be classified as local, national or global. Considering that social businesses, i.e. the focus of this research, differentiate through their socio-environmental objectives, it is essential to add to the model developed by the authors a fourth dimension of analysis in order to materialize the purpose (generation of socio-environmental value). Table 1 presents the perspectives used in our study.

3. Methodological procedures

We adopted a qualitative research approach, whose purpose is to gather in-depth insights into a problem to understand its contextual elements and interrelations (Maanen, 1979). We used herein an exploratory descriptive design (Selltitz, Jahoda, Deutsch & Cook, 1974) and present a multiple case study, which allows the identification of similarities and differences in

Table 1.
Dimensions to analyze
social innovation

I – Type of innovation	II – coverage
Product	Local
Process	Regional
Market	National
Organizational	Global
<i>III – Purpose</i>	
Increase in physical capital	
Increase in human capital	
Increase in productive capital	
Reduction of transaction costs	
Increase in natural capital	
Contribution to a low-carbon economy	
Reuse of materials	
Increase in social capital	
Promotion of citizenship and social identity	
<i>IV – Level</i>	
Incremental: to fill gaps due to market failure	
Institutional: to reconfigure the market structure	
Disruptive: to cause systemic social change	

the research subjects (Eisenhardt, 1989; Yin, 2003). In terms of primary data collection, we made use of 27 in-depth interviews, 27 focus groups, and observation. In addition, a documentary research was also carried out through websites of social ventures available online and testimonies recorded by entrepreneurs.

As at the time this study was accomplished (2013–2014) there was no available database in Brazil with information on social businesses, the strategy used for the selection of cases was the consultation of experts and organizations operating in the social entrepreneurship ecosystem. We approached 23 organizations, namely: accelerators (Artemisia, Quintessa, Nesst, B-Polo), organizations that promote social businesses (Ashoka, Social Good, Ande, Endeavor, B-Polo, NegociosSociais.com), and impact investment funds and social finances (Vox Capital, Mov/Pragma, Ventura, Kaetê, Bamboo, BRIIX, Sitawi, LGT, Bamboo, Village Capital). We mapped 1,194 possible indications of social businesses in the entire country.

The next step in the selection of cases involved filtering such indications by our research team. Businesses indicated by more than one organization were prioritized. The existence of the social businesses was confirmed through institutional websites, telephone calls, and electronic mail. The cases confirmed were organized according to the federal state in which they were located and categorized according to three dimensions: nature, purpose and operation of the business. These dimensions were used as criteria for the fieldwork. We listed all social businesses by state, emphasizing the most frequent operating segments in that location. The enterprises operating for a longer time and that ensured a diversity of performance in the national sample were prioritized.

During the fieldwork, we carried out fieldtrips to the locations where the operations of the analyzed social businesses took place in order to know their operations, their managers and their surroundings. These fieldtrips can be considered learning expeditions, since they involved working hours and learning; in addition to contacting entrepreneurs and business managers, during these trips, meetings were held to which students and individuals interested in social entrepreneurship were invited. In these focus groups, the focus of analysis in the given region was presented and debates on its characteristics were conducted.

Langley & Abdallah (2011) emphasize that the major challenge of qualitative research is not data collection, but to validate data and information. In this research, we made use of content

analysis through thematic analysis (Bardin, 1994; Vergara, 2012). According to orientations provided by Martins & Théophilo (2009), three steps were taken for content analysis: pre-analysis (data collection and organization), analytic description (definition of units of analysis and thematic categories), and inferential interpretation (the contents are revealed depending on the purpose of the study). Eisenhardt (1989) recommends, initially, a detailed analysis of each case (within-case analysis) in order to seek patterns between cases (cross-case patterns) through categories or dimensions elaborated from the research issue or existing literature.

All results obtained from learning journeys (videos and descriptive information on each case) were utilized as reference materials to identify and analyze the occurrence of social innovation in the cases investigated herein. The products and services created by the selected social ventures were analyzed according to four dimensions: *purpose* (desired impact); *form* (type of innovation); *level* (magnitude of the innovation), and *coverage* (diffusion of innovation).

The first stage of the analysis was to identify if there is a relationship between the different types of social ventures and their innovations. The second stage, i.e. the analytical aspect of the social venture, was to analyze the desired generation of socio-environmental value from the nine categories presented in the literature review: Increase in physical capital, increase in human capital, increase in productive capital, increase in social capital, reduction of transaction costs, promotion of citizenship, increase in natural capital, contribution to a low-carbon economy, and reuse of materials. As a social venture may generate socio-environmental value in more than one category intentionally (directly) or collaterally (indirectly), we found necessary to classify each contribution according to their nature:

- (1) Primary effect: generation of socio-environmental value directly related to the central activity of the venture; the effect materializes the mission of the venture and is a direct result of the venture (Weight 2).
- (2) Secondary effect: generation of socio-environmental value obtained indirectly; it expresses a positive collateral effect of the activities developed by the venture, constituting a positive externality and an indirect result (Weight 1).

The number of points of a venture indicates its impact potential: the higher the number, the higher the impact potential. It is expected that social ventures that aim at provoking deep social changes generate socio-environmental value in more than one category. We carried out an analysis to verify if there is a relationship between generation of socio-environmental value and the types of innovation presented by each venture analyzed.

4. Results

All social businesses mapped by the Brasil27 Research have hybrid organizational models, since the generation of socio-environmental value and financial performance are part of their mission. However, the level of hybridity is not homogenous. We created a scale with factors that classified social businesses according to their positioning (market logic vs. social logic). The elaborated scaled helped classify social businesses and highlighted the diversity of this sort of venture in the 27 Brazilian states. A heterogeneity of formats was observed, as according to the literature review, i.e. with no predominance of one type of innovation in relation to the others. Figure 3 presents that the distribution of the cases analyzed is quite uniform; in other words, there are 13 cases that operate based on a logic very similar to those of traditional companies, since they guide their actions with greater concern for competitiveness. The other 14 ventures guide their performance in a very similar way to a civil society organization, in which the achievement of social objectives is central to managers' actions and decision making.

The factors that most differentiated the ventures analyzed were governance and value chain; in other words, ventures with stronger social emphasis tend to promote the participation of individuals in the communities where they operate. In addition, they also seek to hire collaborators and suppliers from the population in a situation of greater socioeconomic vulnerability. In contrast, it is interesting to notice a possible trend in the performance of businesses with greater market orientation due to the offer of products with greater added value, aiming at consumers concerned with issues of sustainability and wellbeing. For example, consumption of organic food, Amazonian derived products, certified timber, unique and artisanal items, among others.

It was also observed that there is a tendency for social businesses structured as cooperatives and associations to operate based on a logic more focused on social objectives and results. However, such configuration is not mandatory; cases like Solar Ear and Terra nova are examples of ventures concerned with the generation of socio-environmental value, although legally established as private limited companies. In the case of solidarity ventures, it can be said that all of them are guided by values of solidarity, community participation, trust, and income generation for segments with greater vulnerability. Thus, its operation logic is more focused on social aspects with a concern for growth through the replicability of innovation.

Figure 3.
Social ventures
analyzed

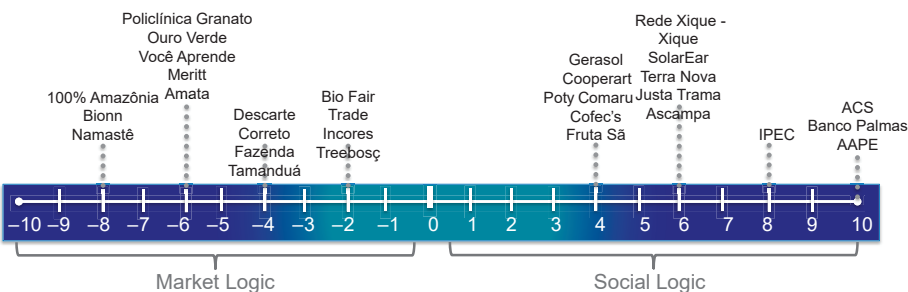
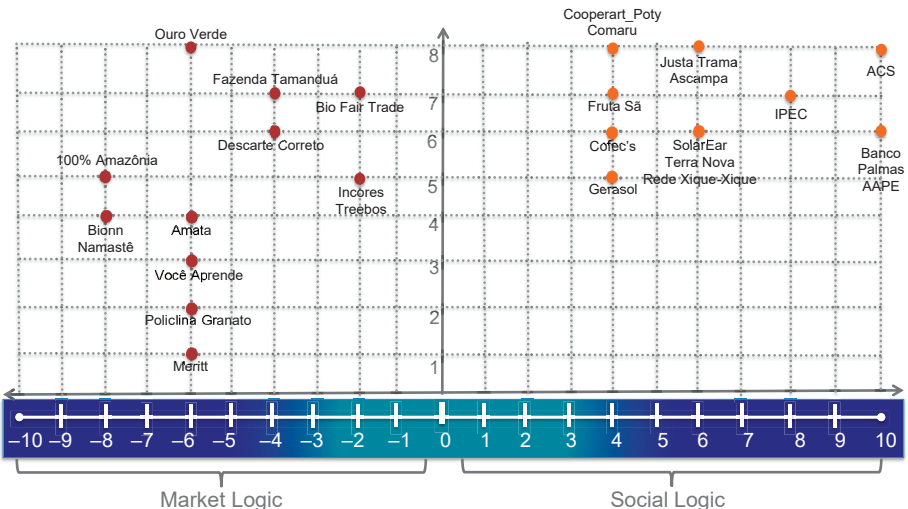


Figure 4.
Social businesses and
generation of socio-
environmental value



In general terms, the analyzed social businesses emphasize primarily the generation of income (productive capital), professionalization, access to health services, and the offer of healthy products (human capital). The surveyed data indicate that there is still a wide space for the creation of social ventures with greater environmental concern: less than half of the observations (10) developed activities aimed at the conservation of biodiversity; only four contribute to a low-carbon economy.

The social ventures that operate with a market logic represent a more heterogeneous group; there is a greater variation in the categories of socio-environmental value generation. Social ventures with greater focus on social aspects tend to prioritize the generation of socio-environmental value in the categories human capital and productive capital through the design of a business model that also provides value in the dimensions of social capital and citizenship.

The most observed type of innovation in social businesses is organizational, which is defined according to the Oslo Manual (OECD, 2005) as a new organizational method in the business practices of a company (new methods to organize daily activities and procedures for conducting work), in the organization of the workplace (new ways to distribute responsibilities and decision-making power), or in external relationships (new types of collaboration and partnership). Most social ventures (17) innovated based on a strategy aimed at building partnerships and alliances. Few social ventures (only seven) developed new production or logistic methods focused on cost reduction (process innovation). Social businesses have been focusing on the advantages from market opportunities through the introduction of new products or different sales channels. Table 3 summarizes the results.

As observed in Figure 5, there is a tendency for social businesses to introduce one-off innovations: 14 ventures developed only one type of innovation.

Process innovation did not receive much attention from the analyzed social ventures. Only one case (Fazenda Tamanduá) introduced a new product (spirulina) and simultaneously modified the productive process to save natural resources, like water.

Most social businesses associated one type of innovation (market or product) to a modification in the business model. It means that the social venture makes the most of the experience and knowledge between partners to enable innovation. This fact seems to be the differential of social businesses in relation to traditional companies, in which the

Generation of socio-environmental value	Number of ventures	%
Productive capital	21	78
Human capital	19	70
Citizenship/Self-esteem	16	59
Transaction costs	15	56
Social capital	15	56
Natural capital	10	3
Reuse of materials	4	15
Low-carbon economy	4	15
Physical capital	1	4

Table 2.
Generation of socio-environmental value

Innovation	Number of ventures
Organizational	17
Market	12
Product/Service	11
Process	7

Table 3.
Type of innovation

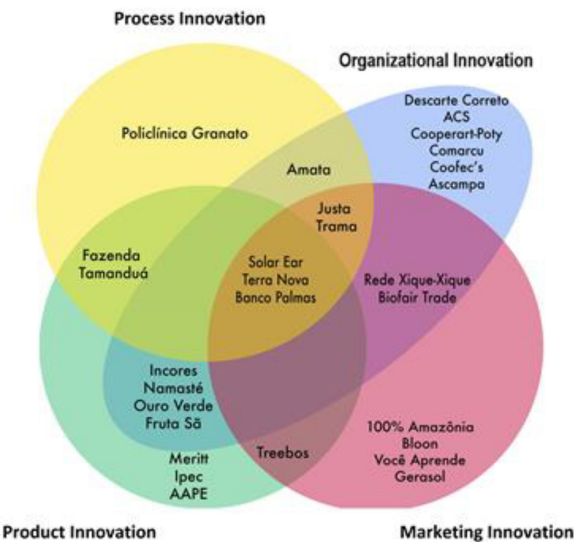


Figure 5.
Types of innovation
identified from
observations

establishment of partnership with other actors to structure innovative products and/or services is more difficult, since they fear to lose their competitive advantage. In contrast, social ventures defend open and collaborative innovation.

The analyzed cases pointed out that Brazilian social businesses have the ability to take advantage of gaps in the market, probably due to failures in the performance of the government or lack of interest by large corporations (50% of social ventures implemented a market innovation that involves the sale of a product or service at a differentiated price or through a differentiated sales channel).

When analyzing the relationship between social businesses' performance and types of innovation, the data indicate a positive relationship between organizational innovation and ventures whose social orientation prevails. It means that social businesses with a social logic tend to value the establishment of partnerships among organizations and stimulate knowledge sharing among actors. In social businesses guided by a market logic, there was a greater tendency for product and marketing innovation in addition to a strategy aimed at benefiting from consumption and niche market opportunities.

In the cases analyzed, only three social ventures (Terra Nova, Banco Palmas and Solar Ear) can be considered strongly innovative organizations because they make significant improvements in the four categories (product, process, market and organizational) of innovation.

Regarding the level of innovation, only a few social ventures have the potential to reconfigure the structure of their market based on an institutional innovation (Fazenda Tamanduá, AAPPE, Ouro Verde, Justa Trama, Amata and Você Aprende Agora); and a few are capable of provoking systemic changes through disruptive innovation, which entails the creation of a new segment in the industry (Banco Palmas, Terra Nova and Solar Ear). Most of the cases (66%) implemented only incremental innovations in determined locations, i.e. they simply detected an opportunity stemming from failures in government performance or market failures.

Replicability seems to be the great challenge for Brazilian social businesses: 17 cases analyzed have local coverage. This space can be covered by enterprises with a broader

market vision or by ventures that provide open social technology and pursue innovation in the production process to enable quantitative growth and increased economy of scale.

The rich biodiversity provided by the country and the negative impacts generated by a high-carbon economy are not being explored by the social businesses studied herein. One of the possible explanations could be the priority given by social business accelerator programs operating in the social field by alleviating or replacing the services offered by the government – particularly in urban environments – and neglecting the market potential in rural areas.

When jointly analyzing the results on generation of socio-environmental value and the level and coverage of innovation, a possible difference was observed between social businesses guided by a social performance logic and enterprises more focused on the market. On the one hand, most part of social ventures with social logic have demonstrated greater concern to generate socio-environmental value in different dimensions, however focusing on a particular location. To this end, the ventures implement organizational innovation considering the ability to form alliances and partnerships that enable addressing a market failure. The contribution of such businesses to sustainable development seems to be of greater depth; in other words, qualitative with great potential to enable socio-environmental transformations.

On the other hand, businesses focusing on the market seem to be more innovative, since they diversify products, process, and distribution channels with potential to trigger a reconfiguration in its operating segment. Its contribution is mainly related to scope – in other words, quantitative and scalable. However, they contribute to a smaller number of dimensions in terms of socio-environmental value.

In short, the logic of social action is responsible for triggering stronger impacts on local development and social transformation. In contrast, the logic of the market tends to provoke stronger impacts in specific dimensions of sustainable development. Considering that social exclusion and environmental degradation are chronic issues, the coexistence of social businesses with different logics in the social business ecosystem is extremely relevant, in addition to the use of technology to increase the scale of the impact. Banco Kiva is a good example of social business that makes use of technology to boost impact, along with social entrepreneurs. In the upcoming section, we will present the final considerations and the limitations of this research.

5. Final considerations

In a retrospective and reflective analysis on the field of social entrepreneurship and social businesses, the researchers [Barki, Comini, Cunliffe, Hart, & Rai \(2015\)](#) listed four approaches to carry out studies in the area: the first dimension refers to the conceptualization of this sort of venture, which is essential to create a new study field ([Comini, Barki & Aguiar, 2012](#)). Despite the existence of different terminologies and lines of thought, there is a consensus that this sort of organization differs from a traditional company. Maximizing profits for shareholders gives way to maximizing the generation of socio-environmental value for society ([Austin, Stevenson & Wei-Skillern, 2006](#); [Martin & Osberg, 2007](#)). The second relevant research dimension relates to *strategies and management of hybrid organizations*, i.e. how these organizations structure to achieve goals hitherto seen as contradictory: profitability and social impact ([Alter, 2007](#); [Battilana & Lee, 2014](#); [Smith, Gonin & Besharov, 2013](#)). The third theme refers to *social innovation*; in other words, how to implement new solutions to improve society and to solve social and environmental problems that arise from a disorderly and unsustainable economic growth ([Murray, Caulier-Grice & Mulgan, 2010](#); [Bignetti, 2011](#)). The last dimension is related to the *measurement of the impact* generated by social businesses. Investment funds that gather resources for social businesses must quantify the results obtained ([Bannick & Goldman, 2012](#)).

The aim of this research was to contribute to the field of social entrepreneurship, especially regarding social innovation, considering we identified a few important research gaps in literature. First, the studies found on social innovation to the present date do not bridge the gap between traditional/technological innovation and social innovation; the latter is handled as a completely different study field. Second, a clear distinction is missing between the determinants of innovation and the analytical dimensions of innovation (process and result). Third, there is a predominance of studies that analyze innovation from a process perspective; there are, therefore, a few works that analyze social innovations from a result perspective.

Finally, social innovation studies with a social entrepreneurship approach associate this sort of innovation only with nonprofit organizations. The expansion of market initiatives that aim to generate social and economic value, which occurred at the turn of the twenty-first century, implies revising this assumption, considering that the locus of social innovation may also be profit-seeking companies or the public sector. Based on these gaps, the research problem was outlined: to what extent are social business models generating socio-environmental innovation?

In order to obtain answers to this academic issue, a research group known as Brasil27 was created, which received funding from Rockefeller Foundation, Avina and Omidyar. The objectives of the research were: (1) to identify and describe existing ventures in the 27 Brazilian states that could be characterized as social businesses; (2) to identify the extent to which social businesses are a source of innovation; and (3) to evaluate the possible existing correlations between characteristics of the social venture and the type of innovation implemented. Social innovation was analyzed from a result perspective, i.e. new solutions (product, process, market, or organizational) that have the potential to generate socio-environmental value for a community.

The Brazilian experience of social businesses analyzed in this study emphasizes that in Brazil there is no predominance of a single social business model. On the contrary, there is a coexistence of different legal formats (company, association, cooperative) with a diversified operation logic in the five macro-regions. In Western Europe, Asia and North America, specific regulations have been created to precisely delimit the format of social businesses and, at the same time, to enable a more conducive environment for its consolidation. In Latin America, the debate on the importance of creating a specific legal format for hybrid organizations have been boosted by the actors participating in the B² system, a movement whose purpose is to stimulate the structuring of businesses aimed at generating shared value (Rodrigues, Comini, Fischer, Dujardin, & Santos, 2015).

The characterization of social businesses, i.e. the object of this study, occurred through the analysis of the purpose of their actions and not by its legal format, which precludes the definition of the real research universe and the representativeness of the 27 cases analyzed. The inexistence of a structure database at the time the research was conducted demanded the constitution of an estimated social business universe based on indications from the main actors in the field (accelerators, funding agencies, and investors). Since it is an exploratory study with qualitative approach, the obtained results must be contextualized and not generalized. However, the findings presented herein indicate assumptions that can be verified in studies with quantitative approach, such as the relationship between the type of social innovation and the operation logic of social businesses. In the sample of this research, for instance, social businesses with a social operation logic develop more organizational innovations and that social businesses guided by a market logic develop more product innovation.

This study revealed that social businesses with market and social logic play different roles and contribute differently to the proposition of alternatives for a sustainable development: social businesses with a strong social orientation tend to prioritize local actions and pursue

the generation of socio-environmental value in different dimensions. In this sense, it is possible to affirm that the contribution is qualitative and with greater depth of impact. In contrast, social businesses with market operation logic are more concerned with sales, greater capacity to introduce product or market innovation, and tend to trigger institutional changes in the industry. It is possible to conclude, therefore, that the contribution of such ventures is quantitative and with greater breadth of impact.

Even though there are very different social business models, we identified a possible relationship between the purpose of the venture and the generation of socio-environmental value: ventures with greater social orientation (social logic) are multidimensional in their contribution to social exclusion and environmental degradation and favor subjective elements, such as social capital, citizenship and cultural capital – as opposed to social businesses that operate with a market logic. The appreciation of traditions, strengthening of ties in the territory, recovery of history and empowerment are a few examples.

It is important to emphasize that the principle of this analysis was to assess the purpose of the venture, not to measure its impact. We recommend for future studies on generation of socio-environmental value to identify situations with misled missions and to measure the impact generated by these ventures.

Even though social businesses generate a lot of socio-environmental value, their innovative capacity is still low: most cases (66%) implemented only incremental innovations in a given location, taking advantage of market failures or failures in government performance. Only a few social businesses offer products/services with the potential to reconfigure the structure of the market or to create a new segment in the industry. However, these businesses do have the potential to reconfigure the market in terms of principles and values, since they contest the traditional *modus operandi* of capitalist companies, whose only purpose is profit maximization without considering the generation of socio-environmental value.

We recommend future research to evaluate the different strategies utilized by social businesses to widen the scale of their impact. Riddell & Moore (2015) point out three strategies: scale out (expansion of the number of beneficiaries/customers), scale deep (cultural changes) and scale up (influence on public policies). Social businesses with social operation logic can choose different strategies to increase their impact than ventures guided by market operation logic.

Finally, we consider important to emphasize that the effective contribution of hybrid organizations – such as social businesses – to a more inclusive and environmentally responsible society entails that managers of this sort of venture recognize the principle of institutional incompleteness, i.e. no single institution will manage to solve the major problems related to poverty and environmental degradation. The creation of socio-environmental value must be seen as a priority and the creation of economic value as a necessary objective.

Another limitation of this study is related to the data collection strategy, which only comprised founders and managers of social businesses. Future studies should broaden the field of social businesses by incorporating the perspective of customers, beneficiaries and employees.

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