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Social Franchising

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Introduction

Poverty and its corollary of hunger, malnutrition, lack of education, infant mortality, poor health, etc. are still endemic in much of the world. Though much progress has been made in the fight against extreme poverty since the United Nations adopted in 2000 the Millennium Development Goals – that range from halving extreme poverty to halting the spread of HIV/AIDS and providing universal primary education – many social, economic and environmental challenges remain (United Nations, 2015). It is now increasingly recognised that the traditional methods of addressing these challenges, such as government programmes, international foreign aid, charities, etc., are not sufficient to combat durably these daunting challenges. Nor can the profit-maximising private sector alone provide inclusive and sustainable solutions for the problems of billions of impoverished and vulnerable human beings (Schwab Foundation for Social Entrepreneurship, 2013). A new approach combining social mission (such as fighting poverty) with market-based solutions is emerging. This approach is commonly referred to as *social entrepreneurship*. Because of the massive magnitude of the social, economic and environmental problems impacting billions of people worldwide, scale is a key consideration for a meaningful and lasting impact. *Social franchising* – the application of franchising to social entrepreneurship – provides a potentially effective model to multiply the impact of social enterprises to match the magnitude of these challenges.

The main objective of this chapter is to present social franchising and to show how it can help tackle intractable social, economic, and environmental problems. By the end of this chapter, you should be able to:

- Explain social entrepreneurship and why it is a promising approach to address difficult social challenges faced by billions of people worldwide;
- Appreciate the importance of franchising as a business model for entrepreneurial firms and individual entrepreneurs to expand their businesses and create value;
- Understand the promise of franchising as a potentially effective method of magnifying the impacts of social entrepreneurship;
- Identify some key issues facing social franchising that need to be addressed in order for this fledgling field to fulfill its promise.

First, we discuss the emerging field of social entrepreneurship. Then we present the franchise business model – and its record of value creation. Finally, we focus on social franchising – an emerging field combining social entrepreneurship and franchising – and its promise to help address the vast social, economic and environmental challenges still afflicting much of the world population.

Social entrepreneurship

Billions of human beings all over the world are not able to live decent and fulfilling lives because of extreme poverty and other social, economic, and environmental problems. It is estimated that over two billion people barely survive on less than \$2 per day (London and Hart, 2011). Lack of economic opportunities, hunger, lack of education, child mortality, lack of health care, spread of HIV/AIDS, malaria and other diseases, and environmental degradation continue to be endemic in many parts of the world, particularly in the developing world (United Nations, 2013). Even in the relatively prosperous countries of Europe and North America millions of people are affected by poverty, homelessness, hunger, mental illness, drug abuse, and other problems. A number of institutions, including non-governmental organisations (NGOs), government agencies, private charities, and international organisations such as UNICEF and FAO have been engaged for decades in a struggle to alleviate these problems with varying degrees of success. These organisations have had some commendable successes in reducing extreme poverty and helping improve people's lives in many parts of the world. For example, the United Nations estimates that the global poverty rate fell by half between 1990 and 2010, moving 700 million people out of extreme poverty over this period. However, much remains to be done. For example, 1.2 billion people worldwide still live in conditions of extreme poverty (United Nations, 2015).

As laudable as the efforts and the achievements of these aid organisations have been, an unfortunate consequence has been that many of their beneficiaries have become overly dependent on them for their everyday sustenance. Another concern is the long-term sustainability of these efforts as most of the providers (NGOs, charities, etc.) depend themselves on the generosity of donors for their financial survival. A common aspect for almost all of the aid institutions is that they are not-for-profit organisations that are dependent on public and/or private donations for their activities. More recently, an entrepreneurial approach to tackling social problems has been gaining ground. This new approach, generally referred to as social entrepreneurship, essentially applies market-based principles to solving social problems. The success of many social enterprises in helping poor people become more self-reliant, creating sustainable incomes, providing sustainable access to food, and affordable basic health care and education for people who had none, makes this approach a promising one in the struggle against social problems worldwide. This approach can also be applied to economic and environmental problems, which in many cases are related to social issues.

What is social entrepreneurship?

The social entrepreneurship literature is relatively young. Short *et al.* (2009) report that only 152 journal articles on social entrepreneurship have been published since 1991, of which 40% were in management journals. As can be expected of any emerging field, a multitude of definitions for 'social entrepreneurship' have been proposed. Dacin *et al.* (2010) discussed 37 definitions and identified four key elements, including characteristics of the entrepreneurs; operating sector, processes and resources; mission; and outcomes (Spencer, 2013). More definitions have appeared more recently. For Gidron and Hasenfeld (2012:2):

“social enterprises are organizations that are driven by a social mission and apply market-based strategies to achieve a social or environmental purpose.”

The Schwab Foundation for Social Entrepreneurship defines social entrepreneurship as:

“the application of innovative, practical and sustainable approaches to benefit society in general, with an emphasis on those who are marginalized and/or poor.”

Among other things, it involves the application of business methods and practices to produce a direct social and/or environmental impact; and it pursues financial value creation as a secondary objective, not an end in itself (Schwab Foundation for Social Entrepreneurship, 2013). Most of the proposed definitions have two elements in common: use of market-based principles and pursuit of a social mission.