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Social Entrepreneurship in an Inclusive Business Model: A New Business Model for Sustainable Agroforestry

Cecilia Mark-Herbert and Brita Prejer

Abstract

Business’s role in society is expanding; they are held accountable not only for their (traditional) business conduct but also for institutional development that leads to alleviation of poverty as well as institutional development. The aim of the case study is to identify critical factors for the implementation of an inclusive business model. These factors are contextualized at a regional and local level as a part of an ongoing agro-food project. The forestry company’s operations in Lao PDR, offers an understanding of challenges related to political, social and financial sourcing conditions in needs of an inclusive business model. Creating the shared values relates to creating job opportunities, embracing gender aspects and engaging in institutional development in marginalized communities. A key factor in the development is a social entrepreneur, who re-creates a new community of practice by coordinating corporate strategies with local and regional needs. This case study offers a narrative of the development of a new context bound business model that positively influences the development of a multinational enterprise, an industry, a local community and academic understanding of what might become a dominant discourse for industrial upgrade and sustainable development.

Keywords: agroforestry, entrepreneur, local knowledge, stakeholder network, sustainable enterprise business model

1. Challenges for developing an inclusive business model

The notion of a “triple bottom line”, (TBL), continues to grow in importance [1]. It refers to the fact that modern business models are expected to address not only economic objectives but also social and environmental values [2]. Contemporary understanding of corporate models for sustainable development also assumes the understanding that the stakeholder toward
whom the corporation is responsible needs to include a wide set of stakeholders including society at large. Porter and Kramer [4] refer this as the creation of “shared value”.

Assuming that corporations not only accept the notion of being held accountable for the past and current actions but also embrace forward looking understandings of corporate social responsibility (CSR), what is expected of the new business model? In order to include a vast number of stakeholders’ interests the model would have to be inclusive [3], in other words connected to the context in which it is developed. Developing a new business model is not merely a minor modification of existing theories, it refers to an entirely new epistemological chapter [5], new models where corporate the raison d’être is closely connected to societal needs [6]. The call for inclusive business models is associated with corporate challenges as well as opportunities. Communicating awareness of social and environmental values in strategic documents without enacting these values would quickly be labeled as greenwash. The corporation thus has to find ways to operationalize CSR on a strategic level as well as in daily operations. This is especially challenging for large corporations and multinational companies that, due to their complex and extensive character [7, 8].

The fastest growing markets of today are those in emerging economies [9, 10]. These markets have inspired Prahalad and Hart [7] to develop a conceptual model called base of the pyramid (BOP) that focuses on adapting business models to the local conditions. It is not a question of bringing western systems to developing economies. It is rather about innovation and fundamental changes of strategy to create business models that are economically sustainable and in line with the needs of local communities [7] in order to move beyond philanthropy and focus on common prosperity, referred to as “shared value” by Porter and Kramer [4].

The aim of this study is to identify critical factors for the implementation and management of an inclusive business model. These factors are contextualized at a regional and local level in an emerging economy setting as a part of an ongoing agro-food project in a multinational corporation.

In short, the empirical study that is presented on the following pages has its roots in a corporation, Stora Enso, that was willing to rethink their business model (the name happens to be “RETHINK”), two entrepreneurs that knew all about the context in which the model was developed and researchers that are fortunate to get the data about the ongoing project aimed at sustainable development [11]. After reviewing the literature, challenges for development of an inclusive business model seemed to outnumber the possible advantages and the empirical study started with doubts; how can this be done in practice? How can the existing corporate structure and values be adapted to the local and regional conditions? This case study offers a narrative of the development and implementation of a new business model. The context for the forestry-based business model is one of the poorest countries in Asia, Lao PDR. The case offers clarity to our questions, but before presenting the empirical case, a short presentation of approach, key concepts and an empirical background.

2. Approach: a holistic view on a case bound case study

Based on the research objective and the realization that a holistic approach would offer a context bound understanding of the phenomenon (an inclusive business model), a single case
study was selected. A flexible research design gave room for an abductive process in which literature reviews and empirical work were interwoven. In what Robson [12] refers to as real world research, studies of contemporary phenomena, it is challenging to decide on particular fixed frameworks and tools \textit{ex ante}, so a flexible design, meaning constantly reconsidering both theoretical framework and empirical research conduct, has led to mind-breaking empirical findings and an awareness of alternative conceptual frameworks that could have been used. We had an epistemological starting point of the triple bottom line and understanding of the importance of stakeholder theory. These starting points were complemented with vast reviews of the entrepreneurship literature, in particular that related to social entrepreneurship.

The selected case study was a commission project that filled our needs in terms of the following criteria: a corporation that had or was in the process of developing an inclusive business model, willingness to share data about the process, and an additional criterion can be added that we were not aware of the importance of at the time of making research plans. It relates to the context in which this business model is developed and managed, the cultural, financial, social and environmental context offered by business operations in Lao PDR.

Primary data collection was carried out in ten semi-structured personal interviews with various stakeholders representing groups that were part of or influenced by Stora Enso’s Rethink project. Stakeholders were identified with support from employees of Stora Enso and the recent UNDP report [13] about the project. The interviews were summarized and made available for the interviewee when that was technically possible. A number of interviews were carried out with the assistance of a translator.

The process of qualitative data analysis is context bound and not fully predictable, and in particular, when working with narratives, new categories can occur that contribute to the initial contextual framework. Narrative analysis based on multiple information sources is applied in this project, and various techniques, such as matching and organizing data in tables and graphs was used to facilitate categorization [14]. Efforts made to ensure research quality includes the understanding of creating construct and internal validity through triangulation of data, external validity through caution in generalizing the results and reliability through the use of rigor research conduct including a case protocol.

3. A conceptual framework

Corporate social responsibility represents an evolving research field that offers a wide set of terms and theories, some of which are complex and indistinct [15, 16]. This section expands on CSR as a conceptual framework and underlines ideas and concepts that can extend the understanding of management in socially complex environments.

Ultimately, CSR is about the role of business in society and the fact that companies “have an obligation to work toward meeting the needs of a wider array of stakeholders” ([17], p. 244). Society at large, in particular media and NGO’s hold businesses accountable for issues that were not seen as business responsibilities twenty years ago [18]. External pressures, expectations, from wide set of stakeholders may thus serve as motives for rethinking a business model.
3.1. An inclusive business model

Corporate social responsibility is expressed in relationships between business and society, in strategies, conduct and communication. A strategic approach to CSR implies a focus on how to achieve competitive advantage through finding intersecting points of interest between business and society. A concept developed to describe this phenomenon is creating shared value (CSV) [4]. CSV is based on the idea that “a business needs a successful community, not only to create demand for its products but also to provide critical public assets and a supportive environment” ([4], p. 66). However, the implementation and management of CSV is a complex process which depends on a firm’s culture context and strategy [19], and there is still a need for examples of how the strategy can be operationalized.

CSR may also be interpreted from a less instrumental perspective, leaving the strategic management behind, focusing on ethical or political aspects of corporate conduct. A political CSR view [20, 21] highlights the importance of adapting CSR to the context [17, 20, 22] for creating the shared value. Local institutions and culture inevitably have an effect on operations of the firm and sets the structure of the company’s responsibilities [20]. Societal needs such as healthcare, security, logistical networks and education are commonly seen as primary responsibilities of governments—but in the perspective of political CSR these needs are incorporated in an extended stakeholder definition and interpretation of corporate responsibilities. The extended interpretation of platforms for CSR is interpreted by McElhaney [23] as different levels where corporate conduct influences society (Figure 1).

Figure 1 illustrates that CSR can be expressed in various ways, ranging from local engagement at a facility, influencing the immediate community, to political CSR expressed in powerful positions influencing industrial development in a long-term perspective. Accordingly, continued globalization and increasing international trade may lead to corporate opportunities to contribute to sustainable development in local as well as global development [17] but it would assume an inclusive corporate model. The change agents that may develop an inclusive business model can be referred to as social entrepreneurs.

3.2. Corporate social entrepreneurship

Michelini and Fiorentino [9] present corporate social entrepreneurship (CSE) and inclusive business models as potential strategies for creating shared value and finding new business opportunities. The concept of a new business model, in this particular context, implies that “the triple bottom line” and “shared values” are operationalized and implemented, not only in long-term strategies, but also in the actual daily operations and management of day to day business.

CSE is the process in which a basis for shared values is identified. An inclusive business model is formed when the local community is involved as a business partner in operations to generate long-term value for the company and the community [9]. Both of these concepts highlight the discussion of management and the various ways of approaching a new business environment.

The strategy of social entrepreneurship (Table 1) suggests that there are central elements of responsiveness and innovation in the process of finding business opportunities in a socially challenging context.
Our interpretation of social entrepreneurship relates to context bound [28] entrepreneurial activities with embedded social purposes [29] that may be carried out by an individual or a group of individuals [25]. These entrepreneurial activities are carried out in specific organizational and institutional context, which points to difficulties to generalize. As expressed by Austin et al. ([26], p. 16) “What might be deemed an unfavorable contextual factor for market-based commercial entrepreneurship could be seen as an opportunity for a social entrepreneur aiming to address social need arising from market failure”.

### 3.3. The importance of context

A stable institutional environment is crucial in market development [30]. An institutional environment may refer to financial and legal institutions, political governance, educational systems and many other resources that in the case of many emerging economies are underdeveloped. Shortcomings of these systems imply increased corporate costs but also opportunities for corporate management to develop and get access to resources, so-called inclusive networks [31]. An inclusive network implicates interactions between individuals, communities, organizations and companies and can serve as a structure for creating predictability in an unstable environment thus creating opportunities for economic activity. One way of gaining access to an inclusive network is to implement an issue focused view of stakeholders [31], which implies that the firm identifies and addresses issues that are of interest to various stakeholders, and thereby develop and participate in issue driven networks. Social entrepreneurship may thus be based on a common interest and it is not only adapting to the context, it also influences the context [28] for example a local market or community.

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**Figure 1.** Corporate Social Responsibility as platforms for creating values ([23], p. 22).

The forest-based industry has some specific characteristics that make it particularly interesting from the perspective of CSR [32]. Forest areas cover about 30% of the land of world ([33], p. 11); and as stated by Mikkilä ([33], p. 11) “millions of people interact frequently with the forests and are directly or indirectly dependent on them”. Accordingly, the resource based character of the forestry industry implies that forest companies inevitably have an impact on the socio-economic conditions in the area in which they operate [33]. Hence, there is a clear connection between the forest industry and poverty alleviation as a large number of individuals’ livelihoods depends on land and forest-based resources.

One of the world’s largest industry groups in the pulp and paper sector today is the Nordic forestry company Stora Enso. The group has about 30,000 employees in 35 countries and is active within four major business areas: printing and reading, renewable packaging, biomaterials and building and living [34]. Stora Enso sources most of its wood from Sweden, Finland, the Baltic countries and Russia but is increasingly focusing on markets and plantation sources in Latin America, China and Southeast Asia [34]. The objective of the expansions is to meet an increased demand for pulp and paper products in these areas. In 1999 the Stora Enso group published their first environmental and social policy, and in 2011 the group introduced a
whole new corporate model called “Rethink” [11]. However, the company has received extensive critique from various stakeholders for not taking enough responsibility for the socio-economic effects of their operations. The expansion of Eucalyptus plantations in China has been particularly noted and criticized by NGOs and media. In China, the substantial amount of land utilized has led to land conflicts with local populations caused by great dissatisfaction associated with the pricing of land and the handling of land rights by governmental local authorities [35].

With lessons learned from China, Stora Enso decided to expand their operations into the country of Lao PDR in 2006. Lao PDR offers a close to perfect biological setting for running successful Eucalyptus plantations, but it also possess a rather unique set of challenges, related to the institutional environment. Despite a growing economy in the urban areas, the rural parts of Lao PDR are still suffering from poverty. An extensive bureaucracy and corruption have prevented economic development from reaching the rural parts of the country, where lack of knowledge leads to continued extensive use of shifting cultivation that causes food insecurity and extensive deforestation. In addition, there are great challenges related to the remains of the Vietnam War. These remains are unexploded ordinance (UXO), cluster bombs that have a high failure rate (30%) and therefore pose a risk of explosion when removed [36]. These UXOs limit the land use for cultivation and other uses.

4.1. The development of an agroforestry model

As Stora Enso started to plan for possible activity in Lao PDR (hereby referred to as Laos), the first step was to investigate the availability of land. Stora Enso hired Mr. Fogde as a consultant due to extensive local knowledge and thirty years of experience from the forest industry in Laos.

The investigation showed that there were plenty of suitable land, but Mr. Fogde indicated that the business model could not be structured in the traditional way as the ground had to be cleared from UXO to ensure safety and a long-term perspective in using the land. The next step in the process was to conduct a socio-economic study in the area. The study consisted of visits to the villages, surveys and interviews with the members of the villages were conducted. Ms. Axelsson, who had her educational background in South East Asia science, was one of the persons who conducted the study, and at a later stage she was hired by Stora Enso as the CSR and HR-manager in Laos.

The beneficial conditions for forestry in the country in combination with the socio-economic survey formed the basis of the business model. Through positive experiences at Stora Enso’s testing-operations in Thailand the idea of implementing agroforestry became relevant. By combining Eucalyptus with rice in the plantations and hiring locals as daily workers, the villages could get access to yields of rice that are significantly higher than yields from shifting cultivation, also known as “slash and burn”, which is the traditional method. Moreover, including the villagers in the fundamental part of the business model decreases the risk of conflicts as the villages have a traditional right to the land surrounding the village. As the majority of land in Lao PDR has not undergone any classification or division of property, the
process of determining which land that belongs to the villagers has to be conducted by Stora Enso in collaboration with villagers. This, however, serves as a benefit when applying for land concessions from the government as the inclusive approach increases trustworthiness and makes it possible to avoid the prevailing procedures characterized by corruption. After the completion of an in-depth socio-economic study in the region, the structure of the business model developed. As the rotation period of a *Eucalyptus* tree is seven years, the model came to include seven steps (Figure 2).

After land concession is granted and UXO are cleared, the Eucalyptus trees are planted with the intercrop, in this case, rice. Planting is managed by staff recruited from agriculture and forestry-based educational programs in the country, together with local villagers who are educated by managers in the planting of rice and Eucalyptus. Growing rice is possible for the first two years but then has to be replaced by cash crops and suitable grazing crops for livestock.

4.2. The role of social entrepreneurs

Mr. Fogde’s 30 years of experience in Laos, serving as the COO of Stora Enso Laos, has resulted in a wide network of contacts and an understanding of the social and institutional mechanisms of the country. Insights from a socio-economic study, carried out by Ms. Axelsson, gave a detailed insight into the social opportunities and challenges of the region. Their vast understanding and the corporate ambitions from headquarters of Stora Enso served as key enabling factors for developing a best practice beyond legal requirements, as a counter weight to projects in other countries that had failed to meet expectations on social and environmental sustainability.

![Figure 2](image-url). A seven-year rotational model of the agroforestry model with Eucalyptus and rice/cash crop/grazing ([11], p. 31).
Due to the socio-economic conditions and the expectations from Stora Enso, the team, led by Mr. Fogde and Ms. Axelsson realized that the business model had to be built from the bottom up in the process of getting land concession, building a functional organization and finding employees. For example the administrative process started with a discussion with the village chief who communicated to members of the villages, and then to the office of the district. Also, an organization structure and a policy of hiring locally, from Laotian universities on senior level, and villages on junior level, were developed. To include village members they were offered to work and paid per hour during planting and harvesting season. Moreover, built in to the idea of organization structure was the possibility of communication through all the levels of the organization as the senior roles could handle English and Lao, and the junior roles could handle Lao and the local language of the villages. Also, in order to increase the direct communication the districts and plantations were visited by one of the head offices managers every ten days.

5. Critical factors for an inclusive business model

Agroforestry is not a new concept, but the use of agroforestry on an industrial scale is new. What started on a limited acreage is gradually scaled up to an industrial scale. This is in this process that the inclusive business model is developed. The agroforestry business model illustrates a rationale for the operationalization of triple bottom line [2] and how including stakeholders early in the development process can create what Porter and Kramer [4] refer to as shared values.

The critical factors and the inclusive aspects of the model are illustrated in Figure 3. These four critical factors can serve as a starting point when discussing the development and management of new business models in emerging economies (or BOP, as worded by [7]). The factors can be seen as phases in a process of developing an alternative business model, as well as a process of internal acceptance of alternative corporate governance.

A number of interdependent factors influence the implementation of the new business model. The first factor, corporate commitment, requires changing fundamental parts of the existing business model aiming for sustainable development. In this case the change was driven by the new corporate identity and experience from situations where the traditional model had led to conflicts and critique from external stakeholders.

Identifying key resources for the development of a new business model can not only be managed at a corporate level, as it requires a local and national connection as well. One of the most critical factors from this perspective is the involvement of social entrepreneurs and individuals who possess the local knowledge and have experience from running business in the country.

In the continued process, the inclusion of stakeholders in a dialogue to develop an understanding of shared values enables access to a network, for example with NGO’s, civil society and government departments. Hence, the identification of shared values is not only a strategy of developing the business model itself. The identification of shared values may also offer
access to an inclusive network from other sectors and serve as grounds for legitimacy [10]. In this case the inclusive network supports the development of the business model and facilitates the exchange of knowledge between sectors.

This case supports the understanding that inclusive business models are characterized by high start-up and transaction costs [9]. It may, on the other hand, generate indirect values that can lead to long-term benefits for the company as suggested by Keijzers [24]. Typical benefits can be an enhanced corporate image, local support for continued operations, extended experience from new operational methods and ultimately competitive advantage.

One of the most critical factors is related to social entrepreneurship, the key roles of two social entrepreneurs with local knowledge and has experience from running a business operation in the country. The involvement of a social entrepreneur enables an effective identification of the most crucial points of intersection between the company and the community, what Austin et al. [26], calls the Social Value Proposition (SVP). These entrepreneurs also ensure the inclusion of various stakeholders in the process, aimed at benefiting the local community.

However, the traditional way of measuring the success of a business model is based on the economic efficiency and does not include long-term benefits and indirect values. This is a central problem as evaluations made in the early process can be crucial to the future of the development of a new business model. Therefore, an evaluation tool that takes the indirect values into account is a critical factor for the continued development of inclusive business models. The evaluation method is not only to evaluate traditional economic indicators but also to take into account the future values generated through the inclusion of social issues and the values associated with reputation and brand image. The evaluation method must not replace existing measures but serve as a complement in order to facilitate the communication with headquarters, the board of directors and investors.

6. Research contributions

This case study may provide an answer to the call for empirical examples of where social entrepreneurs “rise to the challenge” ([27], p. 446) and a transition of an enterprise ([24], p. 357) especially in identification and inclusion of key stakeholders in the process.
It illustrates that inclusive business model is tailored to the context in which it is developed and managed in order to be an inclusive business model. This shows that there are no simple answers to the question of how corporations may alter a traditional conduct to contribute to the society in which they operate, to alleviate poverty, raise educational levels, contribute to a more even distribution of wealth and serve as parts in creating shared values. An inclusive business model thus require corporate responsible intents and management is enacted in a dialogue with a wide set of stakeholders [3].

The entrepreneurship literature points to the importance of contextualization (e.g. [28]), and the importance of keeping the Social Value Proposition at the center of the context [26]. Our findings also show that the social entrepreneurs take the role as change agents, for example in the process of land concession with a wide set of stakeholders’ needs in mind and corporate hiring with gender awareness, which points to adaptation made by “the context” as well.

The Stora Enso case offers insights in challenges and opportunities perceived so far in their efforts to develop and implement an inclusive business model. So far the transformation of corporate conduct has transformed a local community but it has a potential value to an entire industry—and possibly with contextual adaptations to other industries on a world market in McElhaney [23] CSR landscape illustration (Figure 1). This project has neither investigated the internal or external assessment of the new business model, nor the consequences of what happens if the social entrepreneurs no longer are in office. Our suggestions for future research therefore include a call for other empirical studies of inclusive business models, the role of social entrepreneurs and the continued studies of various perspectives of corporate ambitions to “Rethink”.

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Author details

Cecilia Mark-Herbert1* and Brita Prejer2

*Address all correspondence to: cecilia.mark-herbert@slu.se

1 Swedish University of Agricultural Sciences, SLU, Uppsala, Sweden
2 Syngenta Nordics, Landskrona, Sweden
References


