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Module 1: Starting and Sustaining a Social Business:
Models, Analysis, and Strategy

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Module 1: Starting and Sustaining a Social Business: Models, Analysis, and Strategy

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Module 1: Starting and Sustaining a Social Business: Models, Analysis, and Strategy

Aim

This module aims to educate learners with the foundational knowledge and practical skills required to develop and manage a successful social enterprise. It explores the principles of launching a social business, the development and evaluation of socially-driven business models, and the strategic use of tools such as PESTLE and SWOT for environmental analysis.

Learners will formulate strategies aligned with social impact goals, apply sound financial practices suitable for social ventures, and engage with innovation processes to drive sustainable and scalable solutions to societal challenges.

Module 1: Starting and Sustaining a Social Business: Models, Analysis, and Strategy

Learning Outcomes

After completing the module, the participants should be able to:

1. Explain the key principles and stages involved in starting up a social business, including mission development, stakeholder engagement, and legal structures.
2. Critically evaluate different business models of social entrepreneurship and assess their suitability for achieving both social impact and financial sustainability.
3. Formulate a coherent and innovative strategy for a social enterprise, aligning organizational vision, goals, and operational activities.
4. Demonstrate an understanding of financial planning, funding options, and sustainable financial practices in the context of social business development.

3. Formulation of a strategy

For any enterprise, strategy is a roadmap that clarifies direction, allocates resources, and guides decision-making. In a social business, strategy is even more critical because it must integrate two goals at once: achieving measurable social impact and ensuring financial sustainability. Unlike traditional companies that primarily aim for profit maximization, social businesses operate under a dual mission, making strategy formulation a balancing act between values and viability.

This section explores the foundations, processes, tools, and challenges of strategy formulation specifically tailored to social enterprises.

3.1. The Nature of Strategy in Social Business

Strategy can be defined as the set of long-term choices an organization makes to achieve its mission and vision.

Defining **purpose**: How the enterprise creates positive social or environmental change.

Choosing **markets and activities**: Where to operate and how to deliver value.

Balancing objectives: Ensuring **financial health** while maximizing social benefit.

Mission-driven: Strategy must stay aligned with a social or environmental cause.

Multiple **stakeholders**: Decisions must consider beneficiaries, funders, governments, and customers.

Dual success metrics: Both **profitability** and impact determine success.

This **dual logic** makes social business strategy formulation more complex than in traditional enterprises.

3.2. Strategic Foundations

Before formulating strategy, social businesses need clarity on their mission, vision, and values.

Mission: Explains the organization's core purpose. Example: Providing affordable clean water to rural villages.

Vision: Outlines the desired future state.

Example: A world where every household has access to safe drinking water.

Values: Principles that guide decision-making (e.g., inclusivity, transparency, equity).

These foundations ensure that strategies do not drift toward purely commercial interests at the expense of social goals.

3.3. Analytical Tools for Strategy Formulation

Social enterprises operate in complex environments, making analytical tools essential.

PESTLE Analysis

- Examines the macro-environment:
- Political: Policies on social entrepreneurship or subsidies.
- Economic: Market conditions, inflation, poverty rates.
- Social: Demographics, cultural values, social needs.
- Technological: Tools enabling innovative solutions.
- Legal: Regulatory frameworks, tax incentives, or restrictions.
- Environmental: Sustainability pressures, climate change impacts.

3.3. Analytical Tools for Strategy Formulation

SWOT Analysis

Identifies internal and external factors:

Strengths: Unique community trust, dedicated staff.

Weaknesses: Limited capital, lack of marketing expertise.

Opportunities: New funding schemes, rising awareness.

Threats: Policy changes, competition from NGOs or firms.

Using **PESTLE** and **SWOT** together provides a holistic picture of where the enterprise stands and what strategic options exist.

3.4. The Process of Strategy Formulation

Formulating a strategy for a social enterprise can be broken down into structured steps.

Step 1: Set Strategic Goals

Goals must be SMART (Specific, Measurable, Achievable, Relevant, Time-bound) and align with the mission.

Example: Reduce plastic waste in urban neighborhoods by 30% within three years.

Step 2: Generate Strategic Options

- Expanding services to new markets.
- Diversifying revenue sources.
- Building partnerships with the government or corporations.
- Innovating new products or delivery mechanisms.

3.4. The Process of Strategy Formulation

Step 3: Evaluate and Select Strategies

Key evaluation criteria:

- Alignment with mission and values.
- Feasibility (resources, skills, funding).
- Scalability and sustainability.
- Expected social impact.

Tools such as a TOWS matrix (matching threats and opportunities with strengths and weaknesses) can support decision-making.

3.4. The Process of Strategy Formulation

Step 4: Develop Action Plans

Action plans translate strategy into practice by assigning tasks, deadlines, and responsibilities.

Example: To scale food recovery operations, secure €100,000 in EU funding within six months, purchase refrigerated vans, and partner with five supermarkets.

Step 5: Implement and Monitor

Execution requires resource mobilization, communication, and leadership. Monitoring ensures the strategy stays on track through Key Performance Indicators (KPIs) covering both financial outcomes and social results.

3.5. Linking Strategy with Social Impact

A central principle of social enterprise strategy is ensuring that impact is embedded, not an afterthought.

Impact Measurement Tools

Theory of Change: Maps inputs → activities → outputs → outcomes → impact.

Social Return on Investment (SROI): Assigns monetary values to social outcomes.

Impact dashboards: Provide real-time data on impact metrics.

When social impact is tracked alongside financial results, the enterprise can demonstrate value to funders, partners, and beneficiaries.

3.6. Financial Considerations in Strategy

Though social businesses are mission-oriented, financial sustainability is essential. Strategy formulation should consider:

- Revenue models (fee-for-service, cross-subsidy, hybrid)
- Diversified funding (donations, grants, impact investment, earned income)
- Cost structures aligned with affordability for beneficiaries
- Risk management, especially avoiding overdependence on one funding source

A financially sound strategy supports long-term mission delivery.

3.7. Innovation and Growth Strategies

Social enterprises often face resource constraints, making innovation a strategic necessity. Approaches include:

- Leveraging technology for scale (e.g., mobile health apps)
- Co-creating with communities to ensure relevance
- Forming alliances to pool resources and expertise

For growth, two common strategies are:

1. Replication: Copying a successful model in new regions.
2. Adaptation: Modifying the model to suit local contexts.

Both require careful monitoring to avoid mission drift.

3.8. Example of Strategy Formulation

Case: A Social Enterprise Tackling Youth Unemployment in Cyprus

Mission: Equip unemployed youth with digital and entrepreneurial skills.

PESTLE highlights:

- Political: EU support for youth employment
- Social: High youth unemployment rates
- Technological: Digital platforms allow scalable training

3.8. Example of Strategy Formulation

SWOT:

Strength: Strong academic partnerships

Weakness: Limited marketing resources

Opportunity: Rising demand for tech skills

Threat: Competition from private training companies

3.8. Example of Strategy Formulation

SWOT:

Strategic Goals: Train 500 young people in three years, with 60% finding jobs or starting businesses.

Chosen Strategy: Hybrid revenue model combining EU funding with corporate sponsorships; develop online courses for scale; establish partnerships with SMEs for job placements.

Action Plan: Secure €200,000 in funding, launch online learning platform in year one, expand to three regions in year two.

Impact Measurement: Number of youths trained, employment rates after six months, percentage starting new ventures.

This example illustrates how structured formulation links mission, analysis, goals, and action into a coherent strategy.

3.9. Common Challenges in Strategy Formulation

Mission Drift: Overemphasis on revenue at the expense of social objectives

Resource Limitations: Lack of skilled personnel or financial resources

Complex Stakeholder Needs: Balancing interests of donors, communities, and customers

Measuring Impact: Difficulty in quantifying social outcomes

Changing Environments: Policy shifts, economic crises, or new competitors

Strategies must remain flexible and adaptive to overcome these challenges

Conclusion

Strategy formulation in a social business is not just about choosing markets or maximizing profits; it is about crafting a coherent pathway to achieve social change sustainably.

By grounding strategy in mission and values, applying structured analytical tools like PESTLE and SWOT, setting clear goals, and embedding social impact measurement, social enterprises can navigate complexity and create lasting value.

Ultimately, strategy formulation ensures that social businesses remain true to their purpose while adapting to dynamic environments and securing the resources needed to thrive.