Dual mission of startups: defining and situating the concept

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Introduction

The dynamic development of new technologies and the emphasis on increasing innovation in the recent years are triggered by a growing interest of consumers and enterprises and lead to the increase of innovative entrepreneurship. Special attention is paid to young entities, testing their business models, known as startups.

On the other hand, over the last two decades, social entrepreneurship has been a field of study for scientists from a variety of disciplines, including non-profit, ethics, corporate social responsibility, entrepreneurship and strategy, among others, resulting in a rich set of publications written from various perspectives. Social business studies focus on combining business methods and positive social change goals and use entrepreneurial dynamics to create social value through social innovation.

It must be noted, that social entrepreneurship is a concept defined in many different ways by different scholars. The first approach representatives identify social entrepreneurship as not-for-profit initiatives in search of alternative funding strategies, or management schemes to create social value. The second approach defines social entrepreneurship as a socially responsible practice of commercial businesses.

engaged in cross sector partnerships\textsuperscript{4}, while the third group of researchers refers to social entrepreneurship as a means to alleviate social problems and catalyze social transformation\textsuperscript{5}.

The growing interest in social motives of entrepreneurship on a global scale has been caused by economic, social and political changes over the past decades. Two types of changes affect the entrepreneurial approach: problems that call for innovative approaches, and developments which aim at problem solving\textsuperscript{6}. Those two types of developments enhance the growth of interest in social startups, while the awareness of constantly growing wealth distribution inequality and growing ecological awareness and urgency to make changes are two important drivers of social startups. Alternative ways of dealing with social, economic, and environmental problems are the source of innovations created by social startups.

Therefore, it is interesting what is the potential of social enterprises to solve social changes using effective and innovative business tools. Especially startups, testing their business models, are a new field of study for exploiting opportunities of value creation by meeting social needs, stimulating social change, or creating new socially aware organizations. Authors find this problem to be a research gap and want to contribute to its understanding.

This paper studies existing definitions in pursuit of conceptual clarity. Its aim is to use the existing definitions of social entrepreneurship and corporate social responsibility and through them explain what is understood as a dual-mission startup or a startup with social mission. Based on a critical analysis of the literature, the authors want to solve a theoretical ambiguity. The presented paper will enable scholars in the field to better understand the concept and articulate knowledge and ideas.

**Social entrepreneurship as shared value creation**

A large area of study grouped under the name “social entrepreneurship” is defined as an activity or organization with social values and aims employing business concepts and tools in some form\textsuperscript{7}. Social Entrepreneurship, which started as a niche concept three decades ago, has nowadays become a blueprint for corporate


development\(^8\). It crosses academic disciplines, and challenges traditional assumptions of economic and business development\(^9\). Social entrepreneurship research has developed also across social sciences in organization studies\(^10\), strategic management\(^11\), entrepreneurship\(^12\), business ethics\(^13\), and anthropology\(^14\).

To clarify the scope of social entrepreneurship, Dees\(^15\) points out key elements of social entrepreneurship as follows: adopting a mission to create and sustain social value, pursuing new opportunities to serve that mission, engaging in a process of continuous innovation, acting boldly without being limited by resources, and exhibiting heightened accountability. At the same time, a considerable part of academic research reached no agreement on the domain, boundaries, forms and meanings of social entrepreneurship\(^16\). Some of the definitions focus on the shared value creation specifically, while others argue that a maximization of social value creation distinguishes between social and traditional entrepreneurship\(^17\). Numerous definitions of social entrepreneurship underline the notion of primacy of social value creation over financial value creation. Haugh\(^18\) stated, that social entrepreneurship is a simultaneous pursuit of economic, social, and environmental goals by enterprising ventures.


\(^12\) J. Austin, H. Stevenson, J. Wei-Skillern, Social and commercial entrepreneurship…


\(^16\) P.A. Dacin, M.T. Dacin, M. Matear, Social Entrepreneurship…; J. Mair, I. Marti, Social entrepreneurship research…

\(^17\) P.A. Dacin, M.T. Dacin, M. Matear, Social Entrepreneurship…

Some researchers as Thompson and Doherty\textsuperscript{19} go even further, arguing that social entrepreneurship is a social value creation concept only and its organizational forms should exist in the non-profit domain, because any shared value creation ambition would compromise the legitimacy of the promoted social cause. On the other hand, Boschee and McClurg\textsuperscript{20} claim that the difference between a social and a traditional enterprise is specifically identified in the primacy of social performance measures.

The concept of social entrepreneurship is also raised by Porter and Kramer\textsuperscript{21}, who suggest that the purpose of the corporation needs to be redefined. They postulate that corporations should pursue shared value creation rather than pursuing solely financial value. They argue that managers should perceive their organization as an entity which is socially embedded and therefore to remain competitive and secure organizational longevity, they should actively pursue potential for value creation for all stakeholders. They believe that economic value can only be created in a sustainable way and with full engagement of stakeholders. Therefore, they are often discovering shared value opportunities much faster than established corporations, because they are not limited by the traditional business thinking\textsuperscript{22}. Social entrepreneurs also try to create shared value by pursuing dual objectives\textsuperscript{23}.

Those dual identities, entrepreneurial and social, represented by social enterprises complement Albert and Whetten’s\textsuperscript{24} statement about company’s utilitarian and normative identities\textsuperscript{25}. The first ones are a manifest of economic identity (rationality, revenue maximization, cost minimalisation), addressing customer service, staff expertise, product/service quality, and industry and market factors\textsuperscript{26}. On the other hand, a normative identity is found in companies using ideologies to create and


\textsuperscript{21} M. Porter, M. Kramer, \textit{The Big Idea}....

\textsuperscript{22} J. Elkington, P. Hartigan, \textit{The power of unreasonable people: how social entrepreneurs create markets that change the world}, Harvard Business School Press, Boston 2008.


control organizational patterns, where employees manifest high engagement and commitment\textsuperscript{27}. Company’s success is therefore assessed by the degree to which the organization meets the needs of its identity\textsuperscript{28}. Foreman and Whetten\textsuperscript{29} talk about family and artistic normative identities which encompass social relationships, community involvement, education and training, commitment to the organization’s ideals, artistic prowess, aesthetic autonomy, and reputation\textsuperscript{30}.

**The characteristics of a social entrepreneur**

Most definitions describe social entrepreneurs as entrepreneurs with a social mission\textsuperscript{31}. Dees\textsuperscript{32} was more idealistic when presented a view of social entrepreneurs as change agents in the social sector, which is in contrast with a pragmatic approach that presents social entrepreneurship as the generation of earned income by ventures in the pursuit of social outcomes\textsuperscript{33}. Though motivations standing behind social entrepreneurs are internal to the entrepreneur, they cannot be easily observed\textsuperscript{34}.

Social entrepreneurs are influenced by a community logic focused on community needs, development, prosperity, trust, cooperation, collaboration and value creation\textsuperscript{35} as well as a market (or economic) logic associated with efficiency, competition, wealth accumulation, profit maximization, and value capture\textsuperscript{36}. Therefore,

\textsuperscript{27} S. Albert, D. Whetten, *Organizational…*
\textsuperscript{29} P. Foreman, D.A. Whetten, *Members’ identification…*
\textsuperscript{30} T.W. Moss et al., *Dual Identities…*
\textsuperscript{32} G.J. Dees, *The meaning…*
\textsuperscript{33} F.M. Santos, *A positive theory…*
social entrepreneurs manage existing tension caused by combining community and economic logics, and their activities are aimed at integrating competing logics\(^{37}\).

Not only conflicting logics, but also received feedback differentiate social entrepreneurs from market entrepreneurs and non-profit actors. When market entities base on feedback from the marketplace (i.e., customer feedback), and non-profit organizations are informed by their beneficiaries, social entrepreneurs need to be informed by both – the marketplace and the beneficiaries\(^{38}\). This means that in addition to trying to satisfy their beneficiaries, social entrepreneurs pursue financial viability by selling products or offering services and, therefore, their behaviors must be attuned to the profit and loss signals of the market\(^{39}\). This emphasis on creating positive value through business mechanisms influences their communication processes and interactions with suppliers.

Social entrepreneurs wanting to communicate with their stakeholders, such as beneficiaries, employees, volunteers, and investors\(^{40}\), need to create a complex and positive narrative explaining their mission and integrating their business and social meaning\(^{41}\). This means that their communication process must be concentrated on both financial and social welfare returns on investment\(^{42}\).

**Corporate Social Responsibility**

The trend towards making companies more socially responsible can be broadly observed in the late XX and the XXI century. Numerous researches have attempted to give an overview of the concept of corporate social responsibility\(^{43}\). CSR has


\(^{42}\) P.T. Roundy, M. Bonnal, *The singularity of social entrepreneurship*...

an undeniable positive effect on both society and business, but it depends on the management and shareholders whether the company will get involved in social responsibility and to what extent. Although the primary goal of a company is to maximize profits, the primary mission should be acquiring financial independence by creating value for stakeholders. A true CSR strategy is envisioned to benefit all parties (business and society), because not the maximization of profit, but profit sharing is the main objective of business.

CSR researchers debate whether corporate social responsibility strategy can be perceived in the same way as any other company strategy, but they agree that CSR is a higher level of a business strategy based on win-win cooperation with its environment. Social responsibility is associated to mission and competences of a company, but at the same time it can attract profit and value for investors, and create a balance between profitability and morality. CSR also enables to improve competitiveness through building strong relationship between companies and their stakeholders. In general, CSR is understood as building a strong connection between business decisions and ethical values, legal requirements, respecting stakeholders and protecting natural environment.


44 A. Grove, G.A. Berg (eds), *Social Business*.

45 K. Jefe, *An Overview…*


50 P. Buła, M. Sady, *Think Globally, Act Locally – How International Corporations Adjust Their CSR Strategies to the Local Markets*, [in:] N. Delener, C. Schweikert (eds), *Shaping the next wave*
Even though the concept is concentrated on social performance, its primary motivation remains maximization of profits. Social entrepreneurship is therefore a higher level of social responsibility, where the social mission is the primary goal.

**Dual mission startups**

Although numerous academics attempt to describe the phenomenon of startups, there is still no consensus on its definition. Deloitte report *The diagnosis of the ecosystem of startups in Poland*\(^{51}\) defines startups as “undertakings conducted to manufacture new products or services in highly uncertain conditions, with a history of no more than 10 years”. Blank defined it as “a temporary organization in search of a scalable, repeatable, profitable business model”\(^{52}\). Ries understands it as “a human institution designed to create a new product or service under conditions of extreme uncertainty”\(^{53}\). Crowne\(^ {54}\) sees a startup as a company with limited experience but seeing a market opportunity, operating with insufficient resources, and influenced by stakeholders (investors, customers, competitors). Glinka and Piasецzny\(^ {55}\) see a startup as a young or newly created firm which is determining and testing its business assumptions. Still, a very important factor differentiating a startup from a conventional company is an ambition to grow\(^ {56}\).

Startups with dual mission do not fall under the traditional definition of doing business – instead of merely providing financial benefits to stakeholders and implementing socially responsible practices in their operations, they are designed to solve social and ecological problems. The merit good that they aim for, is popularly defined as an activity or object that benefits society (e.g. providing education, of globalization: using current thrends to reconnect with markets and create value, GBATA, Huntington Station 2018, pp. 60–70.

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drinking water, access to healthcare). Just like in nonprofits, social startupers are dissatisfied with status quo responses to problems usually encountered personally, whether in the family or in the community, therefore they are motivated to change the status quo using market economics. As part of their basic market activity, they contribute to solving the most important local and global challenges, showing a new face of business in the society – increasing value by improving the quality of life of citizens and the quality of the natural environment. In the era of global growing awareness of social and environmental problems, the proposed innovative social solutions of startups are attracting an increasing number of investors.

Rok uses another term to describe those kind of startups. In his report on dual mission Polish startups he refers to them as “positive impact startups” and defines them as “an economic activity, thanks to which – through innovation for sustainable development using technology and increasing the level of reliability and efficiency – people acting with passion in the name of the common good lead to a rapid increase in the value of the company/organization, the quality of people’s life and the environment within their sphere impacts.” This definition is a reflection how the authors of this paper perceive a dual mission startup.

Startups with a social mission imprinted in their DNA strive to achieve social goals. They have a chance to succeed only if their passion and vision are followed by a concrete business strategy and are fully accepted by the employees. The interaction between social mission and business model that will allow their survival and development.

Therefore, a question arises on how to measure the effects of social impact. In this case, product or service indicators, as well as implemented social change (actual contribution to reducing the given social problem) should be measured. Impact assessment can be measured from two perspectives: a direct impact through own activities, and indirect impact (i.e. cooperation with business and non-commercial partners in order to extent their impact). In both cases not only reducing negative impact, but primarily creating positive impact is the core value.

57 A. Guclu, G. Dees, B. Anderson, The process of social entrepreneurship: Creating opportunities worthy of serious pursuit, Center for the Advancement of Social Entrepreneurship, Fuqua School of Business, Durham 2002.


Legal forms of dual mission startups – the case of Poland

Both Spear\textsuperscript{60} and Vidal\textsuperscript{61} found that social enterprises choose diverse legal forms. Spear found out that the choice of a legal form is not always rational and consulted with professionals, advisers, or support organizations. Vidal found that the legal form of the enterprise is not an indicator of single or multiple stakeholder structure\textsuperscript{62}.

Polish startups with social mission often operate globally from the beginning of their existence, which also determines their legal form. Started by innovators who perceive the world as a global market of products and services, these startups benefit from possibilities of a global mindset in terms of both, clients and suppliers. Some of those companies grow and scale fast, rapidly building its market value and through that also social impact, others remain as early startups searching for a business model, and others cease to exist after a few months. They take many different legal forms. The dilemma of the legal form of such startup may evolve around such factors as: available financial means, number of people involved in creation of the company, as well as social and market goals to achieve.

A sole proprietorship is one of the most popular forms of running a business. In Poland it can be created by Internet and there is no need to own initial capital, but at the same time the owner takes full responsibility of the company’s assets and liabilities, and is not able to have a partner.

Another possible form is a civil law partnership, which is associated with entities such as a limited liability company or limited partnership. The founders are jointly and severally liable (each of the partners in full for the liability) with all their assets. The civil law partnership itself has no legal subjectivity, so all partners must participate when concluding agreements.

Limited liability companies are entities with separate legal subjectivity, therefore to conclude contracts only an authorized representative is necessary. This type of company must be registered in the National Court Register on the basis of a model contract available in electronic form or a contract in the form of a notarial deed. The advantage of this form of business activity is the separation of company assets and limiting the liability of the founders.

\textit{An association conducting}


business activity is another possible legal form. It can be founded by a group of at least 7 people. It does not require initial capital, and must be registered in the National Court Register. The generated profit can only be used to achieve the statutory objectives and cannot be divided among its members. They can use public funds by participating in the implementation of public tasks. Associations may also apply for public benefit organization status, which enables them to receive 1% of the tax transferred by taxpayers.

A foundation is a legal form established to achieve socially or economically useful goals. It is created by folding statements in the form of a notarial deed or by calling it in a will and has a legal personality since registration in the National Court Register. A foundation is allowed to conduct business activities to achieve its goals. Just like association, after obtaining the status of a benefit organization it can receive 1% tax transferred by taxpayers.

Poland has also introduced recently a new legal form, specifically intended for work integration social enterprises: a social cooperative, which is also a legal entity, and its functioning is regulated by the Act on social cooperatives and also must be registered in the National Court Register. The minimum number of founders must be at least three natural persons or two legal entities. A social cooperative conducts its activities based on the personal work of its members and employees, and it can be founded by representatives of any group in need: long-term unemployed, ex-convicts, former alcohol or drug addicts, members of integration center, the disabled and their guardians, jobseeker up to 30 years of age or older than 50, and newly adults leaving a foster family, an orphanage or a care institution. A restriction to profit distribution is that the profit generated by the cooperative can only be used for the purposes strictly described in the legal Act\textsuperscript{63}, including, among others, professional reintegration of cooperative members, social and educational-cultural activities as well as socially useful activities. Its balance surplus cannot be distributed among members of a social cooperative and possible losses must be covered by them up to the amount of their shares, but are not personally responsible for the cooperative’s obligations. State budget or local government can support a social cooperative financially (by grants and loans). Social cooperatives are entitled to perform public tasks, similarly to associations and foundations, and to produce goods and services on a non-profit maximizing basis.

Besides the presented traditional legal forms, there are several entities that do not have a legal personality and act as substructures of associations, foundations and other voluntary organizations, e.g. vocational enterprises for the handicapped

\textsuperscript{63} Ustawa z dnia 27 kwietnia 2006 r. o spółdzielniach socjalnych [Act of 27 April 2006 on social cooperatives] (Dz.U. 2006 Nr 94, poz. 651).
(zakłady aktywności zawodowej, or ZAZ), social integration centers (centra integracji społecznej, or CIS), social integration clubs (kluby integracji społecznej, or KIS), job-seeking clubs (kluby pracy, or KP) and workshops of vocational therapy (warsztaty terapii zajęciowej, or WTZ).\(^{64}\)

Regardless of the business models and legal entities they adopt, open innovations are highly important in order to enable cooperation with the environment. At various stages of product and service development, dual mission startups should consult with engaged users as co-creators of value (user-driven innovation). Customers opinion and feedback enables those startups to bring their solutions to the market much more effectively, but dual mission startups also need to learn from their beneficiaries, who should also be engaged in the process as a sort of consultants. This solution, based on the vision of sustainable development, contributes to changing quality and lifestyle of the society, as well as production and consumption patterns.

**Conclusions**

Business ventures are influenced by a strong corporate social responsibility wave, forcing them to rethink the postulation that doing social good and making a profit are mutually exclusive\(^{65}\). Being socially responsible is now required by various stakeholders, and at the same time having a social conscience is also good for business. Academics believe that social ventures incorporate business and charity goals into their operations to create positive social impact for the society\(^{66}\). Some researchers argue that combining social and economic missions is beneficial\(^{67}\), while others perceive that dual missions detract from each other\(^{68}\). Still, creating

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both social and economic value leads to profit reinvestment in the social mission, which then facilitates large-scale social change.

The presented literature review’s goal was to ideate the concept of startups with dual mission and show how they can operate in Poland. This is only a first stage of the study and hopefully it starts a discussion on the significance and understanding of dual mission startups in Poland.

References


Dual mission of startups: defining and situating the concept


Abstract

The main business goal of a startup is usually fast development and ultimately generating satisfactory profits. However, there are startups whose main purpose is not only to maximize financial profits, but to have a positive social impact. This noble business idea has many representatives: inspirational startups operating in the field of eco-innovation, social innovation, social change and social entrepreneurship.

This article explores the ideation and practice of the concept of startups with dual mission. Literature review situates the idea within a broader context of socially responsible business practices, social innovation, social entrepreneurship and dual mission. The article is also an attempt to show what legal forms can be used for startups with dual mission in Poland.

**Keywords:** startups, dual mission, social entrepreneurship, social responsibility