

# CONCEPTUAL FRAMEWORK FOR QUALITY OF LIFE MANAGEMENT: SOCIAL ENTREPRENEURSHIP PERSPECTIVE

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## Abstract

This article shows that initiatives of social entrepreneurs and socially-active entrepreneurs can enhance collaboration for value creation between business- and social-markets. In global business understanding, co-creation for social and economic value more often becomes an important self-accelerating mechanism, helping to improve a country's quality of life, competitiveness, and economic growth.

By given holistic approaches to Welfare, Quality of Life, and Co-creation in the perspective of Social Entrepreneurship, this article seeks with more systematic understanding of social and economic development at regional and national level, which requires active input from all market actors and interest groups – including entrepreneurs, academics, and policy makers – in order to create and co-create value together and achieve visible results.

Main aim of this article is to introduce conceptual framework for quality of life management by highlighting the role of social entrepreneurs as main accelerators for social capital and value creation in a certain region or country. Accordingly, article stresses that businesses in practise need to consider a wider competitive environment, starting with the rapidly changing local environment (both institutional and socio-economic) and the global infrastructure in order to gain significant insights and align the company's strategy accordingly. Scientific literature review and synthesis are applied as a research methodology.

*Keywords:* Quality of life, Social entrepreneurship, Co-creation, Competitiveness

*JEL Classification:* P46, O43, O11, R11, R58.

## Introduction

In the market-driven economy, all firms and organizations interact with other actors and individuals, and the environment; they do not exist as autarchic units. Such interactions shape and develop complex inter-organizational relationships, which impact the regional/national socio-economic system and the general quality of life in the country. Such direct or indirect co-created value has a large effect on the global business arena, as well. The rules of the game in global business always change. In recent decades, we have witnessed the successful development of various inter-organizational forms of economic activities, such as clusters, industrial districts, as well as regional or national systems of innovation and economic coordination. These forms are usually depicted as relevant socio-economic mechanisms and engines for the general growth, competitiveness, and well-being of the region and country.

On the other hand, institutional or business solutions to social market inadequacies and failures still do not exist. As Jordan (2008) states, it is difficult to reinterpret a general country's welfare and well-being without challenging the basis of the certain economic model; and it is because 'societies are trapped within an economic model that fails to improve their members' quality of life. Individuals, who are free to choose private exchanges, and to create their own collective institutions, seem condemned to strive for greater economic welfare, which does not satisfy their desires. They appear to be addicted to ever-higher income and consumption, driven by the compulsion to maximise a form of utility that does not correspond to wellbeing – and *the gap between economic welfare and satisfaction with life is growing*'.

In order to see the whole picture in the global and national playground, we must approach the subject on a systemic level. Nowadays, not only academics, but also business practitioners, social entrepreneurs, and policy representatives need to perceive complex socio-economic systems with their variables of capitalism forms and inter-connected organisational formations (e.g., clusters, industrial districts), institutional arrangements, interdependencies, and interactions among all. In distinct, complex, and open socio-economic systems, it is crucial to become familiar with the business systems at home or in foreign countries and make strategic decisions in *business* (for economic effects) and the *social market* (for social, environmental, or other intents and effects). Accordingly, we need to take a deeper look into how all actors at the levels of business, society, and policy, can work together and develop divergent and socially responsible business models. As an example, Nordic countries several decades and until now are at the top of leading countries with socio-friendly capitalism forms, high competitiveness ratings and prospering wellbeing. There has been a lot of recent empirical research done about ideal types of national business systems (Whitley, 2002), Nordic capitalism and Nordic Innovation and Business Systems (Lilja, 2005; Fellman and others, 2008).

Still, there is no unified and best receipt founded which could answer the question how to gain and maintain competitive advantage and high quality of life in a certain region or country.

While all countries and their market actors are embedded within unique social and institutional contexts, they make a big impact on their future development. Social market inadequacies or failures that can be solved by socially active business or societal initiatives rapidly emerge as a *research and practical problem*, too. So, the *aim* of the paper is to introduce conceptual framework for quality of life management by highlighting the role of social entrepreneurs as main accelerators for social capital and value creation in a certain region or country. Framework itself links to three main theoretical paradigms (Quality of Life and Well-being, Social Entrepreneurship and Co-creation). Scientific literature review and synthesis are applied as a research methodology. Paper is written according to the on-going research project 'The Model of Life Quality Improvement Strategy Building at the Local (Municipal) Level' (No. MIP-024/2011) funded by Research Council of Lithuania.

### Well-being and Quality of Life in the perspective of Social Entrepreneurship

Generally, economic wealth and standards of living are strongly dependent on the resources that a country can generate (i.e., the level of national income). Evaluation of economic performance is usually captured through the use of GDP per capita, which facilitates international comparisons (Quality of Life in Europe, 2004). The notion of *welfare* usually refers to the material aspects of well-being, such as access to economic resources. However, it can refer to less tangible conditions such as contentment, happiness, an absence of threat, and confidence in the future (Baldock, 2007). At the conceptual level, the performance of *well-being* is always two-fold: *quality of life* can be perceived by *objective* and *subjective* measurements. The *objective* (i.e., macro-level) measure of quality of life is *about fulfilling the societal and cultural demands* for material wealth, social status, and physical well-being (Noll, 1998). It can be easily indicated and evaluated by statistical, objective parameters. On other side, there are a lot of subjective (i.e., individual-satisfaction) measurements for quality of life. According to Noll (1998), the subjective quality of life *is about feeling good and being satisfied with things in general*.

Still, there is no single universally accepted system of social indicators and standardized methodological approach to quality-of-life measurement. Improvement of general quality of life could be taken as reasonable goal for future strategic socio-economic development, one having potential to attract resources and significant social impact investments. So, quality of life inadequacies and "gaps in wellbeing and satisfaction with life" should be taken as opportunities for socially active entrepreneurs to engage their activity and create initiatives for socially important actions.

*Entrepreneurship* is often seen by policy makers as a key mechanism for enhancing economic development, particularly in regions where entrepreneurial activity was once vibrant and is now lagging (Shane, 2006). To policy makers, entrepreneurship is a good solution because it works as a mechanism, creating jobs, actively investing in certain regions, enhancing per capita income growth. Social entrepreneurship here represents social interests with business practices to effect social change (Alter, 2006). There are distinct models of social entrepreneurship and different types of social enterprises, but social entrepreneurs are the ones who able to balance *social interests versus market mechanisms*, i.e. they have power to combine social and economic value for wider *value co-creation* possibilities.

*Social entrepreneurs* demonstrate focus on systemic social change and are able to create new social value by *mobilising* together *resources* in more effective ways to address identified issues (Nicholls, 2006). According to this, the main purpose of *social entrepreneurship* is to solve problems and provide solutions by persuading entire societies to take new leaps by changing the whole socio-economic system. As we can see in Figure 1, which depicts proposed conceptual framework, it can be listed a number of market actors (so called "impact" investors) in a certain economic environment by different market possibilities. Any business entrepreneur can become socially productive and active, as well, if he aims not only tangible business returns, but creates social capital and influences social change by empowering the society. It leads to the better quality of life and more comprehensive, systematically developing socio-economic system. For this reason, entrepreneurs especially those with socially significant intents need to develop enterprises as purposive "nodes" in the whole system, which can give direct or indirect value to the system and, at the same time, both empower the system and extract value from it. Such a two-fold dialogue contributes to the general quality of life, well-being, and higher competitiveness of the country. As we can see in Figure 1, social entrepreneurs are taken as main catalysts and accelerators that can combine the efficiency of the

entrepreneurial activities with the welfare orientation of the region or country's governance. And social capital<sup>1</sup>, *per se*, including satisfaction of life and subjective societal experience, comes as key outcome of social entrepreneurship role in a certain business system. This attributes benefits to the national level business system by enhancing efforts of corporate social entrepreneurs and raising country's wellbeing.

Given framework also incorporates practically developed and widely used Four Lenses Strategic Framework, practitioners in social entrepreneurship coordinate, manage, and balance their efforts around four performance criteria: depth of impact, blended value, efficiency, and adaptability. In order to reach such performance results, according to five main quality of life categories<sup>2</sup> (*social, material, physical, productive, and emotional*), practitioners' needs to take decisions and select according to it their strategy at four main areas which are listed in the framework (as given in Figure 1). It's social entrepreneur's actions focusing either on (a) *resource mobilization*, or (b) *stakeholder engagement*, or (c) *knowledge development*, and (d) *culture management* (Dawans, Alter, Miller, 2010).

In any of these cases main role of social entrepreneurs stays the same: to balance *social interests with market mechanisms* by the power and ability to combine social and economic initiatives for wider and more purposive possibilities of *value co-creation*. So, any initiatives that integrate business tools with social practices help to create distinct patterns to develop the business system of a particular region or country. They are necessary for innovation and the development of a society that combines the efficiency of entrepreneurial activities with the welfare orientation of the country's governance.

**Value co-creation.** As Aarika-Stenroos and Jaakkola (2010) state, value is always *co-created*. Vargo and Lusch (2008) assert that value is co-created as actors interact to apply resources. *Co-creation* at enterprise level, as powerful tool for intended mobilizing of human, financial, social and other recourses for common value and experience has forced wide academic discussions as well as brought successful praxis from business representatives. When *co-creation* is taken beyond the firm level, it can be taken as one of the key determinants of growth and value creation, as well as of society's life quality and country's competitiveness improvement. But in this perspective we need to talk about "third stage of co-creation" (Ramaswamy and Gouilart, 2010), where we can reveal value exchange process and market actors actions in the certain socio-economic context by tagging their role in the whole business system at local, regional or national level. Co-creation here is taken as one of the key determinants of growth, as well as quality of life and country competitiveness. Also it must be mentioned that the *location* of value creation is no longer perceived to reside within firm boundaries, but value is considered to be co-created among and between various actors within the networked market. In this way, we can radically move from "value creation by the manufacturing firm to value co-creation in a network" Nenonen and Storbacka (2009). For this reason, the discussion focuses on the regional or national level in order to get an ecosystem-level understanding; this is the dominant way of coordinating economic and social models in a certain region or country.

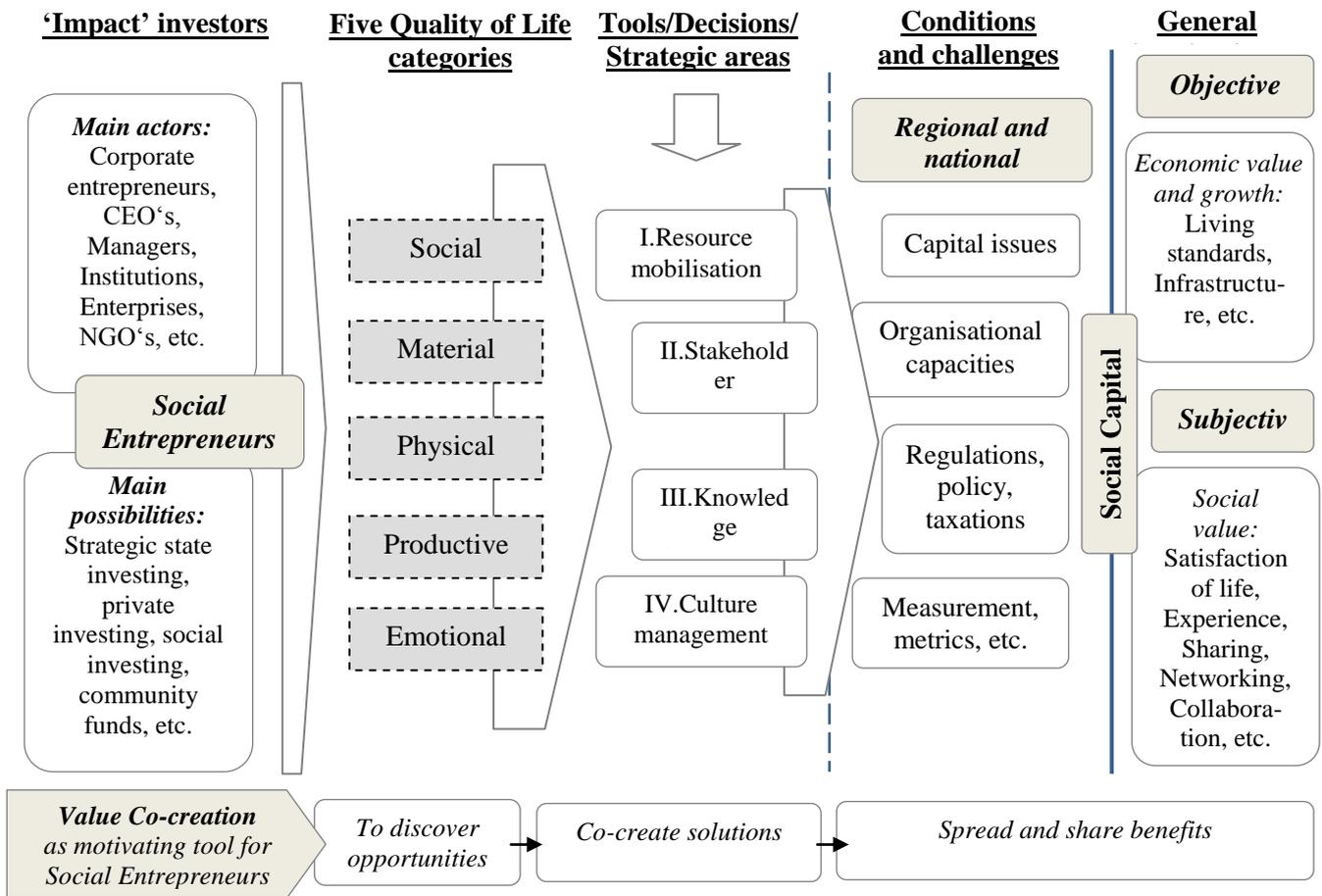
As given in proposed framework (see in Figure 1), the process of value co-creation among social entrepreneurs should be divided into three main stages. First, it is necessary (1) *to discover possible opportunities* in given socio-economic environment (institutions, municipality, local region, country, etc.) according to the social areas which is . Second, together with other socially active market players to (2) *co-create solutions* together, and (3) *to share benefits* which would help to enhance motivation of other social entrepreneurs or local businesses to take actions and make visible, socially balanced results and efficient social effect to certain business environment.

Following this conceptual platform, *co-creation* is the engine for the successful development of enterprise business models that enhance the growth of corporate/business social entrepreneurs; by their successful activities, we can balance social capital and social change by helping to improve society's quality of life and well-being in a particular country or region. Co-creation allows for key resources to be accumulated, which enables mutually valuable interactions and experiences to increase overall value and competitiveness. Social entrepreneurs can learn from certain business model perspectives while staying focused on efforts to improve their own performance and increase social impact and change.

<sup>1</sup> Here, *social capital* is used more broadly and emphasizes 'the shared knowledge, understandings, norms, rules and expectations about patterns of interactions that groups of individuals bring to a recurrent activity' (Jordan, 1998).

<sup>2</sup> See more in Rybakovas, E. 2011. Determinants of Strategy for Improving the Quality of Life in Local Place. *Socialiniai mokslai – Social sciences* 4 (74).

The conceptual framework for quality of life management on the perspective of social entrepreneurship is presented in Figure 1.



**Figure 1.** Conceptual framework for enhancement of social entrepreneurship role in quality of life management

The holistic approach and platform which is suggested here is based on theoretical tools for the investigation of *systemic economic and social growth changes* at the regional or national business system’s level. It integrates three multi-disciplinary paradigms applied to a certain institutionalized context (see in Figure 1). The concepts of social entrepreneurship, quality of life, and co-creation give us an overall understanding about the rules in new “globally local” business and social games. A *social entrepreneurship perspective* here works as an enabling tool for creating *social capital*, which may be defined as a crucial resource embedded in social, business, and policy-level networks that is accessed as well as used by all market actors for their own actions, such as creating value, sharing knowledge, gaining experience, etc.

Generally, given framework works as motivation tool for socially active entrepreneurs (so called “impact” invertors) and shows how to enhance the role of social entrepreneurs by enabling them to select main areas which would be purposive to act for (a) company’s or institution’s aims and in the same time (b) perform for local/regional society to get efficient social effect.

Finally, the question - *what can really social entrepreneurs do in practise* - arises. In order to become a socially active entrepreneur, the one should focus more on problems that extend beyond the company’s financial position or financial returns. Some recommendations for social entrepreneurs networks are listed below.

Firstly, it is necessary to create wider local networks of active entrepreneurs or fast growing enterprises in order to share ideas and spread existing best practice, for example, through online or virtual social entrepreneurs’ networks and centres (i.e. joint web page or portal with contacts and social areas which are covered).

Secondly, act to enhance the use of benefits from private and social sector partnerships. For example, together with educational schools (e.g., universities), business can help to develop new business ideas, create and finance start-ups (e.g., for their own co-creation network and for social entrepreneurs' initiatives), or start other socially-responsible projects and programmes (e.g., in the areas of healthcare, energy, water, food, alcoholism, drugs, treatment programmes).

Thirdly, it is important to develop an ability to share (e.g., by outsourcing, franchising, networking, co-creating) business experience with existing local or international social business models by using global resources to local ventures or local resources to global ventures.

**Insights for business people.** Every business activity should start with a broader understanding of co-creation. As discussed, value itself is always co-created. In the contemporary business world, companies are no longer alone in seeking solutions for particular problems. Co-design, co-production, co-channelling, and co-advertisement with partners, customers, or employees connect us all together. A challenging aspect of co-creation is receiving and sharing information or resources. Companies need to be able to give and receive information and resources from certain socio-economic system. Business people should be able to apply information and resources to their own strategy and efficiently use it on tactical level. Deep knowledge of the business and social environment, and equal sharing on a co-creation platform, raises awareness and provides an advantage over the long term. By understanding this fact, we can develop and measure strategic business actions for the future and achieve higher impacts in all business and social perspectives.

**The role of local and national government level.** The state has an important part to play here. As Nichols (2006) states, the state interacts with society in quite different ways in different societies: some states work through civil society bodies that they rely upon to deliver social programmes; other states limit the role of voluntary groups. Therefore, macro-level estimates of the scale of civil society may disguise as much as they reveal about the nature of social entrepreneurship and how social entrepreneurs interact with the public sector: social value creation often emerges from within the public sector. So, national and local governments in this case should help, first of all, to create and promote wider networks of social entrepreneurs. The state should set priorities for funding initiatives. Here local private funds, public funds, and funding from the European Union programmes are all possibilities. Secondly, local and national governments could exploit opportunities for creating strong welfare networks, which could combine together business, education, health, and social services (i.e. schools, universities, health and community care institutions, private business, NGO's, etc.). It can be also social organisations created to help share costs and develop staff in, for example, schools, universities, hospitals which are working together on some social programs and projects.

## Conclusions

The conceptual perspectives of well-being, quality of life, and value co-creation, viewed together with the role of social entrepreneurship, give broad understanding about competitive advantage from a particular enterprise position to the whole socio-economic business systems perspective.

It can be stated that integration of business tools and social practices creates distinct patterns to develop certain region's or country's business system, where social entrepreneurs becomes as main catalysts and accelerators. They are necessary for innovations and development of society that could combine the efficiency of the entrepreneurial activities with the welfare orientation of the country's governance. And social capital, including satisfaction of life and subjective societal experience, comes here as key outcome of social entrepreneurship role in a certain business system.

Co-creation, as an intermediate tool for social and economic value creation and sharing, serves here as one of the key determinants for growth. By their initiatives, socially active entrepreneurs help to create social capital, which is a crucial resource that is embedded in social, business, and policy-level networks and is accessed as well as used by all market actors in the business system.

The holistic framework described in this article can be used as an intellectual guidebook with measurable indicators, which could serve not scholars or policy-level representatives, but for business practitioners, investors, corporate social entrepreneurs, and other top-level managers or board members that are responsible for strategic, social-impact investments and outputs at a local or national level. It's a motivation tool for socially active entrepreneurs which helps to enable socially active entrepreneurs for purposive act not only according to company's aims, but also to perform for local or regional society to get efficient long-term social effect.

This paper is written according to the research project 'The Model of Life Quality Improvement Strategy Building at the Local (Municipal) Level' (No. MIP-024/2011), funded by Research Council of Lithuania. Following research in this area will be build on qualitative research method and case studies which will help to examine detailed framework for quality of life improvement at local (municipal) level with the focus on social entrepreneurship to achieve prospering social impacts.

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