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SUCCESS FACTORS OF SUSTAINABLE SOCIAL ENTERPRISES THROUGH CIRCULAR ECONOMY PERSPECTIVE

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The scope of the research is to find out how social entrepreneurship operations can be modelled within existing business methods using circular economy principles. A literature review was undertaken in order to clarify and find out different opinions regarding circularity and social businesses models. Moreover, the author interviewed managers of different social mission organizations in order to find out the critical factors that determine the sustainability and performances of the organizations. Using the results of the field and desk research, the author suggests the following business model elements to be considered by social enterprises aiming to implement circular economy principles: Desired social and environment vision; Value proposition; Alignment of organizations to the strategy and acceleration of change through executive leadership implication; Financial sustainable perspective: a) to increase financial resources and b) to manage costs; Stakeholders perspective: a) customers segments, b) users, c) employees, d) community beneficiaries, e) channels, f) customer relationships, g) Key partnerships; Internal process perspective: a) processes necessary to use circular economy principles; b) impact measurement and key activities; c) internal and external communication; Resources perspective: a) networks; b) skills on circular principles and social impact; c) information and technologies.

Keywords: social entrepreneurship, circular economy, business model, sustainability

Introduction

Switching from the model of linear economy at the micro and macro level, to a circular economic approach will improve not only the cost efficiency and in the same time the competitive advantage of the companies but it will also reduce negative impacts on the environment and on society. Nowadays, different local, national and international stakeholders fight for saving natural environment from humans and companies' irresponsible interventions.

A special attention is given by large corporations and medium sized enterprises to social and environmental problems. However, many authors and practitioners claim that this approach is a part of the internal marketing strategy or a good tool for motivating staff and clients, or a strategic intervention for building the company's brand (Knowledge and Wharton, 2012).

In case of business operations and strategies of profit mission organizations, there are only several authors underlining how the circular business framework shall look like. Some recent researchers develop new components of the circular business model on the basis of the Business Canvas Model: value propositions, channels, customer relations, revenue streams, key resources, key activities, key partnerships, cost structure (Lewandowski, 2015). Other researchers cover the circular business model only under the four pillars: value proposition, infrastructure management, customer interface, financial management (Frank Boons and Lüdeke-Freund, 2012). The need for a new business model is widely expressed by other researchers (Sempels, 2014).

Some researchers give specific strategic tools or/and phases on how to change the existing business models. For example, Frankenberger (2013) has developed the 4I-framework, which consists of four generic phases, from design to realization. Others redesign existing strategic planning tools, such as Balanced Scorecard, in a more sustainable way (Johansson, 2015). Some researchers highlight that for circular business models there must be attributed ideation and out of box creative thinking (Frankenberg, 2013; Chesbrough, 2010). Relevant methods of circular business innovation can be found in diverse academic literature (Heikkilä and Heikkilä, 2013).

A special attention on social and environmental problems is given by social enterprises which are new players in the open markets. Social enterprises are considered to be the most efficient organizations that can solve social and environmental problems in a sustainable way. Wide evidence on environmental related social enterprises is provided by different authors (Vickers, 2010).

The mentioned types of organization, which are subjects of this paper, must review the existing policies and models of businesses, especially under the conditions of limited resources and potential. This is the reason circular economy attracted attention as a powerful tool towards sustainability (Lewandowski, 2015).

Some authors stress that social enterprises play one of the most relevant roles in the process of transitions from linear to circular economy. Such companies use innovative strategic thinking in order to reduce environmental impact and create higher added value to the society, because the core business mission is a social one; a special attention for the sustainability is given by the stakeholders who must be involved into the transition process, such as policy makers, technology and innovation centers, researchers, etc. (Culcasi, 2014). Moreover, practitioners suggest that in the developing economies where green and social problems are on the Government agendas, the start-ups which use circular economy must be given incentives and support to have a strong sense of social aim (Perella, 2015). There are recommendations that a sustainable strategic approach must be used by the organizations that want to be sustainable and responsible at the same time (Johansson and Larsson, 2015).

The answer that the paper strives to provide is how social entrepreneurship operations can be modelled within existing business methods using circular economy principles. None of the reviewed studies has provided an appropriate answer. The author provides a framework of the circular business model as a strategic planning tool and approach that have to be considered by social enterprises (considered the pioneers of solving social and environmental problems).

Materials and methods

In order to answer the question how social entrepreneurship operations can be modelled within existing business methods using circular economy principles, a narrative literature review has been undertaken.

The research process consists of the following steps:

1. Identification of the new business models of circular economy.

2. Identification of the common and specific characteristics of social enterprises versus traditional profit making organizations.
3. Categorization of existing business methods using circular economy.
4. Synthesizing and development of new business perspectives for social enterprises using the principles of circular economy.

In advance, the author interviewed 50 managers of different social mission organizations, from which 86% are social enterprises, in order to find out the critical factors that determine the sustainability and performances of the organizations. Some of the questions addressed are:

a) Main factors that characterize and determine success of social enterprises.
b) Main elements that are necessary to be modelled in order to change the strategic orientation of a business, from a traditional business to a social mission organization.
c) The circular economy principles that can be applied for a social enterprise in order to use efficiently the resources and achieve sustainability.

Results and discussions

Literature review

Conceptual framework and theories on circular economy

The main scope of the circular economy is to protect the natural environment and natural resources (Wu, 2014). From this perspective, generally, the theoretical aspect of circular economy is described by economic theories and the theories of natural sciences. Specific literature is identified and conceptualized in respect to natural sciences theories, stating that circular economy mainly targets environmental problems. The economic theories stress the circular business models and their components (Lewandowski, 2015). Lewandowski (2015) categorizes the literature devoted to circular economy into the following sub-components, for each of them presenting the literature of different researchers: definitions, components, taxonomies, conceptual models, design methods and tools, adoption factors, evaluation models, change methodologies.

The earliest representation of circular economy is the development of the spaceship theory (Xie, 2004). Another earlier issue that argues for a circular production system necessary to optimize the resources is the report Limits to growth published in 1972 (Li, 2010). With time, the two categories of factors are concentrates around the circular economy theory, economic and social-environmental factors. McDonough (2002) states that eco-effectiveness must be a part of the process that develops products that have positive environmental impacts.

The theories of earliest streams are currently used to design approach and tools of the circular economic system. For example, Industrial Ecology stream suggests the approach of creating products by having as inputs the waste. Even more, the promoters of this school underline the importance of social responsibility for waste recycling (Poppellars, 2014). Another current, Regenerative Design, argues that a system can be arranged in a regenerative fashion (Lyle, 1994). Performance economy stream emphasizes the importance of selling services instead of goods. The promoters of Performance Economy underline that the performance economy takes the principles of the circular economy to the extreme, where we no longer buy goods but simply services (EMG, 2013). Cradle to Cradle's promoters, Braungart and McDonough, underline that materials implemented in industrial and commercial processes should be considered as biological or technical nutrients (Poppellars, 2014). This stream stress effectiveness over efficiency. Principles of cradle to cradle include 'waste is food', 'use solar income' and 'celebrate diversity' (Braungart and McDonough, 2012). On the other side, Biomimicry underlines the importance of applying concepts from nature into human made products and systems. Design and Nature are here on the foreground leaving business models a bit aside in comparison to the circular economy (Reap et al., 2005). Some other streams that describe the way of the circular economy principles are Blue economy, Permaculture and others. The latter mentioned approaches concentrate more on biological side of the circular economy.

Concluding the main focuses of the mentioned streams it can be stated that the described schools are divided into two categories: those who concentrate on business and microeconomic system and those who concentrate on macro level and environment. Therefore, the need for a theoretical and practical compromise is important. It is important to develop a 'socially and environmentally responsible' business model that could emphasize the principles and values provided by all the schools. That is why the author of this research creates a correlation between circular economy principles and social enterprises. Beside social enterprises there are other forms and strategic organizational directions, like corporate social responsibilities, but the added value of a social enterprise is net superior that the existing business models, in terms of organizational purpose/mission and results.

Research on circular economy business models and methods

Definitions

According to the European Parliamentary Research Service (EPRS), circular economy is an 'economic model based inter alia on sharing, leasing, reuse, repair, refurbishment and recycling, in a (almost) closed loop, which aims to retain the highest utility and value of products, components and materials at all times' (EPRS, 2016). The authors of the EPRS (Bourguignon, 2016) underline that the circular economy is described as an approach wherein products and the products components are of higher value compared with the linear economic approach. One of the goals of the circular economy is to reduce the waste at the minimum level: when the products' life cycles and their materials must be kept and reused, creating further value. The same authors give statistical data of waste generation from manufacturing and services sectors in the EU-28 and Norway, showing that since 2004 and 2015 waste generation from the mentioned sectors declined by about 25%.

European Commission (2014) underlines that the circular economy is a twofold concept:

a) Cradle to cradle, containing the following principles:
   - ❒ product design for durability, disassembly and refurbishment. The main idea behind this principle is that business must apply eco-design and renewable resources to all the products;
   - ❒ modern circular and regenerative forms of consumption. The meaning of this principle is to change models of consumption from buyers to users.
b) Industrial symbiosis, which stresses the importance of cooperation between different actors, even those who are not eager to cooperate. The cooperation must be undertaken within the integral value chain and cycle of products. The same ideas about circular economy can be found in Preston (2012), who describes the importance of collaboration between different actors throughout product value chains.

Ellen McArthur Foundation, being the first which defined the circular economy, gives the following definition: "an industrial system that is restorative or regenerative by intention and design". Linder and Williander (2015) define the circular business model as "a business model in which the conceptual logic for value creation is based on utilizing the economic value retained in products after use in the production of new offerings". Scott (2015) underlines "a concept used to describe a zero-waste industrial economy that profits from two types of material inputs:

1. biological materials are those that can be reintroduced back into the biosphere in a restorative manner without harm or waste (i.e.: they breakdown naturally);
2. technical materials, which can be continuously re-used without harm or waste".

Arcadis (2015) considers that 'the circular economy is a concept in which growth and prosperity are decoupled from natural resource consumption and ecosystem degradation. By refraining from throwing away used products, components and materials, instead re-routing them into the right value chains, we can create a society with a healthy economy, inspired on and in balance with nature.'

Mentink (2014) analyzes the concepts of the circular economy of different authors and schools, summarizing the key terms of the circular economy that can be attributed to different schools; some of them are described in this article. Mentink underlines the following findings:

- 'Permaculture (Mollison and Holmgren, 1978): Diversity, stability & resilience.
- Performance Economy (W. R. Stahel and Reday-Mulvey, 1981): Performance-based, functional service (from ownership to use); Product-service systems.
- Industrial Ecology (Frosch and Gallopoulos, 1989): Systems perspective, thinking in systems; Minimize energy use, consumption of scarce materials, and environmental impacts including waste generation; Industrial Symbiosis; Life cycle assessment and material flow analysis (LCA and MFA).
- Regenerative design (Lyle, 1996): Regeneration, regenerative process (process that renews its sources of energy and material.
- Biomimicry (Benyus, 1997): Nature as a model (imitation, learning); Nature as a measure (norms); Nature as a mentor (valuing).
- Cradle to Cradle (McDonough and Braungart, 2005): Waste equals food; Celebrate diversity; Use current solar income; Distinguish bio- and technocycle; Eco-effectiveness over eco-efficiency.'

Characteristics of the circular economy business model

The Ellen MacArthur Foundation gives several characteristics of the circular economic system:

- Out of waste – human made products are developed to be reused.
- Use of alternative energy renewable sources – the system must work on alternative sources of energy than alternative one. The authors give examples of agricultural productions system and the way food and farming system can capture more energy value from using products and manures.
- System approach – the Foundation recommends that those who use the circular economy to understand the whole system and how different components are interlinked to each other.
- Synergy or 'think in cascade' – the reason behind this characteristic is that stakeholders who use circular economy must extract more value from the same product.

In Design for a circular economy, Flora Poppelaars (2014) summarizes diverse comprehensive characteristics of the circular economic system when developing circular products as follows: 'Design for Product Life Extension, Design for Maintenance, Design for Re-use, Design for Remanufacturing, Design for Recycling, Design for Disassembly and Design for Reliability'. The common components of the mentioned characteristics are sustainability and environmental protection.

The meaning of business models is to describe factors leading organizations in processes of value creation; that is the financial and organizational architecture of a business (Teece, 2010). Nowadays, the business models are designed in the way to optimize resource usage in a more efficient way. Such operational and strategic approaches are mainly used by big corporations with strong financial health.

Companies use different strategies and business models in respect of resource efficiency with differentiated approaches to innovation and change (Henriksen et al., 2012). Morris (2005) noted in his work several elements of business models, which were summarized from other different authors. The business model construct builds on ideas from business strategy (e.g. Porter 1985; 1999), resource-based view of the firm (Barney, 1999), 6 transaction costs economics (Williamson, 1981), strategic network theory (Jaramillo 2005), and cooperative strategies (Dyer and Singh, 1998).

In most of the cases, the type of business model is created in direct correlation with the value the organization is aiming to bring for the customers or/and users of their products.

In business literature there can be identified several functions of business models. In general, the functions contain and cascade the elements of structure and the ADN of the company, those particularities that influence supply and value chain interactions, exchange relationships between different sources and stakeholders. In general, the functions of the organizational business model are:

- to creates and bring the value proposition. The value proposition is one of the most important elements for the business itself, especially when the circular economic approach is used;
- to identify key partners, key resources and activities to reach the market segment;
- to define the structure and components of the value chains;
- to create revenue and cost structural possibilities;
- to identify possibilities for a competitive advantage and market position.

Many authors agree that design and operationalization of business models for resource efficiency could be perceived as a systemic process of change. The sustainability and the use of resources in a more efficient way starts from the company itself, from the business model of the company.

Review of existing business methods and models

By now, researchers and practitioners found out and described different business methods, adapting them to the circular economy principles. In his work, Mentink (2015) summarizes different methods already developed which have been put in practice. Each method has its specificities, even no one of them is adapted for social enterprises. Some of the most common methods are:

- **Business Model Generation.** The Business Model Canvas, the most discussed one in all relevant literature, consists of nine basic building blocks covering the four main components: strategic component, resources and network; the customers and market; value creation; revenue structure. For many practitioners and authors it seems difficult to underline where the changes must occur in order to support resource efficiency and business sustainability. In the New business models that support resource efficiency, the elements are described where changes are necessary in order to use the resources more efficiently, through the circular economy principle. Changes to the value proposition aim to bring new offerings to customers. The second step to be made is the changes within operational processes, activities, resources and partners who can ensure a sustainable value chain. The third category of transformations must occur in the customer relationship based management that will change the interface of customers and the synergy of provided values. Last but not least changes of the financial model can modify the cost and revenue structure of the whole business.
- **The STOF method.** This business method is important because it describes and takes into the consideration the networks and value

chains in which innovation has an important role. The STOF method describes how organizations offer innovative services in an economically viable way. The STOF method describes a business model in terms of four interrelated domains, i.e. the service domain, technology domain, organization domain and finance domain (Menko et al., 2013).

- **New Framework on Circular design.** The method is designed in the way to valorize the waste and other unused materials along a supply chain (Mentink, 2014). Circular design is possible especially when the improvement in material selection and product design occurs.
- **Circular economy toolkit.** For this method a special platform is created (http://www.circulareconomytoolkit.org/Toolkit.html) which describes different activities and help companies identify benefits and opportunities. The tool provides seven circular economy activities:
  a) products as a service – suggesting about the opportunities of providing same value by using services instead of products; b) design, manufacture and distribute – the idea is focused on the reduce of materials usage; c) usage – reduce the replacement frequency and improve the product efficiency for resource consumption; d) maintain/repair – prolong as much as possible the life cycle of the products; e) reuse/redistribution – use the products or their components for designing and creating new outcomes; (f) refurbish/remanufacture; (g) product recycling; Etc.

All existing methods have advantages and disadvantages and none of them is 100% using the circular economy principles. Moreover, even the existing methods highlight the importance of sustainability and use the sustainability as a core element of the business, they do not describe or give any details if the methods can be used in an appropriate way by social mission organizations. In addition, the practitioners agree that one of the lacks of these methods is their practical usage. Thus, there is not any standardized method to be applied no matter the situation and environment of business activity. A gap of the existing methods is related to performance evaluation that can give a Conclusion on how much material loops are actually being closed (Kok, 2013).

Overview on strategic planning tools

Each circular economy has its functions and components. The author's opinion is that one of the most important and responsible components are the strategic planning functions. Certainly, the practical usage of the circular economy business models is the hardest part of the process, however if a systemic thinking and a rigorous strategic planning is done, the sustainability and efficient use of resources can be provided.

In this chapter, the author will briefly describe some of the most important strategic planning tools that are applied by organizations around the world. The scope is to use some elements of the described tools within the existing circular economy business models in order to cascade it social enterprises.

One of the top management consulting companies, Bain & Company, annually publishes the report titled Management tools. An executive's guide. The report provides the most commonly used management tools, applied especially by successful companies.

For several years consecutively, the following tools are mostly used to solve organizational problems:

a) Balanced Scorecard – this tool defines an organization's performance and measures whether management achieves the desired results. The Division of Continuing Education and Professional Development of Harvard University underlines the importance of Balanced Scorecard as a tool to analyze and strategically plan company's performance (2016). One of the common uses of the Balanced Scorecard is to facilitate organizational changes.
b) Benchmarking – this tool helps to replicate best practices of operations and sales from stronger competitors from a market. The internal processes and products are compared with competitors and the superior performances are replicated into a company.
c) Business process reengineering – undertakes the total redesign of core business processes to improve the productivity, cycle times and quality. Companies reduce organizational layers and eliminate unproductive activities in two key areas. First, they redesign functional organizations into cross-functional teams. Second, they use technology to improve data dissemination and decision-making (Rigby, 2015).
d) Other tools: Change Management Processes, Core competencies, Porter's Five Forces, the GE-McKinsey Nine-Box Matrix, the BCG Matrix, etc.

The author's vision is that in order to implement the circular economy principles, a social entity must carefully select specific elements from each of the strategic tools, in order to make them sustainable and ensure efficient use of resources. Particularly, there are three basic elements that allow a social enterprise to use the circular economy principles: business strategy, design innovation and stakeholders' engagement.

Research on social entrepreneurship

Concepts

Social entrepreneurship is a relatively new concept and business model; however, its origins come from the earliest entrepreneurship theories. During the times different schools and streams appeared and characterized entrepreneurship. In his research, Bula (2012) summarizes different theories of entrepreneurship, based on diverse literature sources. The following theories are described: Cantillon's theory (1755), Marshall's approach to entrepreneurship (Marshall, 1949), The Social Enterprise School, Schultz Approach (Schultz, 1975), Kirzner's "alert" entrepreneur (Kirzner, 1997), Schumpeter (1999): the discovery and opportunity theory of entrepreneurship (equilibrium destruction theory), Knight's Approach (Knight, 1971), Neoclassical Constraints, Biological Theory of Entrepreneurship, Sociological Theories of Entrepreneurship.

Social enterprise has drawn the attention of practitioners, policy makers and scholars (Mair and Marti, 2006). The practitioners highlight the importance of social enterprise as being the element in societal organization that aims to solve local, national and regional societal problems. Companies, especially corporations have become more interested in the social enterprise because the used social models allow them to fulfil corporate social and environmental responsibilities. For other organizations, social enterprises are perceived as a good tool for strengthening the company's brand. On the other hand, the researchers define common meaning of social enterprises but in the same time with distinctive elements, which depend on diverse variables. According to Ashoka's researchers (2008), social entrepreneurs are persons with innovative solutions to society's acute problems. They are ambitious and persistent, tackling major social issues and offering new ideas for wide-scale change. They are visionaries, but also realists, and are ultimately concerned with the practical implementation of their vision above anything else.

Components and characteristics of social enterprises

Even though there are many common characteristics between a traditional for profit making and social enterprises, still, there are unique components that define and characterize socially driven mission business organizations.

Some authors distinguished several unique characteristics of a social business (Abu-Salfan, 2012) mainly consisting of: mission leaders, emotional charge, change agents, opinion leaders, social value creators, high accountability.

Rural Support Partners, social enterprises, highlights the differences existing between traditional for profit making organizations and social

enterprises. According to the organizations, a social enterprise is distinguished from traditional by:

a) Purpose: A social enterprise has a social and/or environmental mission as part of its core purpose. Such organizations seek for profits in order to achieve their missions.
b) Impacts: A social enterprise generates significant social and environmental benefits for communities and people, in addition to revenue.

In addition to the mentioned characteristics, social innovation and sustainability are other elements that distinguish social enterprises. Social entrepreneurs develop new solutions to solve social problems or use technologies to facilitate problem solving. Moreover, every social entity must be financially sustainable and not keep relying on government support and donors or they are not sustainable because they do not use internal resources for their social missions efficiently and effectively. In order to be sustainable the strategic decision making is very important in the earlier stages.

The sustainability and impact of every social enterprise depends on the conceptualized business model. Practitioners and researchers replicate existing business models to their social business organizations (ex: Social business Model Canvas as an extension of Business Model Canvas of Osterwalder). After comparison with the business model of a traditional profit organization, a social enterprise has to create such kind of business model that creates social values in a measurable way and, social impact also has to be a part of the business model (Lukjanska, 2015). Some imperious variables mentioned by Yunus (2009) reflect the need to consider all stakeholders, not only shareholders, and the need to define the social profit.

Some authors suggest different traditional business models that can be aligned to social purposes of social enterprises. Some of the adapted models are: Business Model Canvas, My Social business model (MySBM), RCOV framework (Resources and competences (RC); the Organization (O) and the Value Proposition (V) of the company are the main components interacting with each other.

According to Grassl (2012), from the design perspective, a business model must at minimum specify what, for whom and why. Grassl suggests 9 fundamental types of business models for social enterprises: entrepreneurs support model, market intermediary model, employment model, cooperative model, low-income client as market, fee-for-service model, market linkage models, service subsidization model, and organizational support model.

Findings. New conceptual framework for social entrepreneurship

In order to add more value and design a new framework for social enterprises using circular economy principles, the author interviewed 50 socially driven organizations, from which 86% are social enterprises. The participants are both women and men, in proportion of 67% to 33%.

As mentioned in the literature review and proved by the results of the interviews, social organizations are the entities that must first of all solve social and environmental problems, including poverty. About 72% of the respondents answered in this way.

Regarding the types of organizations that are considered to be social enterprises, the opinions of the respondents are different, depending especially on their membership. However, 69% of respondents consider that both nonprofit and profit organizations can be social business driven organizations. 21% consider that nonprofit organizations can better succeed with a social enterprise mission. A first Conclusion is that a social enterprise must have a separate strategic design, in case of NGOs. Moreover, there are different factors to be considered when deciding on a legal structure for a social enterprise, like personal liability, governance, funding issues, profit distribution, etc.

In order to create a model that closely fits the success factors that ensure the sustainability of the social enterprises, the author identified the following factors among the answers of the respondents. The most important success factors of a social business are:

- ❒ strong leadership,
- ❒ motivation and commitment of management,
- ❒ motivation and commitment of partners,
- ❒ legal and regulatory environment,
- ❒ business model of organization,
- ❒ management expertise,
- ❒ expertise of key people in an organization,
- ❒ local community involvement,
- ❒ financial sustainability,
- ❒ ability to innovate,
- ❒ rational use of resources.

For each of the mentioned factors there was attributed a scale of importance from 1 to 5, where 5 means strongest impact and 1 weakest impact of the factor. Motivation and commitment of management represents the most important success factor of a social business (74% of respondents allocated 5 points for this factor and 26% 4 points). The next success factor for which most of the respondents gave 4 points is strong leadership (68% – 5 points, 26% – 4 points and 6% – 3 points). Financial sustainability represents a high valued success factor by the respondents as well (69% – 5 points, 28% – 4 points and 3% – 3 points). Other important factors that are considered important for social enterprises are: expertise and qualification of management (68% – 5 points), ability to innovate (65% – 5 points) and business model (60% – 5 points). However, more than a half of the respondents consider that the qualification of key people is not the most important success factor; nevertheless it still remains an important factor (48% – 5 points, 29% – 4 points, so on).

In the context of the circular economy we tried to find out the perception of the respondents in respect to rational use of resources (internal and external one). We found out that only a half of the respondents strongly agree that efficiency in resources usage is a success factor, which means that only a limited number of social organizations experienced the implementation of the circular economy principles.

The principles of circular economy are somehow known among social organizations, 53% of respondents are familiar with the circular economy concept and principles, but they do not consider the circular economy among the most important success factors of a social enterprise. About a half of the respondents experienced usage and re-usage of internal resources and even so, the principles of circular economy are not considered so important for the sustainability of a social business. One of the explanations is that the principles are not well known between and much applied within businesses. The second reason is that existing models of social economy do not imply and stress the circular economy principles. The planning stage of the business model is an important step to be considered.

In order to develop a model of social economy consisting of the circular economy principles, the author strived to find what are the factors that, first, determine a traditional profit mission business to become a social mission business organization and second, in case of social enterprises, which are the most important factors that allow a social enterprise to be sustainable by using circular economy principles.

In case of the first question, 81% of the respondents strongly agree that changes of strategic relevance of environment and social aspects are the success factor the traditional profit business must imply in order to become a social business entity. 48% of the respondents consider that changes in value proposition are important variables that a traditional business must consider in order to become a social organization. Other important success factors that must be implied by a traditional profit business in order to become a social organization are: changes of financial model (39% of the respondents), changes of organizational capacities (35%), changes of internal processes (29%), changes of stakeholders' components (26%), etc. An important Conclusion that can be inferred is that while developing the model of social enterprise, the first aspect to be considered and redesigned is the strategic direction of the organization in respect to social and environmental problems. In terms of business, this is considered to be remodeling of the value proposition. Other factors considered very relevant to be rethought and redesigned are internal processes, competences, capacities, revenue and cost models etc. The best strategic tool that can be applied to change the perspectives of the traditional business is the balanced scorecard. This tool must be applied within an existing or redesigned business model of social enterprises. The author considers that the best business model used by social enterprises and described by literature review is Social Business Model Canvas. Within the realized interviews the author found out that a well-designed strategic plan with required processes, activities, resources and capabilities is the most important factor which ensures the sustainability of social enterprises that the implement circular economy principles (81% of the respondents). Other important factors considered by the respondents are stakeholders' engagement (35%) and innovation (32%).

Designing the framework of social enterprises using the circular economy principles

The organizations must create a visual representation of the critical elements of their strategies for the social mission (social norms, environmental, and economic objectives) as well as the financial perspective. For the beginning, the author seeks to determine all the components of the model that are generally applied by enterprises that use the circular economy principles and by social enterprises. The accent is put especially on the factors that were identified within organized interviews.

- ❒ Strategic design of the business with relevance on environment and social issues: key activities, resources, competences. The strategy will be conceptualized based on the principles of resources efficiency.
- ❒ Capacity building, raising awareness and management board committed on social and environment issues.
- ❒ Value proposition – what value is created and what impact will be generated.
- ❒ Internal and external beneficiaries.
- ❒ Value chain: customers, partners, channels.
- ❒ Trade.
- ❒ Revenue stream.
- ❒ Cost optimization.
- ❒ Continuous adaptation and improvement.
- ❒ Social and environmental impact.

The new model concept must consider the social impact of the business activities. The strategic approach of the organization must first of all focus on a value proposition which mainly embeds the combination between social and environmental needs and components. The customer perspective according to the balanced scorecard does not comprise a limited number of customers anymore but it must cover a large number of stakeholders and the majority of them must participate actively and responsibly for the social mission achievement with limited resources. The financial perspective is not the main target anymore, replaced by the social perspective, but it is an important resource which ensures the social mission of the business to be accomplished.

The author suggests the following business model elements to be considered by social enterprises aiming to implement the circular economy principles:

1. Desired social and environment vision.
2. Value proposition: comprises the social impact and benefits offered to the customers for bringing back used products.
3. Alignment of organization to the strategy and acceleration of change through executive leadership implication
4. Financial sustainable perspective:
   a) increase financial resources, b) manage costs.
5. Stakeholders perspective:
   a) customers segments – people who pay for goods and services, being acknowledged about the circular use of value proposition and about the impact they have on environment and other people; b) users – people who use products or services; c) employees – mainly people involved into the operations of the business; d) community beneficiaries; e) channels; f) customer relationships – relationships with community partners when recycling is implemented, with high social and environment impact; g) key partnerships – based on choosing and cooperating with partners, along the value chain, which support the circular economy with a high social and environment impact.
6. Internal process perspective:
   a) processes necessary to use the circular economy principles; b) impact measurement and key activities; c) internal and external communication.
7. Resources perspective:
   a) networks; b) skills on circular principles and social impact; c) information and technologies.

Each of the described perspectives and components must show how the circular economy principles are translated into business, and the milestone of each of the activities must be a social or environment impact. The simplest way to understand the business model is to answer the following questions:

a) Which ways of applying circularity to each component of the business model are considered?
b) Does the anticipated results respond to a community social or environmental problem?

Conclusions

Currently there is a lack of framework and findings on the framework supporting business model of social enterprises in the context of circular economy. The importance of delivering social impact through business models using the principles of circular economy is a need for those enterprises which are responsible in respect with societal and environmental problems. Even there are different visions, intensions and approaches related to responsibility, the most accepted business forms are those which still maximize shareholders value. When re-designing a new business model, it is important to change the accents. The value proposition must be developed in the way of responding to social and environmental problems but the adopted business strategy must be framed through the circular economy principles. Enterprises must be aware of the range of impact on society and environment each operation has.

The practitioners and researchers must be aware of the accountability to be changed in order to solve negative values and spur positive sustainable values. Social entrepreneurs, when designing the value proposition of their social enterprises, have to integrate sustainability into the core purpose of the firm through a business model.

A sustainable business model framework of social enterprises must deliver value and generate impact, not for shareholders anymore, but for internal and external stakeholders and customers. The value proposition is designed in respect to environment and social problems. Afterwards, the value is created by entrepreneurs with key partners, using key activities and key resources recommended by the circular economy approach. The value is delivered through customer relations and channels to the customer segments (for social enterprises customers are almost all the time direct beneficiaries of social purpose of the enterprise). The value is captured through cost structures and revenue streams.

Last but not least, social enterprises which use the circular economy principles benefit in different ways, though mainly on cost savings, New forms of revenues, Driver of change and transition, Long term competitiveness, Resource conservation, driver for sustainable development, Customer interest and new customer attraction, Raw material security, etc.

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