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DESIGNING A SOCIAL ENTERPRISE ON BUSINESSES MODEL CANVAS

– Applying the Finnish after-school club concept to
a social business in Latvia



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The aim of the research is to look at the concept of social entrepreneurship from a very practical standpoint by using the Business Model Canvas as a practical tool to outline its key elements and characteristics, which later can be applied to create a social business.

The thesis consists of three main parts: the first one overviews a theoretical Business Model Canvas of a typical social enterprise by reviewing literature and public documents related to the topic. The second part looks at the Finnish after-school club for children as part of the Finnish educational system and compares it to the social entrepreneurship concept. The third, creative, part applies the first two in order to create a BMC for an after-school club in Bauska, Latvia, in the form of a social-business.

The research is started with a hypothesis "*It is possible to redesign the Finnish after-school club for children as a social enterprise in Bauska, Latvia*" which is not approved during the research after using a customer survey in Latvia and observing an after-school club in Turku, Finland. The idea of implementing a Finnish style afternoon club in Latvia is not viable due to cultural, economic and legal differences between the two countries.

KEYWORDS:

Social-business, Social entrepreneurship, Business Model Canvas, Service Design, Social services

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LIST OF ABBREVIATIONS

AC	Afternoon Club
BLC	Bauska Language Club
BMC	Business Model Canvass
EC	European Commission
EFTIS	Eftermiddagsverksamhet (afternoon club in Swedish)
EMES	EMergence des Entreprises Sociales en Europe (International Research Network for Social Enterprises)
EVS	European Voluntary Service
FNBE	Finnish National Board of Education
IPPE	Iltapäivätoiminta (afternoon club in Finnish)
ICT	Information and communication technologies
LIAA	Investment and development agency of Latvia
NGO	Non-governmental organisation
NPO	Non-profit organisation
NSD	New service development
OECD	Organisation for Economic Co-operation and Development
PISA	Programme for International Student Assessment
SDL	Service-dominant logic
SDN	Service Design Network
SDS	Sustainable Development Strategy
SEDA	State Education Development Strategy
WISE	Work Integration Social Enterprise

1. INTRODUCTION

The concept of social entrepreneurship has been a part of the business world for more than three decades, yet, it is perceived with a lot of confusion as it tends to differ from country to country regarding scope, legal definition and recognizability.

Finland is often mentioned as a frontrunner when comparing country reports on social entrepreneurship. In 2014 the European Commission published documents from all member countries “A map of social enterprises and their ecosystems in Europe”. The Finnish report claims there are around 2,500 to 3,200 social enterprises in Finland that comply with the EU Operational Definition (to be presented in the theoretical part of the thesis). This number increases up to 10 000 in national estimates regarding organisations that operate in the social service sector along side health, education, construction, recycling, retail and leisure services and other sectors.

1.1. Social entrepreneurship comparison: Latvia vs Finland

The concept of social enterprise is vaguely understood in Latvia. When compared to Finland, there are significant differences in scope, legal environment and cultural understanding. While in Finland social businesses are regulated by the Social entrepreneurship Act which came to force already in 2004, a work group to create a legal framework for social enterprises in Latvia was created only in 2013 after the European Commission published its Social Entrepreneurship Initiative in 2011. The law was supposed to be enforced by the end of 2014, however, it has not met the deadline and the concept remains undefined legally.

Due to the uncertainty in legislation it is difficult to measure the scope of SE in Latvia, but a study financed by the SOROS Foundation and conducted in 2012 claims that there are about 30 self-proclaimed social-business founded around 2006. This is a very small number compared to the 7,5% of economically active

citizens in Finland involved in social entrepreneurship in Finland according to EMES research network.

Besides the scope and legal issues, there are also cultural differences when comparing the two countries regarding social enterprises. Latvian experts on the topic also mention that for the general public it is difficult to understand that someone might engage in entrepreneurship for the sake of a social issue and not their own benefit. The national report of 2012 also describes a tendency for social entrepreneurs to have the socially oriented mindset but lack the business skills. Its author Lešinska in an interview at the end of 2012 admits there is a possibility that some entrepreneurs might try to abuse the SE status. (This has already happened after the micro enterprise concept was introduced in 2011 in order to support small businesses as Latvian media has reported many cases of legal violations).

1.2. Education as a SE field: motivation for choosing the topic

In Finland social enterprises mainly operate in the field of social services but there are also other areas, such as education. This is another field which puts Finland on the map as a frontrunner as the country is known for its achievements in the PISA test and innovative practices along availability to various social groups.

As a student I have learned the practical differences between Latvian and Finnish educational systems on two occasions: an Erasmus exchange in 2006 when studying Business Administration at Laurea University of Applied sciences in Hyvinkää in 2006, and, in 2012 when participating in a 1-year European Voluntary Service project in an afternoon-club for children, where pupils spend leisure time after school. These kind of clubs are not practised in Latvia therefore the gained experience has been an inspiration to attempt an implementation of this activity in my home country. However, the educational system is currently facing several important changes: a payment system reform on a national level and structural reforms in local municipalities, therefore, local governments might

lack financial, human and other resources to improve leisure time activities for their younger citizens. This opens both: opportunities and challenges in finding alternative methods for providing afternoon clubs for kids, a social enterprise being one of them.

1.3. Structure of thesis

This research consists of five main parts. The introduction part describes the relevance of the topic and motivation for conducting the research.

The second, research methodology, chapter consists of two parts. The first part describes observation as the method used to research Finnish after-school clubs. The second part describes survey as a method used to support the creative part of the thesis.

The third chapter reviews the theoretical background of the thesis and introduces the social entrepreneurship concept as well as service design and Business Model Canvas.

The fourth chapter is devoted to the the research the Finnish afternoon activity club concept and displays a typical club in Turku, Finland, on BMC.

The fifth chapter of the thesis is the creative part where a social enterprise “Language Club” in Bauska, Latvia is designed on BMC

The last, sixth, chapter concludes the thesis with comments on the research results.

1.4. Research objectives

The theoretical part of this research looks at the social entrepreneurship concept in a very practical way by reviewing its characteristics in literature and displaying them on Business Model Canvas. The literature review includes official documents from the European Commission and national reports from the

two countries in particular interest, Finland and Latvia, so the nine segments of BMC can be used when conducting the research in the empirical part.

The practical research consists of two parts:

1) Researching an afternoon club in Turku, Finland in order to:

- Find similarities with the social entrepreneurship concept;
- Outline the nine key BMC segments of an after-school club

2) Creating a similar after-school club in Bauska, Latvia, on BMC by combining the principles of a typical social-business and applying the characteristics of a Finnish after-school club. The research questions are as follows:

- Is there a need for an after-school club in Bauska, Latvia?
- What are the preferred activities for elementary school children in Bauska, Latvia?
- Is an afternoon club financially sustainable in the particular environment?

Hypothesis: It is possible to redesign the Finnish after-school club for children as a social enterprise in Bauska, Latvia.

2. RESEARCH METHODOLOGY

Traditionally a research project starts with a theoretical overview before conducting the empirical part. For the purposes of this thesis **grounded theory** is applied as the idea for a language learning centre in Latvia was born before discovering the Finnish afternoon clubs for school children and the research of social entrepreneurship practices.

2.1. Business Model Canvas

BMC is used as a practical design tool throughout the research project. It is applied within the theoretical part to show what a theoretical social enterprise looks like, distinguishing the nine key segments.

In the practical research part it is used to illustrate how a typical afternoon club in Turku city, Finland, operates.

The creative part of the thesis combines the theoretical social entrepreneurship canvas with the afternoon club canvas when designing a potential social business in Bauska, Latvia, that facilitates an afternoon club along with supporting entrepreneurial activities.

2.2. Gathering primary data by observation and customer survey

Mixed research methods are used for the research and the creative part of the thesis as the research objectives are complex.

Observation

Observation as a qualitative method is used to gather the necessary information that identifies the nine BMC key elements of a typical afternoon club in Finland. The observation period was a one-year European Voluntary Service project for

the city of Turku in 2012 in two different clubs facilitated at a youth centre Vimma, where 4 months were spent in a club for Finnish speaking and 5 months at a club for Swedish speaking children.

The Finnish author Hanna Vilkkä divides observation in 3 parts:

- observing by watching, when the researcher as an outsider does not take part in the activities;
- committed observing, when the researcher participates in activities while trying to understand;
- active observing as a form of action research when the researcher not only takes part in activities but also influences the object. (Vilkkä 2006, 43 – 46.)

The research in this thesis meets somewhere between committed and active observing since I took part in all of the regular employee's activities and was able to give suggestions that might influence these activities, but had no official authority. A detailed description of the project can be read from the youthpass added as an appendix.

Saunders (2007) distinguishes for main roles in participant observation regarding the identity of the researcher (revealed/hidden) and the level of involvement. According to this typology my role corresponds to the “complete participant” as my identity has never been a secret and everyone involved has always been aware of my need to learn about the processes of IPPE/EFTIS in detail as learning and gaining new professional and cultural experiences is the base for voluntary service philosophy.

Collecting primary data using questionnaires

Saunders et al. (2007) uses questionnaires as a general term to include all techniques of data collection in which each person is asked to respond to a set of questions in a predetermined order (DeVaus 2002).

This method is used in the creative part of the research when creating an after-school club in Bauska, Latvia on BMC.

The questionnaire was self-administered and the survey of potential customers conducted by delivery and collection. The format and questions were put together consulting a school psychologist. As personal networking is one of the key resources in social entrepreneurship, Bauska Elementary School was chosen for the survey as the staff is personally known to me. The school currently educates two first grades and two second grades and inquiry sheets were handed out to pupils by their class teachers to take home to in April, 2015. All together 60 questionnaires were sent home with children to their parents of which 56 were returned. Even though an on-line survey might be easier to conduct and convenient to analyse the results, this simpler method was chosen because:

- The specific target audience could be reached;
- The privacy policy of the school does not allow teachers to give contact information of parents to third parties;
- As one of the principles of social entrepreneurship is availability, this method ensures that the questions are also brought to those families who do not have internet access;
- This method of communication is used also by afternoon clubs in Finland.

The questionnaire contained a small introduction of the research and introduced the Finnish after-school club concept briefly. The questions were both: open and closed and were designed to determine 1) how many children stay at

school premises after lessons and why, 2) would the parents consider using the services of an afternoon club if it was available in Bauska, and 3) if/how much would they be willing to pay for such a service. The questionnaire also contained blank space for comments and suggestions.

The format was kept as simple as possible (a translation in English is added as Appendix 1) in order not to dis-encourage from participation and as a result the response rate of 93 % was reached.

3. THEORETICAL BACKGROUND

The concept of social entrepreneurship not only differs in the American and European schools of thought but, also, varies from country to country within the EU regarding scope, awareness, public policy and legislation. This chapter looks at multiple definitions of social entrepreneurship and draws parallels with examples from EU countries available from official European Commission and national reports.

3.1. Defining social entrepreneurship

One of the early definitions by Spreckley (1981) suggests that *an enterprise that is owned by those who work in it and/or reside in a given locality, is governed by registered social as well as commercial aims and objectives and run co-operatively may be termed as a social enterprise. Traditionally, "capital hires labour" with the overriding emphases on making a profit over and above any benefit either to the business itself or the workforce. Contrasted to this is the social enterprise where "labour hires capital" with the emphasis on personal, environmental and social benefit.*

This early definition can be applied to social entrepreneurship in one of its pioneering countries Italy, where already in 1991 the Parliament created a specific entrepreneurial form "social cooperative" by passing a law in order to stimulate the social economy (EMES 2012).

The focus on labour as a crucial part of social entrepreneurship is retained also nowadays by authors like Ocampo (2007) who defines social enterprises as businesses "that offer a solidarity-bases model of organisation to help their members achieve their socio-economic goals, through the creation of employment, provision of financial services, and promotion of social integration. These organisations also empower community members and encourage social change through responsible citizenship that exercises control over production, consumption, savings, investment and exchange."

According to "Social Enterprise Knowledge Network" (launched by Harvard in Latin America) a short-term project with a social value undertaken by a for-profit enterprise or a public body can be considered as a social enterprise (Austin and SEKN Team 2004: xxv).

Characteristics of social entrepreneurship

British authors Martin and Thomas (2010) define social enterprises as *hybrid organisations that are expected to perform in the market like a small business but which retain the management ethos and values of locally defined charitable organisations, therefore this form of business can be derived from two already existing forms: SME's and not-for-profit organisations.*

This definition combines the triple bottom line characteristics put forward by the British Department of Trade and Industry in 2002, which reported the social enterprise as a business with primarily social objectives whose surpluses are reinvested for that purpose in the business or in the community rather than being driven by the need to maximise profit for shareholders and owners and is characterised by:

- a) Social aims: some form of trade is being conducted in order to serve explicit social purpose, such as job creation or provision of local services. Ethical values are expected along with accountability to community stakeholders for their social and economic impact.
- b) Social ownership: governance and ownership structures are based on participation and profits are held in trust for use by the community they serve.
- c) Entrepreneurship centred activity: commercial viability is ensured by providing services or producing goods for a market. (DTI 2002).

Even though the origins of social entrepreneurship often focus solely on social objectives, such as employment and integration, the world's environmental issues and need for solutions are also being mentioned and sometimes even suggesting that the environment can be the core mission of a social company:

social Entrepreneurship is the application of the mindset, processes, tools and techniques of business entrepreneurship to the pursuit of a social and/or environmental mission (Kickul & Lyons 2012).

Even though most National Reports from the EU show social enterprises as small and local companies or organisations that provide solutions for problems existing within a smaller community, some authors define social entrepreneurs very boldly as visionaries who seek large scale change through pattern breaking ideas to solve social problems (Light 2006) or innovators who are able to contribute to social change with innovation and creativity (Perrini & Vurro 2006).

However, one of such visionaries can be considered Muhammad Yunus, who is a Bangladeshi social entrepreneur, awarded the Nobel Peace Prize for founding the Grameen Bank and pioneering the concepts of micro credit and micro finance. His "Seven Principles of Social Entrepreneurship" (2010) have been acknowledged also by the EU Commission in its initiative released in 2011 and are as follows:

- Business objective will be to overcome poverty, or one or more problems (such as education, health, technology access, and environment) which threaten people and society; not profit maximization
- Financial and economic sustainability
- Investors get back their investment amount only. No dividend is given beyond investment money
- When investment amount is paid back, company profit stays with the company for expansion and improvement
- Environmentally conscious
- Workforce gets market wage with better working conditions
- ...do it with joy* (<http://muhammadyunus.org/>)

These principles were also used as a staple when creating suggestions framework for legal framework by a group of experts in Latvia for the Social Entre-

preneurship Law, changing only the last one "do it with joy" to "various entrepreneurial forms". (Lešinska 2012)

Social Enterprise vs Social Business

There is a lot of confusion between the terms "Social Entrepreneurship" and "Social Business". The second is often related to describe company culture with key elements as follows: a) participatory internal communications, b) transparency and c) knowledge sharing, which not only improve business practices but also aid company profitability Weinberg et al. (2013). Here the adjective "social" is addressed to the "network effect" which describes the way companies work and connect with co-workers, customers, suppliers, shareholders, and other system participants (Kim 2009) often involving information and communications technologies (ICT) tools, such as social networks.

As the above mentioned definitions of social entrepreneurship emphasize cooperate ownership by employees and community benefits, the characteristics of social businesses can and should be easily applied to social enterprises. However, a social business does not need to "sacrifice" profits for the sake of the local community or society.

Social entrepreneurship and sustainability

A classic definition of sustainable development comes from the 1987 World Commission on Environment and Development Report where Harlem Brundtland, the Norwegian Prime Minister at the time defined sustainable development as *"...development that meets the needs of the present without compromising the ability of future generations to meet their own needs"*. (United Nations 1987) It offers a vision of progress that integrates immediate and longer-term objectives, local and global action, and regards social, economic and environmental issues as inseparable and interdependent components of human progress (<http://ec.europa.eu/environment/eussd/>).



Picture 1. Sustainability Circles

Traditionally economical sustainability is related to the business world when eco-efficiency and social matters are more of a concern of environmental activists, NPOs & NGOs or governmental institutions. Nowadays sustainability is viewed as a complex of economic, social and environmental components and its importance has been emphasized by in the EU Sustainable Development Strategy (EU SDS). Picture 1 represents the three aspects of sustainability in interaction.

Even though the COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS “Mainstreaming sustainable development into EU policies: 2009 Review of the European Union Strategy for Sustainable Development” does not mention social entrepreneurship as an important part of sustainable development, two years later in 2011 in its Social Business Initiative “Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation” the definition of social enterprises includes all three key elements of sustainability.

“A social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open, environmentally conscious and responsible manner and, in particular, involve employees, consumers and stakeholders affected by its commercial activities.”

(EU Commission 2011)

This does not mean that every company that practices sustainable development can be labelled as a social enterprise because its primary mission is not necessarily social, but at the same time social enterprises are expected to operate sustainably in all: social, economic and environmental aspects.

3.2. Designing a social enterprise

This sub-chapter introduces and defines the concept of service design in context with social entrepreneurship. It illustrates the design process using the Double Diamond Process created by the Design Council. Also, it outlines the similarities between the Service Dominant Logic (SDL) and social entrepreneurship.

Introducing service design

There is a lot of research on innovations which most of the time relate to developing new products yet service development and design seems a relatively new concept. Also, when talking about design, first things that come to mind are related to architecture or any other products of tangible nature, not necessarily services.

However, there are organisations that have been focusing on the issues of service design, for example, the Design Council which was founded in 1944. It was originally established to drive innovation at a time of austerity and rapid

change: “to promote by all practicable means the improvement of design in the products of British industry”. Current activities include projects to improve business competitiveness, such as design mentoring to help small businesses thrive and help universities to bring science to market, and projects for the public sector to procure design effectively, improve service design and reduce cost. (Temple 2010)

Many countries have followed the British example and established national Design Councils of their own, service design is promoted through forums as well as independent designer associations, such as the Service Design Network (SDN) based in Germany.

Defining Service Design

As being creative people, designers from different organisations like to use their own definitions of service design, for example, SDN uses the definition of Design Dictionary published by Birkhäuser, Basel in 2008 and it is as follows:

Service design is the activity of planning and organizing people, infrastructure, communication and material components of a service in order to improve its quality and the interaction between service provider and customers. The purpose of service design methodologies is to design according to the needs of customers or participants, so that the service is user-friendly, competitive and relevant to the customers. (www.service-design-network.org)

The British Design Council uses the definition of Sir George Cox (2005):

Design is what links creativity and innovation. It shapes ideas to become practical and attractive propositions for users or customers. Design may be described as creativity deployed to a specific end.

The aim of service design is to create services which fit and support the routines of customers and cater for their specific needs. At present, service design methodology does not specifically address how the services are made to function in the way they are designed and can be seen more as a collection of

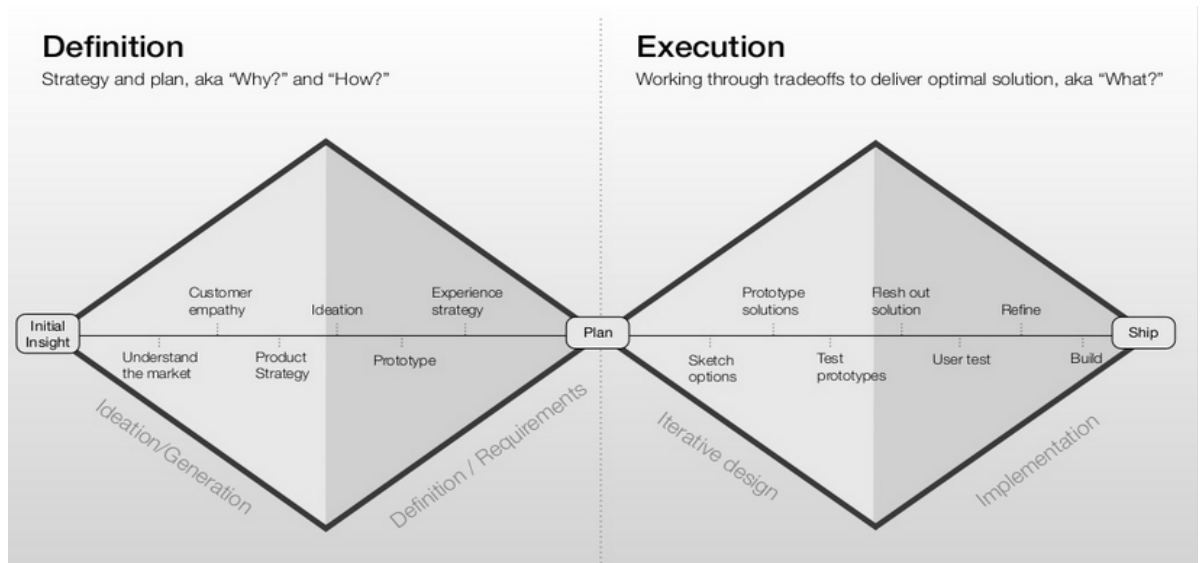
methods and an approach to development instead of a rigid and fixed process. (Korhonen, Kronqvist 2009)

All definitions have in common that in service design the starting point is the customer's needs and experiences, which is the essence of services, whereas design involves a creative process, started by interaction of employees and users, because the involvement of direct service providers is essential.

These characteristics are also an integral part of social centrepieces, as the customer plays an important role in the organisational part of such companies, plus, interaction is one of the main feature of the word "social".

The design process

Most designers have different styles of working and creating their services so the design process cannot be rigid or fixed, but there are some general activities in common and these are reflected in the Design Council's Double Diamond process which consists of 4 general phases: discover, define, develop, deliver, or as Picture 2 shows: the first diamond as the definition part and the second as execution part, crossed through with a time-line that names the activities in a consecutive order.



Picture 2. Double Diamond Process Source: <http://www.peterme.com/>

1st phase

The Discover phase is an exploratory beginning of the project when a problem is identified and needs are addressed through design. In this phase a huge knowledge base is built about the issue and many ideas are generated.

For the purposes of this research, in the discover phase information on Finnish afternoon clubs for children is gathered using the observation method.

2nd phase

In the Define phase results from the Discover phase are analysed and structured into problem statements which in turn are aligned with the company's business objectives. So, basically, from the vast amount of information and ideas the most sustainable are picked.

As the issues of education and childcare are more of a social nature, these kind of problems are often addressed by social enterprises, which acts as a hybrid of official institutions and businesses. In this phase of the research a theoretical business model of a social enterprise is drawn so later in the process it can be used to create a service prototype.

3rd phase

In the Develop phase the initial brief is developed into a service for implementation and the concept is iteratively tested with end users. The design teams use creative techniques to develop the service components in detail and make sure they form a holistic experience together.

In this research phase the service idea is communicated to potential customers and a detailed Business Model Canvas is created by using the gathered data and applying it to the concept of social entrepreneurship.

4th phase

The Deliver phase takes the service through final testing, launches the service and ensures feedback mechanisms and shares the gained knowledge of the process in order to learn.

This thesis does not include the final part of the double diamond during the research.

Service dominant logic (SDL) in social entrepreneurship

The growth of the service industry can be viewed in many developed countries, for example in Sweden, Germany, Belgium, France and the UK the service sector contributes more than 70% of the states GDP. Even though the importance of service development is obvious, most business environments maintain a goods dominant mindset. Picture 3 represents the differences between service dominant and goods dominant mindset.

	Goods dominant mindset	Service dominant mindset
1	Goods	Service(s)
2	Tangible	Intangible
3	Operand resources	Operant resources
4	Asymmetric information	Symmetric information
5	Propaganda	Conversation
6	Value added	Value proposition
7	Transactional	Relational
8	Profit maximization	Financial feedback

Source: Lusch and Vargo (2008, p. 90)

Picture 3. Goods and Services Dominant Mindset, source: Lusch & Vargo 2008

Studies suggest that nearly half (43%) of new services that are put to market these days fail. The high rate of unsuccessful services is a fair indicator that the field of service development needs improvement and deserves more attention from companies.

Research shows that companies with a service dominant logic provide an overall better service and enhance user experience for the customer (Edvardsson et al., 2010).

Research also shows that:

- The existence of a service development strategy has a positive impact on NSD (new service development) performance;
- A higher degree of formalisation of the development process has a positive impact on NSD performance;
- A higher degree of usage of integrated development teams has a positive impact on NSD performance;
- A higher degree customer co-creation for others has a positive impact on NSD performance. (Edvardsson et al. 2011)

There is enough study that shows the positive effects of both: service dominant logic and a strategy for new service development, so it is only common sense to adapt these concepts in entrepreneurship. However, performance is often defined by the presence of competition. For example, public transport in many

countries is a state owned sector and even though the end-user is the tax paying citizen, the client that subsidises the service is the state, and often the main criteria for public procurement is the price.

Besides the lack of competition and the price issues, another problem in sufficient service design is the “distance” between the end-user and management.

A social enterprise can provide both: goods and services; but in many ways the concept shares similarities with the service-dominant mindset:

1. The shift from goods to services can be made even if the social enterprise provides goods, because its primary goal is to solve a social problem, such as unemployment. By creating jobs for a disadvantaged minority it serves the local community and society in general. This way the company not only creates a tangible product but also value.
2. By meeting a social need the social business creates a positive experience which is intangible, but lasting, rather than a tangible good that depreciates over time.
3. Operand resources are static and must be operated on to be useful. Once exchanged or sold as tangible goods they will leave the seller and go into the buyer’s possession by depleting value from the seller and transferring it to the buyer. Operant resources are capabilities or behaviours that operate on an existing resource constellation. Such resources are dynamic and non-linear, and when applied will generate immediate and/or persistent value (Lusch& Vargo 2008). Social enterprises can possess both types of resources, but the difference is that these resources are returned to society, for example the local community that the company serves.
4. SDL argues that information should be shared symmetrically as far as possible, allowing balanced views from customers, employees, partners and

other actors to be exchanged in order to make informed decisions, the same way it is done in social enterprises.

5. The shift from propaganda to concersation is an extension of asymmetrical to symmetrical distribution of information.

6. Where as value is added to goods and services in traditionally goods-oriented logic, social enterprises with an SDL mindset co-create value together with the customer after communicating a value proposition.

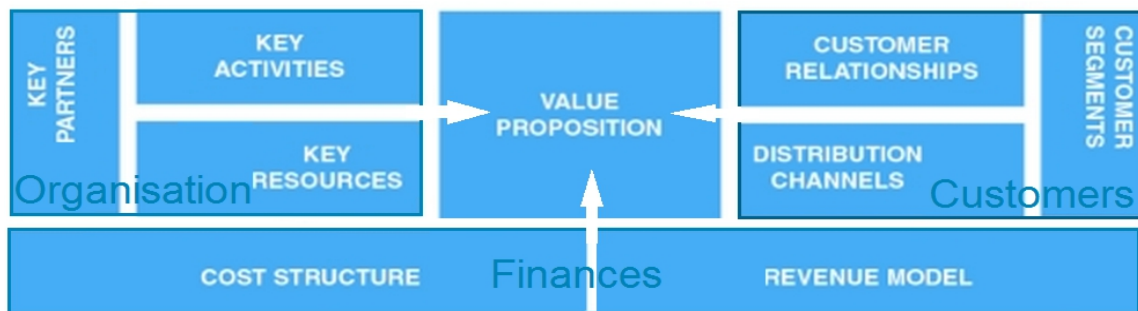
7. A relational contract is established not only within the value network of suppliers, but also with the customers as co-creators of value. Relations are resources that play a key role in resource integration, value co-creation and value-in-context. In this context relations are a key intangible resource of social businesses.

Business Model Canvas

This chapter briefly introduces the Business Model Canvas (BMC) as a service design tool, and reasons for the motivation behind using it for the particular research despite some of its criticisms as well as explains its usage during the service design process and the consecutive parts of this research project.

A business model framework that has been in use since 2010 is the business model canvas created by Osterwalder. It is a simplified table of nine building blocks that help design a product or a service. The value proposition is placed in the middle and is created by the rest of the components, that are displayed in picture 4. The top three blocks on the left deal with organizational aspects: key activities, resources, and partners. The top three blocks on the right are devoted to customers. The bottom two sections are related to financial aspects. As creating value generates costs, a revenue model is necessary to at least cover the

costs. The framework is useful as it describes the entire value creation logic and is a guide for making sure that all nine aspects necessary for value creation are addressed. The framework also helps to classify and group the components of a business model. (van Limburg et al. 2011)



Picture 4. Business Model Canvas

Chesbrough (2006) emphasizes the value of a well thought out business model saying that “a mediocre product with a good business model yields more value than a good product with a mediocre business model”

Motivation behind choosing BMC for the research:

- BMC is co-created by a huge number of strategic practitioners, therefore less academic and more practical and appropriate for businesses. As the number of users has exceeded 1 million, it is also recognisable among young entrepreneurs (<http://businessmodelgeneration.com/>)
- BMC can be used throughout all phases of the service design process;
- It is an illustrative tool that is easily representable to potential stakeholders: since social enterprises are highly cooperative, it is important to use a tool that's simple enough from clients (members of socially vulnerable groups) to investors;

- It is often requested by business incubators when offering "shelter" for potential start-ups;
- It is more appropriate for innovation and new projects rather than already existing companies that need to transform a model already in use (Kraaijenbrink 2012);
- Even though the canvas does not illustrate main competitors, which is a major criticism of the model (Ching & Fauvel 2013), in the given situation as social enterprises solve problems that no one else deals with, the competition aspect is not as relevant and therefore can be excluded.
- Another criticism is its lack of strategic objective and mission display. However, the strong emphasis on value proposition (the authors have also published a book "Value proposition design" in 2014 that introduces a value creation tool) for social enterprises goes hand in hand with their mission, for example, providing a safe and creative environment for children is both: the solution of a social problem as an entrepreneurial goal as well as the value parents as customers are willing to pay for.

Business Model Canvas (BMC) is used throughout this research as a practical tool within the first three steps in the service design process, represented in the "double diamond phases". In the first "discover" phase BMC is used to illustrate the basic characteristics of the typical Finnish afternoon club for children as the inspiration for the research project initially comes from discovering the educational and leisure practice through observation during the European Voluntary Service project.

The second canvas is developed during the "define" phase when it has been decided to translate the afternoon club activities into a social enterprise. Here BMC is used to outline the peculiarities and practices of social enterprises in EU countries in order to create the "theoretical social enterprise model".

The third "develop" phase combines the two first canvases and designs a potential prototype of an afternoon club in Bauska, Latvia.

3.3. Designing a social enterprise on BMC

This chapter displays the theoretical social enterprise on BMC and in short is introduced in picture 5. Considering that social enterprises can be very versatile and share many common features with mainstream enterprises, the "theoretical canvas" highlights the characteristics associated with social businesses in particular according to laws and regulations, practical research and theoretical material.

Table 1. BMC of a theoretical social enterprise

KEY PARTNERS	KEY ACTIVITIES	VALUE PROPOSITION	CUSTOMER RELATIONSHIPS	CUSTOMER SEGMENTS	
Local authorities	Provision of goods/services	Solutions for: Employment, Environment, Education, Integration etc. Issues	Customer= Partner	Poor people	
Charities	KEY RESOURCES Networking		CHANNELS Local Accessible Interactive platforms/Official databases	Socially challenged and vulnerable groups	
Unemployment departments		Intangible: motivation & vision			State & Local authorities
Min Outsourcing/Max In-house		Human: volunteers			Society
Business incubators					
COST STRUCTURE		REVENUE MODEL			
HIDDEN costs + Fixed & Variable		<i>The alternative funding model:</i> Public sector subsidies + Charitable Contributions + Earned income Public procurement & Re-invested profits			

Key partners of social enterprises

As networking is often mentioned as a social enterprise's key resource partnerships play an important role in developing a social business. However, social enterprises tend to form their business relationships differently from traditional profit driven companies who often choose cost effective business relationships without the concern of ethics. If a social companies main objective is to provide employment for disadvantaged groups of people, practices like outsourcing, importing jobs or atomisation will be replaced with in-house operations.

Despite different business objectives, social entrepreneurs do need the skills and the mindset of a traditional entrepreneur. A study on social entrepreneurship in Latvia reveals that social enterprises are often created and lead by

people who have the vision and will to pursue social goals but lack the ability to sustain a viable business after a grant from a support program or EU fund has been used up (Lešinska et al. 2012). Here a good solution for learning can be Business Incubators as:

EC (2011) finds it important to promote cross-fertilisation with innovative entrepreneurs and academic and research fields where both young and established social entrepreneurs can build the necessary skills to ensure that their business is well managed and can grow. Social entrepreneurs should also be able to receive advice and support from other business leaders or bankers. Business Incubators for social start-ups could serve as the perfect environment for support, learning and growth.

Other social businesses and non-profits are likely to form partnerships with social enterprises, especially if the vision and social goals are similar. These organisations are likely to share experiences, advice and support one another by forming associations and organising forums. For example in Estonia, after receiving no significant support nor interest from state officials, 19 social entrepreneurs created the Estonian Social Enterprise Network in 2012 and the number of members has doubled ever since (www.sev.ee)

Employment agencies play a crucial part in social enterprises and a role model here Finland can be looked up to as it has established a national support group for social enterprises. The main task of the support group is to advice single social enterprises in practical matters. The support group is mainly funded by the Ministry of Labour appropriations (Labour Political Project Support) but run by Vates Foundation which is a third sector organisation (Finnish Act on Social Enterprises 2004). Even though regular companies do receive subsidies for employing long term unemployed people or disabled people, in case of social businesses these subsidies last from 2-3 years (4-6 times longer), plus, social en-

terprises can receive subsidies for establishment of the company and arrangement of working conditions (<http://www.sosiaalinenyritys.fi/>)

Key activities

According to EC (2011) the key activities of a social enterprise are

1. to help low qualified unemployed people, who are at risk of permanent exclusion from the labour market, and to integrate these people into work and society through a productive activity (Nyssens 2006). These businesses produce goods or services with a social objective but their activity may be outside the realm of the provision of social goods or services.
2. providing social services and/or goods and services to vulnerable persons (access to housing, health care, assistance for elderly or disabled persons, inclusion of vulnerable groups, child care, access to employment and training, dependency management, etc.);
3. or the "commercial non-profit approach", the trading activity is often simply considered as a source of income, and the nature of the traded goods or services does not really matter as such. So, in this perspective, social enterprises can develop business activities which are only related to the social mission through the financial resources they help to secure. More precisely, it is common for a US non-profit to establish a separate business entity under its control, to generate revenue from sales. Only this latter entity can then be labelled as a social enterprise. (EMES 2012)

The institute for Social entrepreneurs (2009) simplifies and merges the last two by arguing that social enterprises are driven by their social goals – to provide education, childcare, family support – but they often deliver that through the market by selling services and products (Martin & Thompson 2010).

In Latvia most social enterprises act under the status of a public benefit organisation which is a form of NGO and the Public Benefit Organisation Law lists their activities as:

- charitable activities,
- protection of civil rights and human rights,
- development of civil society,
- education, science, culture,
- promotion of health and disease prophylaxis,
- support for sports,
- environmental protection,
- provision of assistance in cases of catastrophes and extraordinary situations,
- raising the social welfare of society, especially for low-income and socially disadvantaged person groups

Key resources

Human resources

According to the EMES criteria, the financial viability of social enterprises depends on the efforts of their members to secure adequate resources to support the enterprise's social mission.

Adaptability

Social enterprises are not bureaucratic or bound to rules and processes, but agile and strategic, so they are able to quickly address problems after recognising a window of opportunity and understanding that social and environmental solutions have limited periods of effectiveness. (Kickul & Lyons 2012)

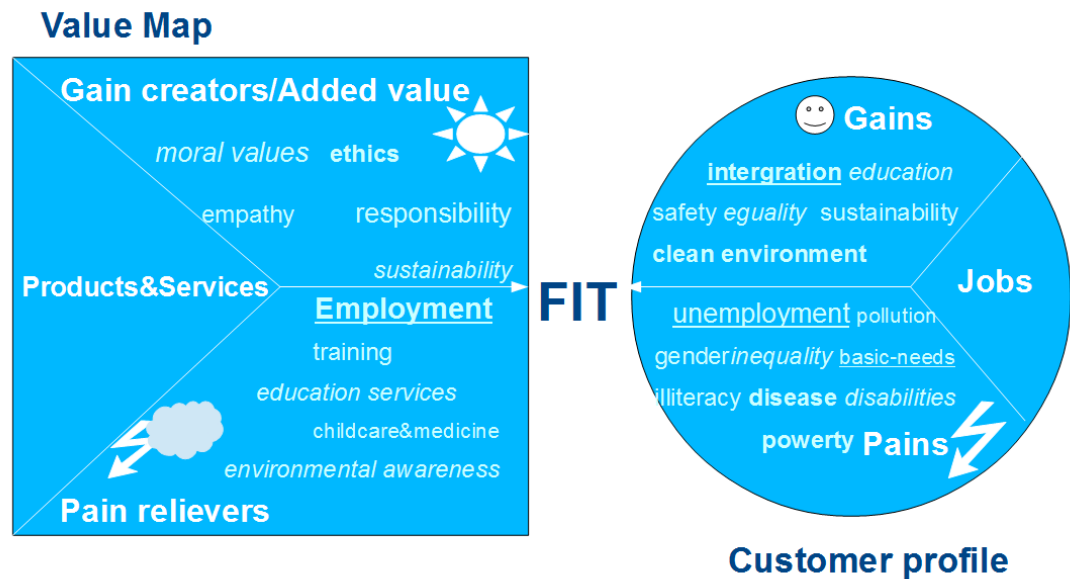
Personal networking

Martin and Thompson (2010) argue that social enterprises have an advantage over other small businesses in the sense that social networks available at the community and support level are accessible and restrictive. Whether networking is informal or formally planned, the willingness of others to help is a key advantage for this kind of business format.

Vision and motivation is an intangible resource very important in the US "Social Innovation" school of thought, where social entrepreneurs are seen as change agents and almost heroic leaders of today (Bornstein 2004).

Value proposition of social-business

In their sequel to "Business Model Generation" Osterwalder et al. (2014) introduce a practical tool for value proposition design, which helps to describe a company's value proposition by creating a detailed map of their customer profile and product/service description and how the two are supposed to create "fit". This is illustrated in picture 5. The customer profile consists of three parts, where the first one describes customer "jobs" or things that customers try to get done in their work and lives. Regarding social entrepreneurship this section is difficult to define in simple terms because the customer segment in general can be very broad and various depending on the type of enterprise.



Picture 5. Creating value for social business

The second part of the customer profile relates to "pains" which are related to risks and obstacles of customer jobs. Regarding social entrepreneurship this could also be redefined as "problems" since dealing with social issues by definition is the main objective of social enterprises. These are typically unemployment, environmental problems, gender inequality, lack of safety, insufficient education and healthcare, disabilities, poverty etc. Just to name a few.

The third "gains" part describes the outcomes and benefits customers strive for. These mainly relate to integration, as social businesses integrate vulnerable groups in the labour market, health (provision of health services to the poor), education, equality and other social goals social entrepreneurs pursue.

On the other side of the "map" lays the product or service and the value proposition built around it can be separated in pain relievers and gain creators. Here Osterwalder's choice of words fits very well with social companies, because of-

ten to "relieve" the social problems is just as much as a company can do. For example, if a company employs a person with disability, the job itself will not be able to cure the condition, however, it can relieve some issues like isolation from society.

Gain creators on this map are like additional value, that range from required gains, expected, desired and unexpected gains. In social enterprises these are moral values as often they are referred to as value based and for the social entrepreneur these values are moral in nature.

The entrepreneur feels empathy for the beneficiaries of his/her business actions and addresses a social or environmental problem in a rightful way: the passion for work is fuelled by morality based values (Mair & Noba 2006).

Responsibility is also an expected "gain" as the enterprise is owned by those who work in it and/or reside in a given locality, it is governed by registered social as well as commercial aims and objectives and run co-operatively (Spreckley 1981) This means that the social enterprise is accountable to society rather than profit driven investors and shareholders and therefore society dictates what mission the company ought to focus on.

Customer relationships

Stakeholders can also participate through channels that are less formal than membership, such as representation and participation of users and workers in different committees in the everyday life of the enterprise (EMES 2012)

Participatory governance: representatives of stakeholder groups are engaged in the governance of the organisation (EC 2014).

Channels

The creators of BMC distinguish 5 Channel phases: awareness, evaluation, purchase, delivery and after sales. The importance of these is also recognised and partly covered by the EC's Social Business Initiative's Key activities No 1 to No 8 which focus on increasing the visibility and funding of Social Enterprises:

1. Awareness

Key action No 6 of EC's Social Business Initiative: To create a public database of labels and certifications applicable to social enterprises in Europe to improve visibility and comparison.

2. Evaluation

Key action No 5: To identify best practices and replicable models by developing a comprehensive map of social enterprises in Europe, specifying their characteristics, their business model, economic weight, cross-border growth potential, applicable rules and criteria for legal statuses and for specific tax regimes, as well as existing labelling systems.

3. Purchase

As social enterprises provide goods and/or services to customers with limited purchase power and/or employ people with limited efficiency, it is essential to raise funding besides earned income. These issues are tackled in Key activities No 1-4 by improving the legal environment for micro-crediting and accessibility to structural funds.

4. Delivery

Key action No 7 emphasizes the importance of cooperation between national and regional administrations as these play crucial roles in putting in place comprehensive strategies for support, promotion and financing of social enterprises, especially via the structural funds, by means of analysis, sharing of best practices, awareness-raising, networking and dissemination.

5. After sales

As part of Key activity No 8, a single, multilingual electronic data and exchange platform, 'Enterprise Europe Network' for social entrepreneurs, incubators and clusters, social investors and people working with them has been created, where all parties involved can share their experiences.

Customer segments

- (very) poor customers, which constitute a new market segment (often called the "bottom of the pyramid") in developing countries (EMES 2012).
- Long-term unemployed people often are employed by social enterprises as many countries define social enterprises by the amount of work provided for this group. Since these people seek integration in the labour market, social enterprises can help not only by employing them directly, but also by providing educational services or consultations, in which case this group can be defined as customers.
- Disabled people is another group that seeks integration in society but this group can also receive medical and other services from social enterprises.
- Other socially vulnerable groups: single mothers, elderly people, minorities, substance abuse victims, immigrants etc.

If a social enterprise caters to specific, specialized Customer Segments the Value Propositions, Distribution Channels, and Customer Relationships are all tailored to the specific requirements of a niche market, according to Osterwalder et al. 2010.

However, in the case of "commercial non-profit approach" where the activity of selling goods serves only as a form of income (to finance a social goal) and the means of production or characteristics of the product do not matter as much, the customer segment can be highly diversified.

This also applies for WISEs, as their main concern is work integration, the customer segments may vary.

It is also important to distinguish between the customer and the end user, because in many cases social enterprises find solutions for problems that due to lack of resources or other issues are not solved by the public sector or local authorities. In this case official institutions outsource social services from social enterprises through public procurement procedures thus making the state or local government the client.

Cost structure

In comparison to the cost driven business model, which promotes the leanest cost structure, maximum automation and extensive outsourcing, the typical cost structure for social enterprises is more value driven, which focuses on value creation.

Most work done in-house: this practice puts social enterprises in a competitive disadvantage as the companies which use outsourcing as a strategic choice manage to decrease costs often up to 30% thus focusing only on their key competences. As social enterprises are characterised by ethics and improved work conditions, it is also important to avoid the practice of using "exportable jobs" that allow other businesses to keep their costs low and sell goods with a decreased price, for example in the clothing industry.

Revenue streams

Boschee (2006) proposes "The alternative funding model" that consists of a mixture of funding:

- Charitable contributions
- Public Sector Subsidies
- Earned income

Where as usually non-profits are solely dependent on the first two, social enterprises also generate surpluses in the form of earned income, so these surpluses can be invested back into the communities they serve or the business itself. This creates a more solid level of independence.

In practice according to legislation in different countries, the amount of earned income can vary, for example, in Finland at least 50% of income have to generated from the companies business activity, while in Estonia this number is only 35%.

When it comes to charitable contributions, not all countries have sufficient legislation and commercial enterprises are not allowed to receive donations by definition (or have volunteers), but at the same time foundations and associations are not allowed to have entrepreneurship activities as their major activity. In Latvia, if a non-profit organisation grows its business activities to an extent when it becomes their main activity, this business needs to be separated and registered as a company with a commercial legal form (EC 2014)

Public Procurement

The European Commission (2011) emphasizes that small social enterprises, which mainly have their roots solely in local activities, are also directly affected by the rules of the internal market on bank regulation, access to structural funds or public procurement. Therefore, it is important to further enhance the element of quality in awarding contracts in the context of the reform of public procurement, especially in the case of social and health services, and to study ways in which the working conditions of persons involved in production of goods and services under the contract could be taken into account, provided that the Treaty principles of non-discrimination, equal treatment and transparency are fully complied with.

In many countries regarding public procurement price and the practice of "gold plating" puts social enterprises in a disadvantaged position, but changing these

practices and emphasizing the importance of ethical values that social enterprises pursue, could help these businesses compete for public procurement.

Private Funding

American authors Kickul & Lyons (2012) claim that a new generation of entrepreneurs and investors are increasingly combining the creation of social and environmental impact with the tools of investment, therefore funding sources for social enterprises are traditionally public in the form of grants and fellowships and private, such as Crowdfunding Online platforms, Angels and Venture Capitalists, and Loan providers.

Re-investment of profits is a significant characteristic of social enterprises as they maintain a high level of autonomy and investors do not have the right to claim derivatives above the amount of the original investment.

4. RESEARCH OF AFTERNOON CLUBS IN TURKU

4.1. Motivation for choosing a Finnish concept as a role model

As one of the research objectives for this thesis is to take the Finnish concept of afternoon clubs and use its principles when designing a social enterprise in Latvia, it is important to understand why exactly the Finnish model should be looked up to.

Since one of the basic principles of Finnish education system is that all people must have equal access to high-quality education and training, Finland has been a role model in education for many countries. The same opportunities to education should be available to all citizens irrespective of their ethnic origin, age, wealth or where they live (Ministry of Education and Culture 2012). Education on all levels is free of charge and therefore accessible.

High quality standards and continuous investment in education has paid off as Finland has topped the PISA test for the last decade, and even though the results of 2012 have dropped slightly, it is still significantly above average. (OECD 2013)

The authorities in Finnish educational system also understand the importance of innovation and the need to change as time and society change, therefore, in December 2014, Finland completed the reform of the National Core Curricula for pre-primary education and for compulsory basic education, which comes to force starting from January 2016. This change in the system has made many headlines in world media as

“Finland is about to embark on one of the most radical education reform programmes ever undertaken by a nation state – scrapping traditional “teaching by subject” in favour of “teaching by topic”.” - Interdependent

The reform emphasizes collaborative classroom practices which will be brought about in multi-disciplinary, phenomenon- and project-based studies where more than one teacher may work with a different number of students at the same time. According the new National Core Curriculum, all schools have to design and provide at least one such study-period per school year for all students, focused on studying topics that students are interested in. Students are expected to participate in the planning process of these studies. As there is a lot of autonomy for local authorities in providing education, municipalities may develop their own innovative approaches to implementing the curricula, differing from other municipalities (FNBE 2015)

What do social entrepreneurs have in common with the Finnish educational system?

Table 2 lists the characteristics of SEs that also play an important role in the Finnish education system.

Table 2. Finnish education principles and social enterprises

Characteristic	Social Enterprises	Finnish Educational System
Autonomy	SEs are voluntarily created by a group of people and are governed by them in the framework of an autonomous project. Accordingly, they may receive public or private support but they are not managed, directly or indirectly, by public authorities or by a for-profit firm (Defourny & Nyssens 2010)	Municipalities may develop their own innovative approaches to implementing the study curricula
Cooperation	Networking and cooperation with other SEs and NGOs is a cornerstone of business relationships	Teachers cooperate in order to work with a group of students simultaneously
Participation	Customers can participate in the managerial process as informal groups	Students are encouraged to participate in the creation of the curriculum.
Democracy	One member one vote principle in management	One of basic education values according to FNBE
Innovation	Many literature sources, including the EC's <i>Innitiative</i> mention innovative practices when defining SEs.	First to shift from subjects to topics among other innovative practices.
Social goal	Childcare and education services (one of social aims); The social objectives above striving for profit.	The same opportunities to education should be available to all citizens irrespective of their ethnic origin, age, wealth or where they live – FMEC 2012
Equality	SEs promote gender equality and equal work conditions, rights and financial reward despite differences in physical abilities.	Education is free of charge on all levels
Better working conditions	M.Yunus highlights good working conditions (psychosocial environment – do it with joy!) and at least average market salaries.	Educational staff in Finland is well paid, receives qualification raise courses and enjoys good working conditions.
Profitability	Social enterprises can operate as non-profit organisations or for-profit companies but the main goal is to work for a not-for-profit but rather a social mission	Education is free of charge on all levels and serves for the well-being of society

4.2. The Finnish afternoon club for children

In Finland the problem of working parents inability to pick children from school during their first years of study is solved by morning and afternoon activity clubs, which are designed for primary school children in first and second year classes. Special needs pupils older than first and second graders can also join such clubs that are lead by professional instructors. This system is regulated by the Finnish Board of Education, which has released its latest framework for morning and afternoon activities in basic education in 2011.

In accordance with education legislation:

“The local authority may arrange before- and after-school activities alone or jointly with other local authorities or purchase these services from a public or private service provider. The local authority may also acquire the services by granting subsidy to a service provider for the purpose. The arrangements shall cater for the needs of different linguistic groups”. (Basic Education Act 628/1998; Amendments up to 1136/2010 Chapter 8; Section 48b 3)

As afternoon clubs are under the responsibility of local authorities, in Turku city most clubs are managed by its Education Division. The Child Welfare Act also recommends that before- and after-school activities be included in municipal plans for the well-being of children and young people.

Afternoon activities are organised on school premises or at a location in the vicinity of the school, such as at a youth, church, social service centre or on a similar organisation’s premises. As of 1 Jan 2015 the afternoon club fee is 95 Euros per month for club activities organized between 11.00 and 17.00. For club activities organized between 11.00 and 15.00 the fee is 80 Euros. The fee includes organized activities, materials, a snack and insurance.. The aim of the afternoon activities is to support cooperation between the home and school re-

garding the raising and education of children and to prevent social exclusion and promote participation of children. (City of Turku 2015)

As the Basic Education Act allows local municipalities to outsource Turku city also cooperates with multiple organizations to provide the afternoon club services. Currently in 2015 there are 34 morning/afternoon clubs in Turku but less than the half is managed by the city. Table 3 lists the organisations who provide these clubs and Chart 1 shows that more than half of this service 59% is granted by non-profit associations, religious organisations or other providers.

Provider	
Folkhälsan Syd Ab	2
Happy Kids	2
International School	1
Kansallinen Lastenliitto ry.	1
Saksalainen srk	1
Sivistystoimiala (Education Division of Turku)	14
Sivistystoimiala ja Turun Kisa-Veikot	1
Steinerkoulu (Steiner School)	1
TPS Juniorijalkapallo ry (Junior Football association)	1
Turun ja Kaarinan seurakuntayhtymä (Parish Union)	4
V-S Martat (South-West Martha home economics association)	6
Total:	34

Table 3. Afternoon clubs in Turku, Finland

The second largest organizer with six clubs is the V-S Martat, which is a nation wide non-profit home economics association, which was founded in 1899 to promote well-being and quality of life in the home. It carries out cultural and civic education, does advocacy work in Finland and deals with:

- food and nutrition,
- home gardening and environmental protection,
- household economics and consumer issues (<http://www.martat.fi/>).

The third largest provider of afternoon clubs is the Turku and Kaarina Parish Union which is made of ten Evangelical Lutheran parishes that cover the area of Turku and Kaarina. The service is provided in accordance with FNBE framework but in addition the business is based on the Christian conception of humanity and the basic values. Key issues in everyday life are the traditions, culture and way of everyday Christianity - interaction, presence, and the slowdown in the holy encounter, for example, the events and the nature of the church year form (www.kirkonrotta.fi).

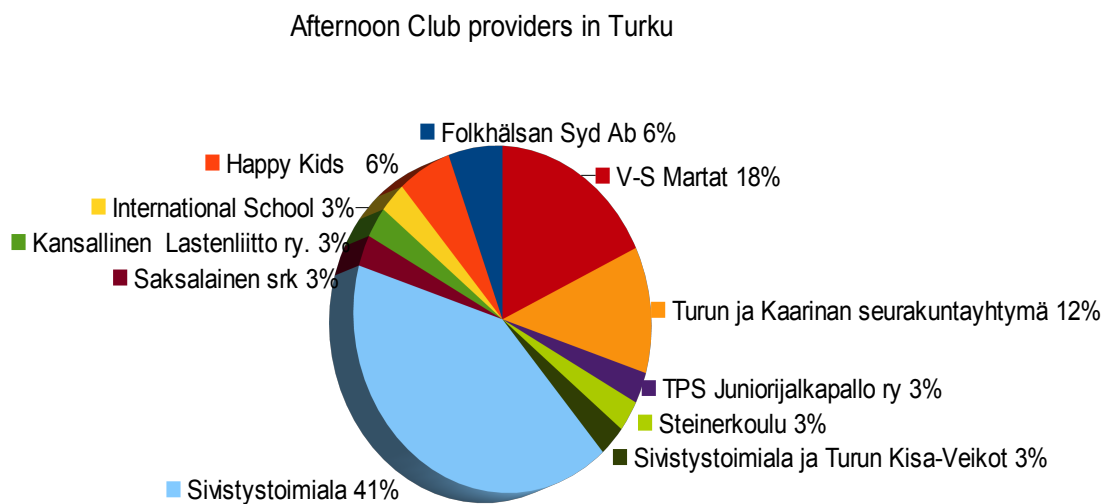


Chart 1. Afternoon Club providers in Turku

4.3. Afternoon Clubs in Vimma (EFTIS and IPPE) on BMC

One of the research objectives of this thesis is to put a regular afternoon club IPPE and EFTIS (Iltapäivätoiminta in Finnish or Eftermiddagsverksamhet in Swedish) on Business Model Canvas in order to compare which segments are equal, similar or entirely different from traditional social businesses and later on apply some of the practices to a social enterprise in Latvia. The canvas as Table 4 combines the guidelines of FNBE national framework published in 2011 and observations made during the research.

Table 4. BMC for IPPE and EFTIS in Vimma, Turku

KEY ACTIVITIES play&interaction physical exercise outdoor activities meals and rest manual skills crafts visual, musical, bodily, linguistic expression media skills	KEY PARTNERS Local authorities NGOs&non-profits Other clubs Schools Catering partner	VALUE PROPOSITION safety appreciation for ethics, equality, culture, traditions Support for development, learning, social inclusion awareness for environment, sustainable lifestyle	CHANNELS Schools On-line media Direct communication	CUSTOMER SEGMENTS Families with 6-8 year-old children Residents of a particular region
	KEY RESOURCES Intellectual Facilities/equipment HR: professional staff		CUSTOMER RELATIONSHIPS Interactive Temporary	
COST STRUCTURE Administrative, HR (salaries, training etc.), Insurance, catering, activities (materials, equipment etc.), rent.		REVENUE MODEL Public sector subsidies, Monthly cost, possible donations/charity (e.g., in case of religious organisations)		

Key activities

According to FNBE (2011) Afternoon club activities are to be put together from the following thematic contents:

- ethical growth and equality: *throughout the EVS project in all clubs (IPPE, EFTIS and Seikkailupuisto) moral values and tolerance have been promoted by the staff and during the 1 year service there hasn't been witnessed a single case of exclusion.*
- play and interaction: *AC's are well equipped with multiple sorts of games and equipment to create a playful environment.*

- physical exercise and outdoor activities: *Almost every day after the snack time pupils and the staff would go to the nearby park to play (depending on weather conditions) and also engage in activities with other clubs if they are present.*
- meals and rest: *Before the meal there would always be quiet time and a meeting about the daily events and activities with the kids. However, if a child would be tired after school or just willing to do homework in peace, the staff never forced anyone to engage in games, sports or creative activities. Regarding the afternoon snack clubs can choose whether to prepare the snack themselves or to cooperate with a catering company. In IPPE and EFTIS the food was prepared by Vimma Cafe and served by the club staff.*
- culture and traditions: *During the service period in IPPE there have been several culture awareness events, such as every member of staff picking a different country and explaining its traditions. Also, volunteers from other countries give presentations about their culture at the beginning of their service.*
- manual skills and crafts: *Handicrafts have been taught to IPPE and EFTIS members by the staff (felted, suing, drawing etc.) considering the resources and the training/talentless. Several workshops were also organized in cooperation with Vimma's Taidepajat.*
- visual, musical, bodily and linguistic expression: *IPPE has a musical theme therefore at least once a week children would have a musical workshop where they sing and play various instruments.*
- media skills: *during the EVS service there were no particular media workshops but every other Friday kids were allowed to take their smartphones and tablets to EFTIS and IPPE and use them.*
- daily chores, the living environment and a sustainable lifestyle: *Within the club pupils were always taught the importance of recycling and most*

of the materials used for creative activities were disposable (used jars, egg-cartons, milk carts etc.)

- *various areas of knowledge and skills: in IPPE many of the kids were studying foreign languages and as a volunteer I could help them with homework and communication skills in German, Russian and English.*

Key partners

Often afternoon clubs are organised on school's premises what makes them key partners from a very practical standpoint, but even though during the observation within the EVS project none of the clubs were within a school there had been regular events, such as the gym day every other week at a near by school, or occasional activities, such as a gingerbread baking workshop at another school.

But more important than the facilities and tangible resources local schools are able to offer is the cooperation with their teachers when it comes to information exchange and planning of various activities. Mutual understanding is crucial when planning the daily routine, for example, before the start of the study season a meeting was held with several teachers in order to agree on meeting points and times when IPPE/EFTIS workers shall fetch the customers within the first weeks of the semester. Also, when planning thematic topics for the pupils, information exchange helps the themes to be related to what is current at the school's programme.

During the study period there are also numerous unplanned events that regard safety and require attention (suspicious cars and threats of kidnapping) therefore employees of afternoon clubs and pedagogical staff keep direct contact via meetings or phone calls.

While social enterprises tend to build partnerships with other social businesses, other clubs as key partners have been observed during the research only

among those clubs operated by Turku City, as the staff shares the same employer and occasionally trainers rotate from club to club in order to ensure the optimal number of staff. Often the clubs would share also similar agendas, such as visiting the same places (parks, playgrounds) where staff members usually communicate with one another, share different ideas and experiences. In case of special events like current safety issues official meetings among representatives from various clubs would be held in order to inform and negotiate a possible solution. However, for further research the relationships between private and public afternoon clubs could be interesting, because parents are free to choose which kind of club they prefer for their child (if there is a need for this service at all) and the notion of competition might have an impact on relationships.

Local authorities play an important role for social enterprises as they often have to rely on their subsidies the same way afternoon clubs are subsidized by municipalities according to the Finnish Basic Education Act. As mentioned earlier, the city of Turku manages almost half of the morning/afternoon clubs available in Turku, but legislation also allows different local governments to cooperate and organize these clubs jointly.

NGOs and non-profits along with a few educational institutions provide the rest of the afternoon clubs available in Turku after the Education Division. The biggest share belonging to V-S (south-west) Martat, however, there has been no research made whether these various organizations cooperate with one another during the service provision process.

A catering company can be a partner of morning/afternoon clubs in some cases as the National Framework for these activities also includes a snack as one of the mandatory elements. During the EVS project serving food to children was

one of my duties and the meals for IPPE and EFTIS customers was provided by Cafe Vimma, but unofficial meetings with representatives from a private club have revealed a system where each staff member of the club takes care of the food in turns within a definite budget.

Educational institutions play a key role as partners for After-school activities as they are the ones who actually prepare the professionals who are going to work in these afternoon clubs. During the EVS project 3 of the 7 IPPE and EFTIS permanent staff members were also studying in two different schools to gain an official qualification as youth workers. During the spring term of 2012 IPPE also provided intern-ship for 2 trainees who were guided by the mentor-ship of the more experienced staff members.

Key resources

It goes without saying that instructors of afternoon clubs are experienced professionals and also its main resource. During the EVS project I have observed that there is approximately one professional on every 10 club members to keep them safe, ensure creative activities that are engaging and keep the kids interested and promote values in accordance with the guidelines of the National Framework as well as the city's youth policy.

In Finland educational programmes providing the necessary qualifications for youth work positions are available at upper secondary vocational level and within higher education (universities and polytechnics (universities of applied sciences)). Church parishes also train their own staff at their own vocational institutions (Finnish Ministry of Education 2006).

The Vocational Qualification in Youth and Leisure Instruction entitles graduates to work as youth and leisure instructors and can also be earned as a competence-based qualification (Finnish National Board of Education 2011). During the

EVS project two of the staff members were simultaneously obtaining the competence-based qualification in Lohja Upper Secondary school.

In addition to formal education available from many schools in Finland, youth workers also engage in different courses and workshops in order to increase their creative abilities and improve on their talents, such as felting workshops etc.

Besides the permanent instructors additional help is often granted by people who have decided to do civil service instead of the army due to the country's military policy. This is considered non-military service and is managed by the Ministry of Employment and Economy and includes work and training that benefits society (www.tem.fi). During the study season in IPPE and EFTIS I worked together with three young men out of whom one also decided to continue the career of a youth worker after the civil service period and started to obtain the competence-based qualification. This practice brings young men to youth venues and seems very helpful as often the majority working in such places is female.

Another state policy that benefits youth activities is the one regarding immigrants: The Employment office's Integration plan for immigrants, which sets out the services a foreigner needs to support their integration and employment. During integration training one studies Finnish or Swedish, and is taught reading and writing skills if necessary. Integration training gives skills that help get into working life and further education and training. Integration training also builds up civic, cultural and other skills that will support integration in Finland (<http://www.te-services.fi/>). During the EVS project in the spring study season there was a male trainee from Afghanistan sent from the Employment Office.

European Voluntary Service as part of the Erasmus+ programme managed by the European Commission is another way of providing help for youth activities in Finland. During my project there were 6 other volunteers serving in afternoon clubs and youth houses. These projects are funded by EC and are very practical from a financial standpoint. Even though the goal is often to promote immig-

rant integration and give the kids the opportunity to meet and observe different cultures, these volunteers can often give creative ideas and introduce alternative practices to youth workers in Finland.

Channels: internet, schools, club facilities

Information about afternoon clubs is widely available online. The city of Turku provides a list of afternoon and morning clubs available in Turku as well as their contact information, address and website. The application for a club is via internet by filling a form or in case of questions a contact person is provided. Information about clubs that are not directly managed by the city is available on the different facilitators websites not only in Finnish or Swedish, but also in English.

After the choice in favour of a club has been made and the child enrolled, the parents are able to contact instructors by phone, e-mail or meet the staff in person when picking up their child.

Simple letters to parents are also written once a month and delivered by the child in order to inform about the monthly program, events or individual achievements/challenges.

During the EVS project two different parent meetings were also held within the premises of Vimma so they could interact with other mothers and fathers as well as the instructors. However, the observed interest of parents was not very substantial.

As the scale of these clubs is relatively small it is easy to maintain a close contact with customers and receive a constant feedback, which is necessary due to the nature and the goals of this kind of venue. The instructors are reachable constantly within the working hours of the clubs and also on a managerial level, administration is easy to reach and in many cases has been observed as very efficient.

This research does not show how much information about the clubs can be gained from schools, but as the instructors and teachers work closely together,

it can be assumed that valuable information can be obtained also from the child's educational institution.

Customer segments

The morning/afternoon clubs are available for 1st and 2nd grade students (in some cases also other children with disabilities or learning disorders, but during the thesis research no such cases were observed). The staff of these clubs often refers to children as customers, but it has to be taken in consideration that their parents are the ones who make the decision to send the pupil to a club after school and also the ones who pay for the service, therefore the children could be rather defined as the end users of the service and parents as customers.

The customer segment is relatively narrow as first of all these people are locals belonging to a certain municipality, in this case the residents of Turku.

There are no theoretical differences in gender as both parents are able to enroll the child and later on take care of the pick up and communication.

There is also no difference in social status or income level because as mentioned earlier in the thesis the clubs are part of the Finnish educational system and therefore available to everybody, even though there is a tendency that the service is chosen more often by working parents who are not able to take care about their child right after school because of employment.

In a broader sense the client of an afternoon club is also the local authority in case the service is being outsourced and the provider receives subsidies from the city and is being held accountable for the quality of the provided service.

Customer relationships

The relationships between parents, children and staff are confidential as the staff working in before- and after-school activities may not disclose any con-

fidential information concerning a child or his or her parents or guardians or hand over any confidential documents to third parties according to the Finnish Act on the Openness of Government Activities (621/1999; laki viranomaisten toiminnan julkisuudesta). (FNBE 2011)

The National Framework for before and after school activities (2011) also states that each local authority must evaluate these activities provided or acquired by it and take part in an external evaluation. The key findings of this evaluations must be made public. The action plan provided by Turku city can be found on the cities web site at:

<http://ah.turku.fi/kasopelk/2014/1001013x/Images/1340096.pdf> along with other valuable information about club activities.

As mentioned earlier the service provider is always available to the customer and open for feedback. As observed in the research, customers do not always show excessive interest in the improvement of the activities or the system in general, but there have never been any problems in communication when exchanging information.

Peculiar to before and afternoon club activity is the temporary nature of the service because in most cases these relationships last for two study seasons as the service is designed for a particular age group of 6 to 8-year-olds.

Value proposition

According to Osterwalder et al. (2014) the value proposal can be put together of three parts, where the first one describes customer "jobs" or things that customers try to get done in their work and lives. In this case the parents as customers are raising a child. So the "job description" consists of many elements such as educating the child, ensuring physical needs starting from basic things as food and safety along with moral and emotional needs like socializing, building self-esteem and actualization.

The second part of the customer profile relates to "pains" which are related to risks and obstacles of customer jobs. In this case it is the things that prevent the parents from being a part of their child's education. In modern society most of the time it is employment that takes a significant part of time that parents could be spending with children.

The third "gains" part describes the outcomes and benefits customers strive for. Of course, all parents are individuals and have various expectations for their children. While the "jobs" part (physical and psychological safety and other basic needs) is already defined by law, for example the Finnish Child Welfare Act, the aspirations may vary, but generally a child should develop an appreciation for ethics, equality, culture, traditions, receive support for development, learning, social inclusion, as well as gain awareness for environment and learn a sustainable lifestyle.

The "pain relievers" afternoon clubs offer to parents who may not be able to spend as much time with their young ones as they wish is the safe and professional environment, where as the "gain creators" are the values taught by the instructors along with the theme of the club.

Revenue streams

In some cases revenue streams of afternoon clubs are similar to the alternative funding model characteristic for social enterprises, which consists of earned income, charitable contributions and state subsidies. Even though in Finland this kind of club is not treated like a business and the earned income part of the revenue is minor, it can have all three elements in several cases, for example in the case of parishes that offer this service. The church is entitled to receiving donations and even though people may not donate money for the club activity separately, the churches resources are used to maintain those.

The earned income part for afternoon clubs is significantly smaller than for social enterprises. In the case of city of Turku, the monthly cost people pay per child is 95 Euros, which is 1 900 EUR in total per month for a club that operates

7 hours a day during weekdays for 20 children, plus, one additional hour per day for planning, meetings and preparation of activities, but requires at least two paid members of staff. This income does not cover an average Finnish salary for one employee.

Main expenses

As the main resources of before/after school activities are human resources, the staff also contributes to the main expenses. Besides salaries of permanent employees, finances are necessary for providing regular training and competence building activities. As mentioned in the previous chapter, there are alternative means for providing additional help for the existing staff, for example, the EVS volunteers are paid from the financing provided by the EC within a definite project and does not require additional resources.

Planned activity budget: each club has a small budget for planned activities, for example handicrafts. As sustainability and awareness for environment are some of the values promoted within club activities, disposable materials are often used and in many cases employees themselves contribute with “savings” of their own, which is a practice observed in social entrepreneurship also.

When planning youth activities, municipalities have the choice to take out an insurance, which in case of Turku city has been done and therefore also can be listed as one of the main expenses besides administrative costs.

Another activity mentioned in the national framework as mandatory is the afternoon snack, which can be outsourced or managed by the instructors themselves. This is also compulsory to the club budget.

In addition to fixed costs worth mentioning is the rent of facilities in those cases, when the clubs are organised outside the schools premises.

Costs of various equipment depend on the theme of the club.

5. DESIGNING AN AFTERNOON CLUB IN BAUSKA, LATVIA

Problem description

One of the sectors that has suffered noticeably because of the world's financial crisis of 2008 in Latvia is its educational system. Budget cuts have been made in the schools, especially those for minority language speakers and in rural areas, where many small size schools have been closed permanently. (Platpīre 2014)

The teachers salary is one of the lowest in the country and is protested against almost on an annual basis when the study season starts. (McIntosh 2009)

Free education is granted by the state only throughout secondary school and has relatively low requirements towards education specialists, for example, a masters degree is not a must and one can start working as a teacher while still completing bachelor studies. Imperfections of the system also can be seen in the results of the PISA test, in which Latvia ranks very average. The availability of language learning depends on the availability of appropriate specialists, which are hard to find in rural areas.

In Latvia the law states, that first and second grade pupils need to be picked up from school by parents or an entitled person, but the school has to provide the opportunity for kids to stay at school till 17:00 if the parents are busy at work or have other reasons. Usually in most municipalities there are different interest clubs for youngsters, managed and financed by local authorities, but smaller kids (1st and 2nd graders) have to stay at school at the so called “extended groups” where kids can do their homework or play. The groups are managed by the school and supervised by its personnel, which in most cases are the teachers themselves. There is usually no special agenda for the activities.

5.1. The afternoon club concept applied to social entrepreneurship

The basic idea of the start-up social enterprise is to create a practical plan and a network of various specialists and organisations in order to bring the afternoon club concept to a municipality in Latvia - Bauska. Since the sum of money Finnish parents pay monthly for these clubs is symbolic and covers only a little part of the service costs, afternoon activities are mainly subsidised by the state, while in Latvia the state's or local authority's ability to finance such a concept is questionable, therefore a business approach is necessary having the parent as a potential customer and related official institutions as partners.

5.2. Bauska Language Club on BMC

The afternoon club for the municipality of Bauska is designed on BMC combining the information gathered during the conduction of the literature review on social entrepreneurship and researching the Finnish afternoon club concept. The result is reflected on BMC.

Key activities

Afternoon club for children

The afternoon club is a place where children come after mandatory school and spend quality time until their parents pick them up at 17:00 or earlier in Finland. As the office hours are longer in Latvia (usually 18:00) the working time can be adjusted. The club is planned to start at 11:00 or 12:00 according to demand. The theme of the club is initially planned to be language learning using interactive methods and ICT tools, but may include also handicrafts, sports, music, art and other activities in relation to interests of the majority. The survey reveals that the majority of parents prefer language learning over other activities as shown in chart 2. The tendency to choose languages was slightly more popular

among parents of first graders but there were no significant differences between gender.

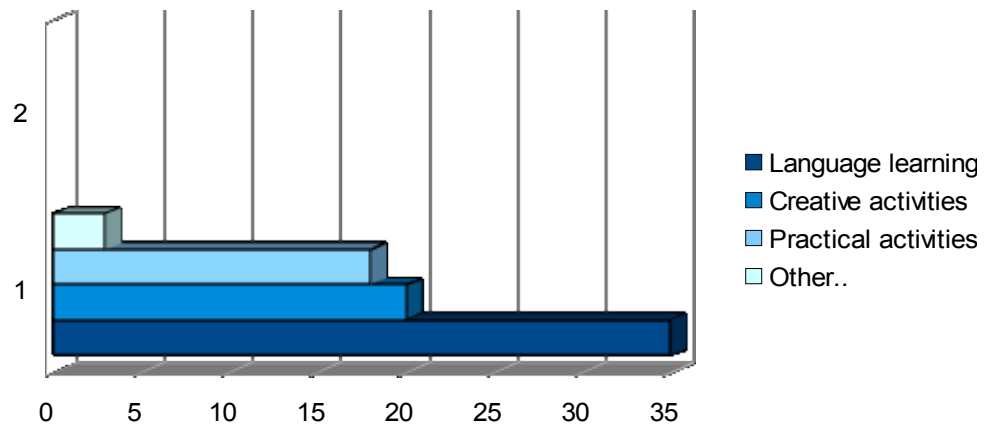


Chart 2. Activity preferences by parents

According to theory a common practice by social enterprises is to have business activity that support the social activity financially. The potential activities that might support the BLC (Bauska Language Club) by using the organisation resources are as follows:

- Courses for adults: as the facilities are planned to be have sophisticated learning equipment and fully set for hosting seminars and other learning events, it is essential to use the these assets to their full potential. As the Afternoon Club works limited hours per day and doesn't operate on weekends, the morning and evening hours as well as weekends will be utilised for language classes for adults.
- Qualification training programmes for unemployed persons: as the term social entrepreneurship primarily emerged in relation to cooperatives that would hire unemployed people in order to solve unemployment problems (Defourny&Nyssens 2008) it should be important for a social business to contribute to the solution of the unemployment issues, therefore with close cooperation with the local unemployment office courses shall be ar-

ranged to raise qualification of unemployed people in the field of IT, on-line job search etc.

- Consultations, seminars, equipment and facility lease: During the hours when the centre or its equipment is not being used for its primary activities, it will be possible to sublet these assets for seminars, meetings and other activities. The staffs skills and knowledge shall also be available in the form of consultations on education, especially language learning.

Key resources of BLC

Human resources are key in both: social enterprises according to theory and afternoon clubs in Finland, therefore the personnel of the centre is planned to be semi-volunteer and will employ specialists with appropriate education combined with local students and international volunteers who are enthusiastic about working with children and need to gain working experience.

Experienced staff with pedagogical education is necessary due to legislative reasons as well as to ensure the quality of the centre as a multi-educational service provider. The students and volunteers, on the other hand, are necessary to enrich the working methods and provide a comfortable and interesting environment for the kids.

An important and much demanded part in language learning is the opportunity to work with native speakers. However, when it comes to native English speakers, this expertise is not widely available in Latvia, especially outside Riga. It is also quite costly budget wise, there Language Club is planning to use resources provided by the European Commission, such as the European Voluntary Service. Youth is one of the most popular fields in the EVS programme and serves young people as an opportunity to gain much needed work experience abroad and start-ups are in a favourable position in having EVS projects approved and financed. Every year volunteers from all over EU come to Turku to work in after-

noon clubs and the same practice shall be implemented in the Language Club in Bauska.

Intellectual resources. Permanent staff members of the centre continuously improve their knowledge in the field of education and are aware of educational initiatives, such as the Lifelong Learning Programme or the Erasmus + programme of the European Commission, local initiatives, NGO activities and projects and are able to consult individuals and companies on educational solutions. As the social business cooperates with the Employment office, the staff is also able to suggest training to reach career objectives. The expertise in project writing and implementing helps not only to raise funding for the business itself, but also help clients with advice on social initiatives.

Personal networking is an important resource in social entrepreneurship as in any business. When conducting the survey it was very easy to gain the needed support of first and second grade teachers as I have studied in the particular school and know the staff personally. Also, some of the respondents had been my classmates or studied at the school at the same time and left personal “good luck” notes when returning the survey sheets.

Technical

The centre is equipped with computers, projectors and interactive white-boards so the children can learn a foreign language by using ICT tools, sufficient office equipment is primarily necessary for administrative purposes. As mentioned already under “key activities”, technical equipment as the most expensive of material resources is used to the maximum potential.

Facilities

The main characteristics of the facilities are:

- Close proximity to schools or within school premises.
- Safety (Education Institution quality certification according to Regulations set by the Ministry of Education).
- Child-friendly.

- Flexibility (furniture solutions adaptable to various situations)

The facilities are planned to be provided by the local government, therefore all facility related decisions can not be entirely made by the company.

Normally different maintenance processes are outsourced by regular enterprises, but since Language Club is a social business, things like renovation and cleaning will be managed by the company itself in order to provide employment for as many people as possible.

Key partners of BLC

Investment and Development Agency of Latvia (LIAA)

LIAA is a direct administration institution subordinated to the Minister of Economics of the Republic of Latvia. Operating since 1993 as the Latvian Development Agency, it was reorganised into the Investment and Development Agency of Latvia in 2003.

Objective: to promote business development by facilitating more foreign investment, in parallel increasing the competitiveness of Latvian entrepreneurs in both domestic and foreign markets. It supports companies in Latvia trading internationally, as well as overseas businesses seeking partners or locations in Latvia; administrates state support programmes for entrepreneurs, co-financed from EU funds.

State Education Development Agency

The State Education Development Agency (SEDA; VIAA in Latvian) is a direct administration institution which is subordinated to the Ministry of Education and Science.

SEDA operates in accordance with Cabinet Regulations of 18 December 2012 No. 934 "Regulation of the State Education Development Agency".

In accordance with the Regulation, the aim of the activities of SEDA is to implement the national policy in the field of development of higher education and sci-

ence, lifelong learning system, vocational education system and general education system and to implement and monitor projects financed by European Union (EU) Structural Funds, education innovation projects, EU programmes and other financial instrument programmes, projects and initiatives.

Local Government of Bauska Region

The Regional Community of Bauska District is located in a very advantageous place and is one of the biggest regions in Latvia. From a regional perspective it is an important administrative, educational, cultural and sport centre. By the end of 2012 permanent residence in Bauska had been declared by 27 259 people. The local governments priority is its people, development, qualitative technical infrastructure and availability of services to all inhabitants. According to the Annual Report of 2012, 50% of the Communities budget have been spent for education, followed by 13,3% for the next biggest category Leisure, Culture and Religion, which show that there are good chances of the Municipalities support for social innovation regarding children.

State Employment Agency

State Employment Agency is a State administration institution under the supervision of the Ministry of Welfare that implements State policy to decrease unemployment and number of unemployed, support program for job-seekers and persons under risk of unemployment. Administration structure of the Agency's rendered services is formed by department, 28 affiliates and 3 client service centres in Latvia.

The Agency provides consultations and various training for unemployed persons and Language Club plans to participate in public procurement contests to become the leading provider of these services. The agency also provides different programmes for employed people for qualification improvement, such as the coupon programme in cooperation with educational institutions and lifelong education service providers. Language Club is willing to examine all possibilities to participate in such projects as well.

Local schools and teachers

Close cooperation with local schools and their teachers is key for successful operation of the company. In Finland also IPPE or EFTIS employees communicate with the school teachers on practical matters in order to plan the work and functions in the afternoon clubs efficiently. Cooperation with teachers helps to improve quality of the services provided by an afternoon club and ensures more individual approach to some of the kids. The school also serves as the most important distribution channel (to be discussed later in the “Channels” part of the paper)

NGO's, Social Benefit organisations, Foundations and others:

- The British Council
- The Salvation Army
- The Soros Foundation
- ALADIN – Advice and Resources for Learning
- BalticBright – Training and Consulting
- Providus
- Ziedot.lv
- Latvijas Jauno Zemnieku Klubs etc.

Channels

Schools

In Finland the initial meeting of IPPE staff and parents of children is organised in the school of children. During the first few weeks IPPE employees also meet the kids in front of the school so they can walk to IPPE premises together in order to guarantee safety. Since in Finland the schools and afternoon clubs are both under the authority of local municipalities and the state, the relationships between both are easier to manage since there are no issues of competition and finances, whereas social businesses are often referred to as the third sector, so technically there is no visible reason why the public sector should co-

operate with entrepreneurs. However, in social businesses often a major stakeholder is the local municipality, and since local authorities should be interested in successful performance of its social enterprises, the education department of the local government might provoke responsiveness from the school's management.

School statistics are initially important when planning the business in general, because the numbers of pupils in the first two or the grades determine the amount of potential customers. So the consecutive steps are as follows:

1. Explain the concept to school's management;
2. Explain the concept to school's teachers at the schools regular methodological meeting before the study term begins;
3. Convey a survey among parents to determine interest in afternoon club activities, special club themes, purchase power via a simple printed take home leaflet given to pupils;
4. Analyse results and generate appropriate offer;
5. Meet parents as a visitor in a class parent meeting.

Cooperation with schools is also important in the evaluation phase of the service. Since the club is language/English oriented, it is important to talk to teachers about official curriculum of the subject and whether improvement is seen in the classes.

Local web-sites

Draugiem.lv is a social network web-site founded in 2004. In spring 2007 its user amount reached 1 000 000 of which more than half were Latvian inhabitants. The web-site is available in 4 languages: Latvian, Russian, English and Hungarian. (www.draugiem.lv)

The site is significant by the fact that it is the only social network in the EU which is more popular in its own country than Facebook. Nearly 500 000 users visit the site every day and 21 291 companies are represented on the side by corporate profiles.

Since teachers, pupils and their parents are very likely to have a profile in this network, it is planned to set up a company profile and use the web-site for active communication. The site will be used also for advertising in schools profiles as well as awareness creation.

There are also other web pages worth having publication in, for example, mammamunteti.lv is a web site for mothers and fathers, where children related issues are being discussed.

Local printed media

Most regions of Latvia have their own local newspaper, which for the target area Bauska is Bauskas Dzīve. The paper also can be read on-line but the printed version is still very popular among locals and the newspaper tends to travel from neighbour to neighbour. The printed version will be used to advertise new groups and courses at language club, but the primary cooperation is necessary to create positive PR on social entrepreneurship in general, because it is a new field in the country and people still don't understand, how it is possible that someone is willing to have a businesses for the well-being of society and not profit (Lesinska 2013)

Customer relationships

The proximity of the schools and the club allows active communication between LC staff and teachers and as the parents pick up the children from the club, direct communication is possible between personnel and parents.

As the customer base is relatively small, it is possible to grant individual approach to every child and his/her parent. As there are parent days in IPPEs in Finland at least twice a year, LC should have the same approach and organise parent afternoons for three days in a row in autumn and spring.

In IPPE staff members write monthly reports to parents about the club's activities during the previous month and plans regarding the next month. The same practice is planned in LC adding an individual report for every child before Christmas holidays and summer holidays.

Regarding administrative matters LC office can be reached via multiple channels including the traditional phone and e-mail, plus, Skype and social networks.

Customer Segments

Niche market

Business models targeting niche markets cater to specific, specialized Customer Segments. The Value Propositions, Distribution Channels, and Customer Relationships are all tailored to the specific requirements of a niche market. (Osterwalder & Pigneur 2010)

As LC's primary business is an afternoon club for 1st to 3rd grade students, the customer base is narrowed down to one municipalities specific age children's parents who send their offsprings to one or few schools located in the centre of the municipality. This target group has generally average income.

Diversified

An organization with a diversified customer business model serves two unrelated Customer Segments with very different needs and problems (Osterwalder & Pigneur 2010).

Even though the LC initially starts as a language oriented afternoon club for children, it is already mentioned earlier that the capacity of the premises and equipment cannot be used to its full potential by only providing the one specific service, therefore another customer segment – unemployed people – is targeted by providing various qualification courses in the morning in cooperation with the State Employment Agency. This target group has generally low income and is only partly able to pay for the service, thus making the employment agency a major client through public procurement projects.

The evenings are planned to be used for language classes for working adults with average or high income.

Value proposition

Safe environment

The general purpose of an afternoon club is to ensure a safe environment for a child between the hours spent at school and the time he/she is picked up by a parent or leaves for home. In Finland an afternoon club service also includes insurance and this practice is planned to be maintained also in the Latvian Language Club. The facilities and the afternoon snack both correspond to the Regulations set by the Ministry of Education and the State Health Inspection.

Meaningful activities

Theory tells us not to make false and subjective assumptions and encourages start-up entrepreneurs to be in contact with their customers as much as possible in order to get a well grounded perspective on their needs and expectations, but it should be a quite safe assumption that most parents want the best for their child and meaningful leisure activities are an important part of a healthy and successful development. A language oriented afternoon club is adding value to the education children already receive officially at schools and provides the opportunity to put the acquired knowledge to practice. The usefulness of the club activities should reflect in the schools study results.

Native speakers

Often, when adults apply for language courses, they want the teacher to be a native speaker or, if the income allows them to, have their studies arranged in

another country where the language has official status and can be learned in its natural environment. However, the purchase power of people living outside the capitals of Latvia, is visibly lower and thus doesn't allow this type of luxury.

One of the EU programmes Language Club is planning to work with is European Voluntary Service which would allow youngsters till the age of 30 with no significant work experience to participate in LC's activities. This will serve two meaningful purposes:

- 1) Employ a risk group and thus correspond to the purpose of a social enterprise;
- 2) Satisfy the need for native language speaker presence for a significantly smaller expense.

Modern environment

As mentioned already in the Resource part of this assignment, the facilities are planned to be equipped with modern technology but in order to make an environment up-to-date sole technical resources are not enough. Of course, teachers at schools have methodological training on how to use white-boards and integrate on-line resources in their teaching, but we are looking forward to employ students and volunteers who feel like fish in the virtual sea. These people must have an understanding of social networks and all the different apps they provide, latest games, cartoons and features kids are interested in, so the children would feel genuine interest in them and form a friendly connection.

When looking from the “pains and gains” perspective the “pain” of not being able to pick up the child from school due to work is crucial only to 6 f 35 parents who leave their child at the extended class because the rest believes that the children spend quality time in these classes.

Financing of BLC

Table 5. Revenue streams and costs of BLC

Cost Structure	Revenue Streams
<u>Human resources</u> : salaries, training, outsourced specialists	Monthly bills for afternoon club
<u>IT services</u> : equipment maintenance, study solution development	Courses for adults (monthly bills or per course)
<u>Administration</u> : office, accounting services	Occasional income from seminars, sub-tenants
<u>Fixed costs</u> : Facilities, communication, insurance, catering services	Individual consultations
<u>Marketing</u> : on-line media, local media	Subsidies from local government/Ministry of Education
	EU lifelong learning project financing (Youth in Action Program etc.)
	Employment Agency project financing (public procurement)

Table 5. represents the possible financial streams of BLC. However, this is affected by the chosen entrepreneurial form of the business.

Human resources are on top of the cost structure as also in Latvia staff creates the biggest expenses when providing a social service. As observed at EFTIS/IPPE, the regular amount of permanent employees is 2 per 20 children, plus, temporary staff (volunteers, interns, social servers etc.). In Latvia, the cost of one employee depends on the entrepreneurial form the business has chosen. If the company is registered as a micro limited liability company, the official minimum salary (currently 360, to be raised to 370 in 2016) is what an employee receives after tax as no social contributions or income tax are deducted. If the company is registered as a regular limited liability company, in order to pay the minimum salary of 370 (272 after taxes) one employee costs the company 450

EUR, according to calculations provided by the state revenue service. However, a recent study conducted by recruitment firms shows that currently unemployed people are not ready to work for the minimum. Also, it would go against the principles of social entrepreneurship, as one of its characteristics is good working conditions and at least an average pay. According to Latvian Trade Union of Education and Science Employees (LIZDA) an average education specialists salary before taxes is 600 EUR, which is 430 after taxes for the employee and costs the employer 742 EUR. These calculations suggest that on average two employees for an after-school club in Latvia would cost around 1500 EUR.

Administration costs also depend on the entrepreneurial form chosen. These could potentially be covered by a business incubator in case of a start-up limited liability company. However, this is not available to non-profit organisations along other instruments provided by the states to support entrepreneurship.

Catering is an important activity within the after-school club. In Finland this can be organised by the employees themselves or the service can be outsourced. In Latvian schools lunch and an afternoon snack is provided for free, which makes it difficult for a social business to compete. A catering service provider, for example, offers school meals on average 4 EUR per child. As this kind of service is too expensive and outsourcing in general doesn't comply with social enterprise principles, the possible solution is to prepare the snack by staff members themselves. By providing a simple meal of sandwiches, cereal or other food that does not require cooking should be possible to cover by 10 EUR per day for 20 children, which is around 200 EUR/month on average. As Bauska is a rural area, it might be possible to establish cooperation with local farmers and receive possible donations in form of farm grown goods, however, this is more of an option for non-profit organisations.

Facilities for after-school clubs are usually schools or other premises belonging to local governments or organisations. This should also be the solution for BLC as:

- the small town of less than 10000 inhabitants has very little commercial space solutions available;
- private entities who might sublet a living space for the purpose, for example, a 50-70 m² apartment, do not possess a legal status in order to have an official rent contract (the issue of unregistered income from real-estate has been unsolved in Latvia and often discussed on local media).

Providing facilities for BLC is a potential support from local authorities as the alternative finding model for social enterprises includes public funding. This is also supported by the customer survey conducted for this research, as nearly 50% of the respondents believe that the after-school club service should be subsidised by the state and granted to 1st and 2nd graders for free (see survey results in appendix 2).

Revenue streams

Revenue streams, same as costs, highly depend on the legal form the organisation chooses. In both cases, whether BLC is registered as a for-profit or not-for-profit organisation, it is intended to issue monthly bills for the service, but in case of a limited liability company this income is subject to VAT, which currently in Latvia is 21% and there is no decreased rate for educational or social services.

Chart 3 represents the survey results as 35 of the respondents were free to write down the possible amount in Euros per month for the after-school club service. The average amount per child is 15 EUR. Considering that there are at least two professionals needed to take care of the kids, this does not cover the minimum salary for one person even with the most favourable of conditions (micro enterprise tax).

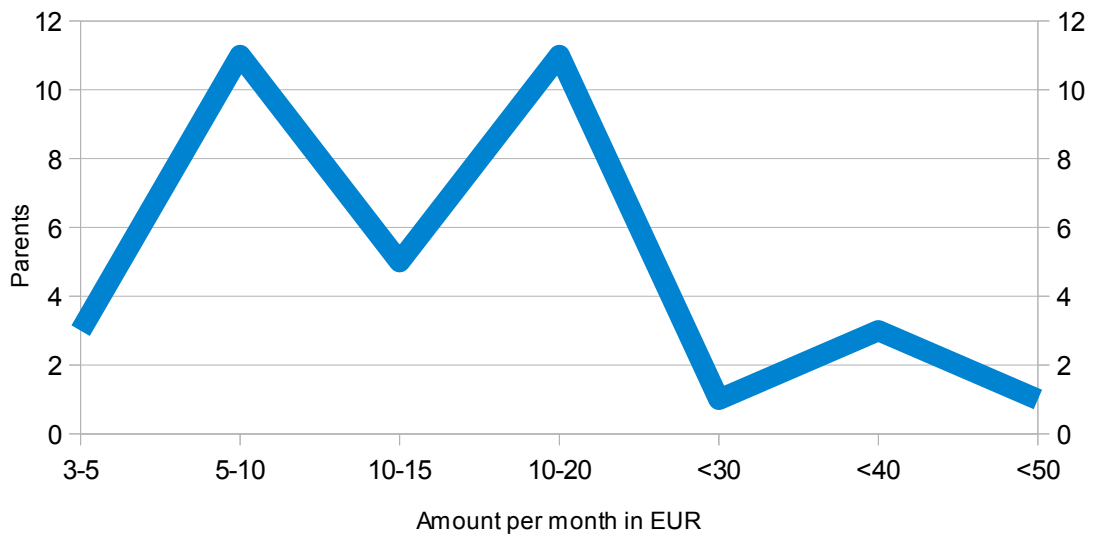


Chart 3. EUR/month for BLC services

Additional income from organising seminars and subletting facilities for sub-tenants is out of the question in case the facilities are provided by local authorities. Also, if the company is registered as a foundation or association, having an additional business is required to be registered as a separate legal entity according to Latvian legislation (EC 2014).

6. CONCLUSIONS

Hypothesis “It is possible to redesign the Finnish after-school club for children as a social enterprise in Bauska, Latvia” cannot be approved due to reasons as follows:









- Even though the survey respondents liked the idea of an afternoon club and expressed the interest of sending their child to one, this can be seen rather as a “want” and not as a need, because the necessary safe environment for the 1st and 2nd grade pupil is already granted at school.
- Cultural differences in society between Latvian and Finnish parents. In Finland afternoon clubs for children have been available for decades and are officially regulated by legislation, FNBE and local authorities. Education and leisure time quality is of high importance and is improved regularly. According to the survey Latvian parents believe their children are spending quality time in extended classes and this is understandable if they have not seen anything better.
- The purchase power of Latvian parents does not allow to create sufficient revenue streams from maintaining an after-school club. In order to finance two salaries and a daily snack each parent would have to pay at least 40 EUR per child per month, but only five parents mentioned the sum above 20 EUR. This makes sense considering that according to EURES statistics the average salary in Latvia is around 700 EUR before taxes yet consumption prices do not differ significantly from the European average.
- Various support mechanisms from the state provide Finnish afternoon clubs with additional HR support, such as immigrant integration programmes, social service, employment office activities etc., while in Latvia the only currently available support from the unemployment office is when employing people with disability.

- Legislation differences. In Finland the Social Entrepreneurship Act has been in force since 2004, meaning that the country has more than 10 years of official experience, whereas in Latvia this law is still “under construction”.

The Business Model Canvas

Designed for:
Language Club Ltd.

Designed by:
Ize Junkurena

<p>Key partners</p>  <p>Local schools Local Municipality/ Ministry of Education European Commission Local Employment Office Business incubators IT service providers Catering service providers</p>	<p>Key Activities</p>  <p>Afternoon clubs for children oriented on language learning Courses for adults (languages, IT and other) Training for unemployed in cooperation with National Employment Office Facility and equipment utilization for seminars and conferences Consultations on education</p>	<p>Value Propositions</p>  <p>Safe environment Alternative learning methods Combined services (afternoon club as alternative to extended classes in schools for working parents) Individual approach to education combined with formal learning Individual pricing solutions</p>	<p>Customer Relationships</p>  <p>Individual approach: Teacher → Trainer → Parent → Child → Management The company is located near schools which gives the opportunity to easy and direct communication between all parties involved</p>	<p>Customer Segments</p>  <p>Local families with Elementary school-aged children National Employment Office (Local Branch) Adult Education service providers</p>
<p>Key Resources</p>  <p>Human: experienced education specialists, inspiring young native speaking individuals Intellectual: Expertise in educational solutions, lifelong learning programs provided by European Commission, State funded programs for the unemployed etc.</p>	<p>Characteristics Cost Reduction Risk Reduction Accessibility Convenience/Usability</p>	<p>Channels</p> <ol style="list-style-type: none"> Awareness Www.draugem.lv, www.facebook.com Info distribution in schools, Local Employment office, BauskasDzive (local newspaper) Evaluation Knowledge improvement assessment Purchase Individual payment plan After sales Direct communication, on-line communication, Skype, inquiries 	<p>Revenue Streams</p>  <p>Monthly bills for afternoon club Occasional income from seminars, sub-tenants Individual consultations Subsidies from local government/Ministry of Education EU lifelong learning project financing (Youth in Action Program etc.) Employment office project financing</p>	<p>Cost Structure</p>  <p>Human resources: salaries, training IT services: equipment maintenance, study solution development Administration: office, accounting services Fixed costs: Facilities, communication, insurance, catering services Marketing: on-line media, local media</p>

Picture 6. BMC for Language Club Bauska, Latvia

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Appendix 1 Survey questions (translated from Latvian)

For parents of Bauska City Primary School ___st grade students

Dear parents,

My name is Ilze Junkurena and I am a student at Turku University of Applied sciences in Finland. Currently I am writing my master's thesis about social entrepreneurship opportunities in Latvia, using the experience gained from the Finnish educational system and applying it to the situation in Latvia. This survey is anonymous and will not require more than 10 minutes of your time.

Your son/daughter (underline the correct one) is _____ years old and usually after school he/she:

a) goes home;

b) stays in the extended day group where he/she:

b1) spends quality time doing homework and studying,

b2) goes because you cannot pick up your child straight after school,

b3) goes because _____.

c) and/or goes to _____ practice/training.

In Finland 1st and 2nd graders are granted the chance to attend afternoon clubs (12:00-18:00) where children can do handicrafts, learn languages, have musical activities etc. in the presence of specially trained professionals and voluntary servers. These clubs usually are located near the school's premises and ensure a safe environment where kids can spend quality time after school.

Would your child be interested in attending this kind of club?

a) Yes, it sounds interesting even though we don't have a necessity for such a club.

b) Yes, it would be a good alternative for the extended day group.

c) No, it is not needed because he/she goes home right after school.

δ) No, because the extended day groups are good enough.

If there was an afternoon club available for your child, what kind of activities would you like to see?

- a) English/Russian or other language learning, using alternative methods (play, handicrafts, ICT etc).
- b) Creative activities: theatre, dancing, singing etc.
- c) Practical activities: handicrafts, drawing, help with homework.
- d) Other: _____.

What price would you be ready to pay for the club considering that it also includes an afternoon snack?

- a) From _____ to _____ EUR/month.
- b) Unfortunately I don't have spare financial resources for such a club.
- c) The state should grant this kind of activity for free.

I will be happy to receive also your questions or comments. Also, if you would be interested to participate in a more thorough interview or in case you have any questions, please, leave your e-mail address so I can contact you!

Thank you for your cooperation!

Appendix 2: Survey results

Question	1st grade (age 7-8)		2 nd grade (age 8-9)		
	Boys: 12	Girls: 18	Boys: 15	Girls: 11	
1	a	4	7	5	2
	b	9	12	8	6
	b1	7	12	6	6
	b2	2	1	2	1
	b3				1
	C	7	5	5	3
2	a	2	3		3
	b	11	13	12	6
	C		1	1	
	d		1	2	1
3	a	9	11	9	6
	b	5	6	5	4
	C	3	7	3	5
	d	1		2	
4	3-5		1		2
	5-10	2	4	3	2
	10-15	1	1	3	
	10-20		4	5	2
	<30		1		
	<40	2	1		
	<50	1			
	b			1	1
	C	6	8	8	5

Question 1, answer **C**:

1st grade		2 nd grade	
Boys	Girls	Boys	Girls
floorball	dancing	football	music school, modern crafts,
basketball, martial arts		dancing practice	ceramics, visual art club
basketball, dancing	arts school, gymnastics	football, draughts	dancing
football	Music school	football	drawing, home economics
music school	dancing	hockey	painting club
music school	choir	basketball	
dancing, sports		football, cardesign club	

Comments section of survey (translated from Latvian):

- *Next year my daughter will attend the 3rd grade and I would be happy if this opportunity suited older kids as well. My son (4th grade) also would be interested.*
- *As a mother of 5 children I would find it difficult to pay for such a service, therefore I believe it should be sponsored by the state, thus showing support for large families.*
- *I would like to see a club with the following themes: geography, nature, environment, tourism*
- *For the improvement of the education system it would be beneficial not only to get acquainted with other country's experiences regarding study work but also after school activities.*
- *I would be glad if my child could grow in a club like this :)*
- *Interesting survey! I personally would be very happy if my children had such a club with a wider array of activities. Good luck!*
- *Since there are extended groups in Latvia afternoon clubs are not necessary. If I didn't have a place where to leave my child, he would attend this kind of club. The reality is that these kind of clubs are good for parents who are able to co-finance them, but the idea is good though!*
- *Many activities are already offered by the BJC**

* Bauskas Jauniešu Cents (Bauska Youth Centre)

Appendix 3 YouthPass Certificate



European Commission



Youth
in Action
Programme

Youthpass

for European Voluntary Service

Ilze Junkurena
born on **26/12/1984** in Riga, Latvia

participated as a volunteer in the project

IPPE in action
in the host organisation **Turku youth department** .

The project took place from **01/02/2012**
to **31/01/2013** in **Turku, Finland**.

European Voluntary Service

Within the European 'Youth in Action' Programme, European Voluntary Service offers young people an opportunity of taking part in a non-profit-making, unpaid activity for the benefit of the general public in a country other than their country of residence.

Through European Voluntary Service, young people contribute to social cohesion and solidarity and considerably enhance their personal, professional, and intercultural skills and competences.

Essential elements of European Voluntary Service are preparation and follow-up activities in the country of residence as well as ongoing pedagogical, personal, and task-related support like training activities in the host country.

European Voluntary Service is carried out in partnership between a young volunteer, an organisation in the country of residence, and an organisation in the host country. It lasts up to 12 months.

Offering the added value of a European dimension, European Voluntary Service is quality-checked regarding content criteria and implementation.



YOUTH SERVICES
City of Turku Youth Department



NUORISOASIAINKESKUS

Annina Lehtiö - Vainio Director of the Turku youth service
Representative of the organisation

The ID of this certificate is NUVA-W88T-L8LP-DNPD.
If you want to verify the ID, please go to the web site of Youthpass:
<http://www.youthpass.eu/qualitycontrol/>

Youthpass is a Europe-wide validation system for non-formal learning within the EU 'Youth in Action' Programme. For further information, please have a look at <http://www.youthpass.eu>.

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