

# FORUM

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## SOCIAL BUSINESS DILEMMAS IN BRAZIL: REDE ASTA CASE

*Dilemas de negócios sociais brasileiros: caso Rede Asta*

*Dilemas de negocios sociales brasileños: caso Rede Asta*

### ABSTRACT

Social businesses seek financial, social and even environmental results. Academic knowledge on how such organizations operate, however, has emerged more recently. This article sought to investigate qualitatively the main tensions and dilemmas occurring throughout the history of *Rede Asta*, a pioneer social business in direct catalog sales of artisanal products in Brazil. Results indicate the *Rede Asta* managers have experienced tensions and dilemmas in three of the four categories identified by Smith, Gonin, and Besharov (2013): social and financial performance, organizational aspects and learning. One of the dilemmas involves organizational aspects and learning, since *Asta* achieves feasibility with two organizations: a nonprofit association and a for-profit corporation. On perceptions of belonging, stakeholders declared they felt they were a part of the organization's social and environmental goals; some even as activists.

**KEYWORDS** | Social entrepreneurship, social businesses, tensions, dilemmas, *Rede Asta*.

### RESUMO

*Negócios sociais buscam, simultaneamente, resultados financeiros, sociais e até mesmo ambientais. Contudo, o conhecimento acadêmico sobre o funcionamento dessas organizações é incipiente. Este artigo buscou investigar as principais tensões e dilemas vividos na trajetória da Rede Asta – um negócio social pioneiro na venda direta por catálogo de produtos artesanais no Brasil – utilizando métodos qualitativos de pesquisa (entrevistas, observação direta e estudo de caso). Os resultados indicaram que as gestoras da Rede Asta têm convivido com tensões e dilemas em três dos quatro aspectos identificados por Smith, Gonin, e Besharov (2013): desempenho financeiro e social, aspectos organizacionais e de aprendizado. Um dos dilemas envolve aspectos organizacionais e aprendizagem, pois legalmente a Rede Asta viabiliza o negócio com duas organizações: uma associação não-lucrativa e uma empresa com fins lucrativos. Já no aspecto de pertencimento à organização, as pessoas declaram-se pertencentes aos objetivos sociais e ambientais da Rede; algumas inclusive como ativistas.*

**PALAVRAS-CHAVE** | Empreendedorismo social, negócios sociais, tensões, dilemas, *Rede Asta*.

### RESUMEN

*Los negocios sociales buscan resultados sociales, financieros y hasta medioambientales. Sin embargo, el conocimiento académico en cómo tales organizaciones operan ha emergido recientemente. Este artículo tiene como objetivo investigar cualitativamente las principales tensiones y dilemas que ocurrieron a lo largo de la historia de la red Asta, un negocio social pionero en ventas por catálogo directo de productos artesanales en Brasil. Los resultados indican que los gerentes de la red Asta han experimentado tensiones y dilemas en tres de las cuatro categorías identificadas por Smith, Gonin, y Besharov (2013): performance financiera y social, aspectos organizacionales y aprendizaje. Uno de los dilemas involucra aspectos organizacionales y aprendizaje, una vez que Asta alcanza viabilidad con dos organizaciones: una asociación sin ánimo de lucro y una corporación con fines lucrativos. En la percepción de pertenencia los accionistas declararon sentirse como una parte de los objetivos medioambientales y sociales de la organización; algunos hasta como activistas.*

**PALABRAS-CLAVE** | Empresariados sociales, negocios sociales, tensiones, dilemas, *Rede Asta*.

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## INTRODUCTION

*Rede Asta* is a social business in direct catalog sales of artisanal products in Brazil, with sales over US\$ 500,000 in 2012. With offices in Rio de Janeiro and São Paulo, the network involves 50 low-income production groups (mostly in Rio de Janeiro), a 19-person staff and activist salespeople throughout the country, as well as two legal entities: a non-profit association and a for-profit corporation. As an example of social entrepreneurship, *Asta* is a valuable case study with its pioneering social business model.

Social entrepreneurship has been increasingly garnering more attention from both the academic and executive arenas, particularly in face of social and economic inequalities. Although social entrepreneurship is an old phenomenon, it is conceptually still under construction (Dees, 2001; Gawell, 2013; Mair & Martí, 2006; Sassmannshausen & Volkmann, 2013).

Over time, many organizations have sold goods or services and simultaneously sought a social impact through their activities. These initiatives belong to the field of social entrepreneurship. Profit seeking is not the main focus of these organizations; it is merely necessary for survival. Organizations that specifically seek to generate profit while producing social and even environmental impact, however, are deemed social businesses – which are a specific type of social entrepreneurship, and are a more recent phenomenon. In this context, social businesses may be considered an alternative within the capitalist system, in which the expansion of its activities tends to generate economic, social and sometimes even environmental benefits.

Researchers are simultaneously using multiple theoretical approaches as lenses in seeking explanatory and analytical models for social businesses (Comini, Barki, & Aguiar, 2012; Dacin, Dacin, & Matear, 2010; Mair & Martí, 2006; Teodósio & Comini, 2012). Less attention has been given, however, to investigating how these organizations function. Smith, Gonin, and Besharov (2013) theorize on the tensions related to social businesses; another approach yet to be explored concerns the practical dilemmas arising from those tensions.

The double or triple bottom line is (or should be) typical of social businesses. One of the main difficulties is to precisely ascertain the results obtained by the social business, its impact and how to distribute the profits. A superior financial result often requires partly waiving the social impact (Smith et al., 2013). While financial results are relatively easy to measure, the social and environmental ones are much harder to determine – achieving the balance demanded by the double or triple bottom line can be quite challenging.

Social businesses often partner with varying types of organizations, and their distinct practices and processes, derived

from their cultures and structures, are not easy to combine (Smith et al., 2013; Williams & Taylor, 2013).

In addition, social businesses, particularly those still under construction, present tensions and dilemmas related to their learning and their perceptions of belonging. Building a social business commonly requires an ongoing learning process, in which traditional assumptions must be cast aside (Smith et al., 2013). Community organizations are not always able to serve the scale demanded by the market; the mere adoption of tools and techniques successful in the private sector is often not enough to reach satisfactory results. Some of the people and groups involved in a social business will tend to value the social role, while others will value the organization's financial results. The degree to which these expectations are met will influence the groups' and people's perceptions of belonging to the social business.

This study is inspired by the theoretical essay by Smith et al. (2013), which identified four types of tension present in a social business: performance, organizational, belonging and learning. We propose a complementary analysis model, by including the following analytical elements: (i) tensions tend to generate dilemmas, (ii) tensions and dilemmas contribute to the meaning and understanding of social businesses and (iii) such conflicts lead to an ongoing process of meanings and understandings. We seek to learn whether our proposed model (of building meanings and understandings) effectively makes sense, as per Weick's (1995) sense-making approach.

Thus, we aim to investigate a social business using the following research question: what are the main tensions and dilemmas experienced by *Rede Asta* throughout its history? The resulting analysis will hopefully elucidate issues that other social businesses are likely to face as they build and consolidate their companies. In this manner, this research aims to contribute to the advancement of theoretical and empirical knowledge of social businesses, by adopting a theoretical approach that has been little explored, and by investigating the history and the operation of a pioneer social business.

To fulfill this goal, we have selected to use qualitative methodology of an exploratory nature. After collecting documents and information on *Rede Asta* and conducting in-depth interviews with two managers, two salespeople (also known as “advisers”) and four coordinators of production groups, we systematized the data into a case study.

The article is organized in six sections, in addition to this introduction. A literature review on social entrepreneurship and social business is followed by a detailed description of the methods. The fourth section contains the *Rede Asta* case description and the fifth presents analysis and results, based on the variables established in the literature review. We conclude with our final considerations and suggestions for further research.

## LITERATURE REVIEW

### Social entrepreneurship

Theoretical definitions of social entrepreneurship initially encompassed governmental and civil society organizations aiming at improving quality of life in local contexts, so as to increase opportunities for the poorest and most disenfranchised portion of the population (Albagli & Maciel, 2002).

Along the same line, David (2004, p. 51) has argued: “[...] in social entrepreneurship, economics are serving the community, [...] multiplying [...] projects such as the sugar and salt solution for rehydration, a school-stipend, family doctors, solidary university and many others”. In this perspective, the focus is on interaction between governments and Brazilian civil society in seeking to improve the social and economic conditions of the poor.

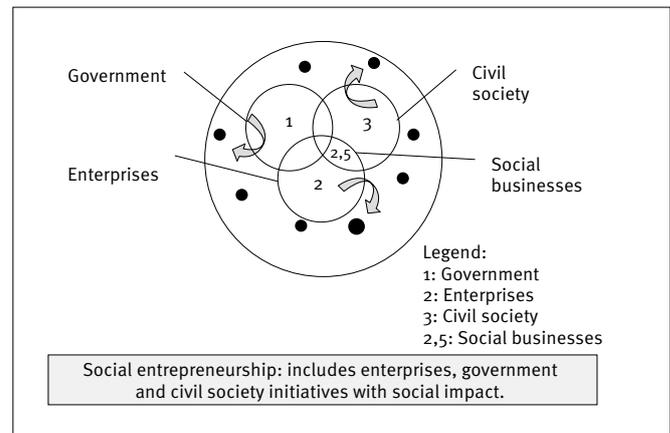
Other authors, meanwhile, have sought to highlight the different dimensions related to social entrepreneurship. Oliveira (2003, p. 408) described it as: “a new rationality for managing human life; [...] a paradigm of socially transforming reality; [...] seeking sustainable development and social change; it is a new profession”. There appears, therefore, to be a consensus regarding the social impact on the lives of the poor through social entrepreneurship (Bornstein, 2004; Dees, 2001; Yunus, 2007).

According to Roper and Cheney (2005, p. 98), “non-profits that assume an entrepreneurial posture are less hesitant to implement concepts and practices from marketing, strategic planning and systems for the analysis and control of costs”.

Borzaga, Depedri, and Galera (2012, p. 399) argue that the term ‘social entrepreneurship’ is used in the United States to refer to initiatives relatively different from those in Europe. According to them, “the term referred mainly to profit-generating activities carried out by non-profit organizations to find the pursuit of social goals”.

For the purposes of this study, we understand that the definition by Austin, Stevenson, and Wei-Skillern (2012, p. 2) is the most comprehensive and inclusive: “We define social entrepreneurship as innovative, social value creating activity that can occur within or across the nonprofit, business, or government sectors”. This definition may be deemed pertinent because the creation of social value is not restricted to a single sector, but to several initiatives developed by public, private and civil society organizations. There are social entrepreneurship initiatives that do not arise from organizations, nor are they connected to a specific sector, but rather they occur because of the joint efforts of people interested in improving their community or institution. Figure 1 seeks to translate the definition by Austin et al. (2012).

Figure 1. Actors in social entrepreneurship: government, enterprises, civil society and social businesses



Source: Based on Austin et al. (2012).

Complementing Austin et al. (2012), within the field of organizational theory, the phenomenon of social entrepreneurship has been established as a new analytical perspective, for it included organizations that simultaneously seek profits and social impact (Godói-de-Sousa & Fischer, 2012): social businesses.

### Social businesses

Several theoretical fields have been used to understand social businesses. Among others, the economic approach (Sen, 2000; Yunus, 2007) values human capabilities, as well as the possibility of a world without poverty; the corporate strategy field (Prahalad, 2005) points to wealth at the “bottom of the pyramid”, serving low-income consumers; organizational studies, more specifically on organizational hybridism (Billis, 2010; Grassl, 2012; Trexler, 2008), examine organizations that address both social and financial goals. Some authors, like Gaiger (2011), believe that stimulating income-generating alternatives can contribute to reducing inequalities suffered by the poorest population, situated at the bottom of the pyramid.

According to Comini et al. (2012), social businesses have been addressed through three basic perspectives: the North-American, which tends to relate social businesses to corporations that serve the bottom of the pyramid (Prahalad, 2005); the European, in which collective action and associativism are highlighted and, finally, the perspective of developing countries, in which social businesses tend to aim at including the poor and disenfranchised.

These distinct approaches lead to different definitions of social businesses. Nobel laureate Muhamad Yunus – the “Banker to the poor”, who brought microcredit to fame via the Grameen Bank and has started corporations such as Grameen Danone, which provides yogurt at low prices – understands that social businesses should generate wealth, to be reinvested in the business, and that

gains should be collective. The North-American perspective tends to understand social businesses as a traditional private corporation, whose consumers are the population at the bottom of the pyramid.

According to [Thompson and Doherty \(2006, p. 362\)](#), who integrate European and developing country perspectives, social businesses have the following traits:

They have a social purpose; assets and wealth are used to create community benefit; they pursue this with (at least in part) trade in a market place; profits and surpluses are not distributed to shareholders, as is the case with a profit-seeking business; “members” or employees have some role in decision making and/or governance; the enterprise is seen as accountable to both its members and a wider community; there is either a double or triple bottom line paradigm.

In a double bottom line perspective, profit and social impact are balanced in successful social businesses, while organizations with an imbalance between social and financial results tend to be less effective ([Thompson & Doherty, 2006](#)). When considering the triple bottom line, social enterprises are organizations intent on using the knowledge of the marketplace to solve social and environmental problems ([Borges, Borges, Ferreira, Najberg, & Tete, 2013](#); [Massetti, 2011](#)).

For social businesses located at the outskirts of cities, it is plausible that such problems are even more present (even when partnering with organizations outside of the poorer areas).

On the plus side, social businesses also generate improvements. [Jain \(2012\)](#) presented five possible positive outcomes of this type of organization: creation of social and economic values; employment creation; innovation / new goods and services; social capital and equity promotion.

The fact that social businesses seek both social and financial goals tends to favor a phenomenon of organizational hybridism, as [Trexler \(2008, p. 5\)](#) describes:

Social enterprise combines values from two seemingly distinct conceptual domains. Embedded within the “social” component is an array of values associated with behavior with an orientation beyond the market, state or self; likewise, the term “enterprise” links to values associated with business, commerce, purpose and corporate structure.

Despite this conceptual debate, social businesses may be examined from different theoretical lenses. Within the field of organizations, in addition to hybridism ([Billis, 2010](#); [Grassl, 2012](#);

[Trexler, 2008](#)), institutional theory and stakeholder theory are used, for they emphasize the context, environment and pressure of interest groups that are external to the organization. Theories of organizational identity and paradox highlight how the organization’s internal dynamics influence tensions in a social business ([Smith et al., 2013](#)).

The organizational traits of social businesses, combined with their dual goal of profit and social impact, contribute to the occurrence of tensions related to performance, organizational dynamics, perceptions of belonging and learning ([Smith & Lewis, 2011](#); [Smith et al., 2013](#)). Exhibit 1 presents these types of tension related to social businesses.

In terms of performance, qualitative (usually social) and quantitative (usually financial) measurements cannot always be combined. The goal of including poorer people often means losses in productivity; the need for scale may entail a decrease in quality of life for those involved in the social business. Paradoxically, an increase in the amount of financial resources may weaken the cohesion between members of a community, since equitable and transparent distribution of profits is no simple task. Consequently, managers experience dilemmas regarding stakeholder interests that are not always convergent.

An organizational culture that has been built over years results in singular practices and processes. For social businesses that work with other organizations, this type of tension is even more evident: the organizations closest to the market tend to adopt a private management logic, while those closest to communities seem to prefer a more social and collective logic. The combination of these different logics may result in synergies, but also in conflicts and tensions.

One example of diverging practices is a fair trade proposal for a production chain: the expectation is that participating organizations will seek a fair and transparent division of results, but this does not always occur in practice for all members. For some authors, such as [Smith \(2013\)](#) and [Beiji-Becheur, Pedregal and Ozcaglar-Toulouse \(2008\)](#), fair trade is a socially constructed concept and reaching a definition requires establishing interactions and negotiations among the agents involved.

The groups and subgroups of a social business oscillate regarding their feeling of belonging to an organization, depending on the latter’s priorities. When financial results are the priority, for instance, part of the groups may increase their perception of belonging to a given social business, while those who favor social and environmental aspects may feel frustrated and, therefore, have a low feeling of belonging to the enterprise.

Finally, the processes of growth and scaling almost always entail learning – not just of new knowledge, but also an attitude of casting aside preconceived ideas and concepts.

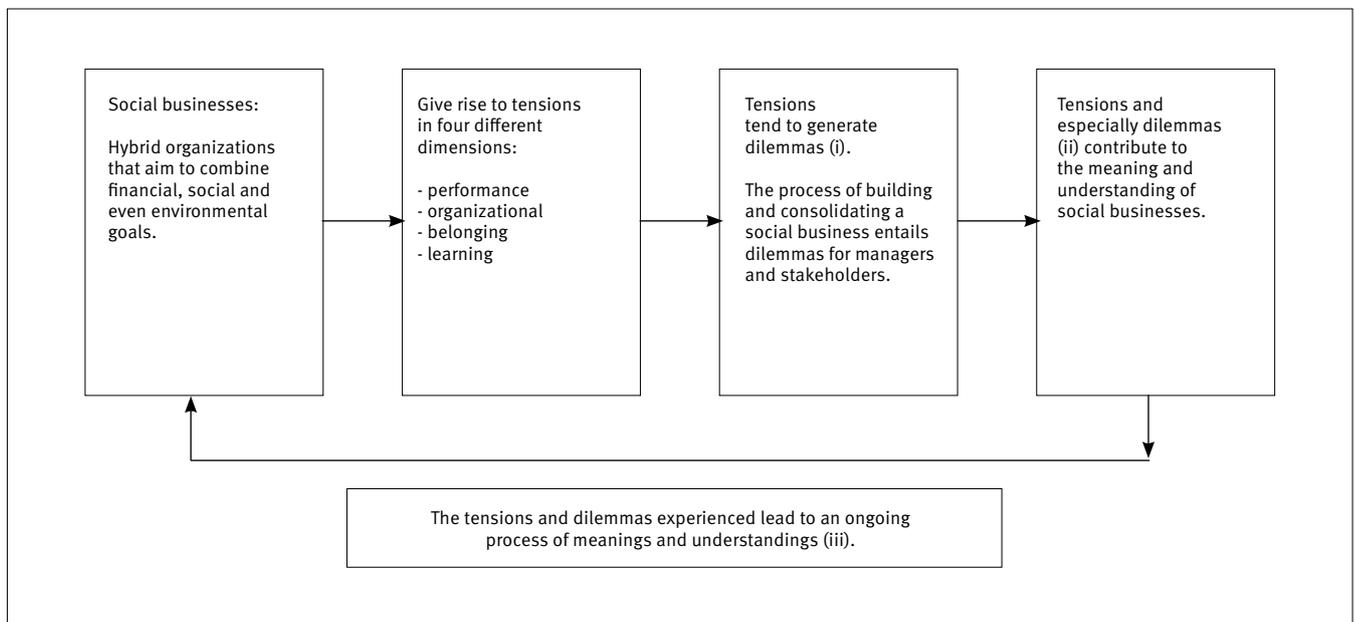
**Exhibit 1. Types of tensions in social businesses**

Types of tensions	Social and financial dimensions that explain tensions	Emerging issues for social businesses
Related to performance: Goals, metrics, meeting stakeholder expectations	Social impact is generally difficult to measure/compare; financial results, however, tend to be simpler to measure/compare.	How do leaders define success, given the diverging goals (and the risk that economic success may entail social failure)?
Related to organizations: Diverging dynamics due to different structure, culture, practices and processes	To reach social and economic goals, there is a tendency to hire professionals with different, and not necessarily convergent capabilities.	How can hiring be managed so as to engage different professionals to work harmoniously? To what degree do organizations differentiate and integrate social mission and business? What organizational form/structure should the organization adopt?
Related to the feeling of belonging: Divergent identities between groups, sub-groups and the organization	Employees and other stakeholders are usually divided into those who identify more with the social mission and those who identify with the business.	How can the organization manage diverging identities and expectations?
Related to learning: Timelines are different in the processes of change, growth and scaling.	Social goals tend to aim at long-term scenarios; as opposed to business, which focuses on short-term results. An increase in social impact may diminish financial results and vice-versa.	How does the organization deal with short- and long-term schedules? How has the organization sought short-term financial results so as to expand its social results?

Source: Adapted from Smith et al. (2013).

Smith et al.'s (2013) theoretical essay presents four variables for examining the tensions in social businesses: performance, organizational aspects, belonging and learning. In order to apply literary references to our empirical investigation phase, we propose to adopt the analysis model illustrated in Figure 2.

**Figure 2. Analysis model**



Source: Adapted from Smith et al. (2013).

The proposed analysis model seeks to complement Smith et al.'s (2013) approach of examining tensions with three new analytical elements: (i) tensions tend to generate dilemmas, (ii) both of these contribute to the meaning and understanding of social businesses and (iii) this leads to an ongoing process of meanings and understandings. We are seeking to determine if this analytical model (of building meanings and understandings) makes sense according to Weick's (1995) sense-making approach.

The next step in our research involves establishing the methodological aspects to guide our investigation of *Rede Asta*.

## METHODS

The purpose of this article is to analyze the history and operation of *Rede Asta*, using a single case study, seeking to reveal its main tensions and dilemmas. In order to reach this general goal, we have undertaken the following specific goals: 1) to map and systematize literature references regarding social entrepreneurship and social businesses; 2) to investigate the background and functioning of *Rede Asta*, as well as its relationships with salespeople and artisans; and 3) to gather information, albeit incipiently, on the distribution of resources obtained from the sale of products, and its impact on low-income artisanal groups related to the business.

Using a single case study, according to Yin (2001, p. 67), is justifiable inasmuch as the "the case constitutes a rare or exclusive event or serves a revealing purpose". Indeed, *Rede Asta* constitutes a rare social business, for it was the first in Brazil to work with direct sales of artisanal products – while also working in a network with several production groups and simultaneously seeking financial, social and environmental goals (triple bottom line). In addition, throughout the investigation, the fact *Rede Asta* is still under construction proved to be particularly helpful for examining the social business' tensions and dilemmas, given that its operations are still expanding and more aspects are undergoing change.

According to Yin (2001), a case study can be based on six different sources of information: a) documents; b) file records; c) interviews; d) direct observation; e) participant observation and f) physical artifacts. This article is based on the first four sources of evidence and their potential triangulations.

In order to achieve the first specific goal, a literature review was performed and it is shown in section 2. For the second and third specific goals, we applied qualitative research methods: held interviews, analyzed documents and file records (including reports, catalogs and websites) and made direct observations – in the São Paulo office, by studying its operation and the distribution of management and display spaces, as well as product quality

and variety. All seven interviews (by Skype, email or in person) were held between September and November of 2013.

The interviews followed a semi-structured questionnaire, the development of which was based on consulted literature and researchers' prior experience. The first interview was held during a visit to *Rede Asta's* representation office in São Paulo. The two-hour in-depth interview was made with the manager of the office. In addition, the visit enabled us to observe directly the types of products that are marketed, as well as their variety and quality, in order to confirm whether they corresponded to the manager's description and to the photographs available in the catalogs and the organization's website. During the interview, additional information and documents were requested, which the manager later sent to us by email.

The second interview (lasting approximately one hour) was held with one of the founding partners and manager of *Rede Asta*, who is based at their headquarters in Rio de Janeiro.

In order to triangulate the information obtained in the analyzed material (catalogs, minutes and other documents) and supplied in the interviews with the business managers, questionnaires were sent to two salespeople: one with a large volume of sales and one with a small amount of sales (both from São Paulo). In addition, through *Rede Asta's* website, eight artisan groups with available contact information were selected for interviews; three of them answered the questionnaire fully and one partially: from Rio de Janeiro, Mulheres do Salgueiro, Mulheres Arteiras and Bordados N'Atividade; and Bordana from Goiás.

The purpose of adopting the qualitative methods of investigation described above is to allow a greater understanding of *Asta's* history and some of its tensions and dilemmas. Our analysis is presented in Section 5, after the following description of the social business and its case study.

## REDE ASTA CASE

*Rede Asta* is a social business that works by promoting a network for marketing artisanal products, especially items that have been produced using a significant percentage of recycled or reused raw materials. In addition, products are sold on a scale as customized corporate gifts.

The idea of creating the business began in 2005, but the network only emerged after three years. Due to several needs that arose over time, *Asta* currently operates using two legal entities: a for-profit micro-corporation named *Asta Corp Produtos Sustentáveis Ltda-ME* (*Asta Corp Sustainable Products – Micro Enterprise*) and a non-profit association named *Instituto Asta* (*Asta Institute*). The association renders capacity-building

and training services for the artisans, while the corporation issues sales invoices, especially for corporate gifts. In addition, the association is qualified as a public-interest civil society organization (*Organização da Sociedade Civil de Interesse Público* – OSCIP), which requires, among other duties, that its financial administration be overseen by a supervisory board and that its financial reports be made available for scrutiny by any citizen (Law nr 9.790, 1999).

According to the organization's website, "*Rede Asta* is a social business that has the mission of helping to diminish Brazilian social inequality" (Rede Asta, 2013, p. 1) and they intend to achieve this mission by helping small community businesses to thrive, by facilitating their access to knowledge and markets and by supporting the creation of networks.

In 2012, the Asta Institute had four members, of whom one was president, one was vice-president and the other two were members of the supervisory board. Asta Corp had two partners, one of which is the president of the Institute and the other is a designer not associated with the Institute.

The network involves approximately 650 artisans, of which 90% are women, mostly from low-income communities, ranging in age from 20 to 70. Each group wishing to become part of the network must have at least three people, three different products

for sale and the capacity to produce at least 200 items per month. The groups usually produce items using 70% of recycled or reused material. One of Asta's partners is a print fabric company that donates tons of fabric every year.

Products are marketed through the internet, through direct sales, at the Rio de Janeiro store (which also serves as a showroom for exhibiting and demonstrating them) and, on a greater scale, as customized corporate gifts. The Asta business is not yet fully self-sustainable (revenues currently cover approximately 70% of costs) but the network seeks to apply fair trade practices throughout the production chain.

*Rede Asta* encompasses around 50 artisanal production groups, of which 90% are in Rio de Janeiro. In São Paulo, there is only one group, but the network keeps a representation office in that city (with purchasable showroom items), aiming to expand business and increase sales, especially for corporate gifts. There is also a waiting list of 90 groups who wish to join the network, currently awaiting triage.

Table 1 presents the evolution of each sales channel and its contribution to total revenue. We can observe that sales quadrupled from 2008 to 2012 and that corporate gifts correspond to nearly 50% of revenues (although more recently internet sales have also grown).

Table 1. *Rede Asta* revenues by sales channel (amounts in R\$)

	2008	2009	2010	2011	2012
Salespeople/catalog	52,179	122,959	295,689	215,257	237,454
Corporate gifts	126,680	155,283	188,292	268,147	337,563
Internet	0	0	0	11,740	77,695
Rio de Janeiro store	0	0	0	75,622	47,942
Total	178,859	278,241	483,981	586,957	755,812

Source: Based on Asta's organizational records.

The sales catalogs are published quarterly and approximately 28 groups are selected to include their products; participating in one quarter does not entail participation in the next quarter. On the website and at the store, there is a greater variety of participants and exhibited products for sale.

Each group presents the items they wish to sell and set the price they would like to receive for it; *Rede Asta* then doubles the actual sales price, of which 50% goes to the artisans, 22% to the salespeople (or advisers) and 28% to the network. The network's portion covers its expenses – such as the salaries of its 19 employees, including designers, sales specialists, financial managers and those in charge of logistics, all hired by

the corporation, as well as store and website maintenance and logistic costs for shipping products.

Before implementing this sales compensation model, the networks managers did some research and found that cosmetics companies that work with direct sales usually compensate salespeople with around 30% of the price. Given Asta's cost structure, however, the partners calculated that they could only pay 22%. There are approximately 800 registered advisers, most from income classes A and B, but only 70 are active (spread throughout the country).

Through the sale of their products via Asta, 20% of the artisans are able to secure an average monthly income of

over US\$400.00; 37% of them earn between US\$140.00 and US\$400.00 and 43% receive less than US\$140.00 a month. Most groups, however, do not depend solely on *Rede Asta* to market their products, so said amounts work more as supplementary (as opposed to a main source of) income.

The managers hold four meetings a year with the artisans before preparing the sales catalogs, and these meetings also serve to award the best groups regarding quality, speed of delivery and other aspects. At these gatherings, the network also gets in touch with the history of each group and its members and sometimes attempts to recover their self-esteem. Periodically, there are also capacity-building sessions on financial education and product quality.

Designers will sporadically visit the groups with suggestions for new work methods or new materials. On occasion, Asta will find that a product's price is not feasible for marketing; in these cases, a designer visits the group and suggests changes to the product to reduce its production costs (with fewer hours invested or less material used).

When the groups deliver their products to the network, they receive their 50% up front. For internet sales, half of the amount covers what was paid to the artisans and the other half goes to Asta. For the advisers, the model is different: they make

their requests for products (of at least R\$200,00), and within 2-3 weeks they receive their package in the mail, together with an invoice that charges a flat rate of R\$15,00 for freight and the total cost of products minus 22%. They have 20 days to pay the invoice.

While the advisers entail more work for the organization, especially in terms of communication costs, they also constitute an important channel for promoting the products, thus bringing capillarity to the model and providing the network with feedback regarding customer satisfaction with product quality and price.

By adopting and adapting the direct sales business model (so their sales force also disseminates the cause), *Rede Asta* has been able to establish itself as a pioneering social business in Brazil. Its progress has not been without hiccups, as shown in the following section.

## ANALYSIS AND RESULTS

The qualitative methods of investigation adopted in the research enabled us to understand this social business' history and to clarify part of the tensions and dilemmas in this social business. See Exhibit 2.

Exhibit 2. *Rede Asta* stages

Stage 1 – 2002 to 2004	Stage 2 – 2005 to 2010	Stage 3 – 2011 onwards
The network began to operate in 2002 with Instituto Realice – first as an NGO focusing on capacity-building and training for artisans.	In 2005, <i>Rede Asta</i> launched sales of corporate gifts and acknowledges the need to issue invoices to their clients – the NGO and a business began to coexist.	In 2010, <i>Rede Asta</i> had received support from Ashoka and McKinsey for building its strategic plan. In 2011, the network broadened its sales channels.
Absence of tensions and dilemmas.	Virtual absence of tensions and dilemmas.	Tensions and dilemmas began with the increase in profitable activities and need for production scale.

To begin with, it is simple to observe that *Rede Asta* is a social business under construction and has not yet reached its financial stability. The managers have been reflecting on and analyzing their relationship with stakeholders – clients, production groups, salespeople, among others – as they evolve in a sort of “learning by doing”, or trial and error.

*Rede Asta* initially attempted to mirror the corporate model of direct sales (in which salespeople do not necessarily consume the products), but this led to unsatisfactory results. Over time, the managers acknowledged the advisers to be more than mere

salespeople, for those with constant and significant results have become activists for the network's social and environmental cause. Direct sales, however, have not proved sufficient to provide income for the artisans: some of the production groups declared the need to improve their decision processes regarding products, sales operation and especially in increasing and maintaining financial results.

The process of recycling and reusing materials, such as fabrics and plastic bottles, has derived mostly from the network's relationship with businesses, with satisfactory results from the

financial as well as the social and environmental perspective. This makes the corporate gifts segment a likely candidate for expansion, for it simultaneously boosts both the amount of recycled material and wholesale transactions, which increases the income for production groups.

Applying the proposed analytical model (Figure 2) to examine Asta's history and operations revealed its tensions and dilemmas related to performance, organizational aspects, perceptions of belonging and learning.

Dilemmas regarding performance appeared in more than one instance. On the subject of evaluation, for example, one of the founders declared that only in 2013 they began to establish measurements for the business, aided by a consultancy firm.

Asta's sales processes are the setting for another dilemma. Internet sales have been growing and they cost less to Asta, but sales by the advisers, in spite of consuming more of the organization's structure and thus increasing costs, are the most stimulating channel, because the salespeople help disseminate the network's social and environmental cause. Numbers alone (regarding revenue and costs) have not been sufficient to prioritize one sales channel over another.

Another performance dilemma involves the beneficiaries. When asked about a gender emphasis, Asta's founder stated that the network values diversity and does not focus exclusively on women. Several observations fail to confirm this statement, however: their website declares women to be their partners; over 90% of the production group members are female; *Rede Asta* has been acknowledged by gender equality organizations; the managers are female; and the founder understands that women contribute more than men to increase social impact. This appears to demonstrate a dilemma regarding the target audience to be prioritized by Asta.

Another category of tensions and dilemmas affects organizational aspects, which for *Rede Asta* means dealing with different structures, cultures, processes and practices. The production groups differ not only as to the products they offer, but also due to their history, values and cultures. Some of the groups in the network are more structured, established by middle-class women; others are smaller, formed by women from low-income communities. The interviews with the production groups revealed different practices in delivering larger requests. Trying to balance between respecting the particular conditions of each group and delivering large orders is a challenge, and there are frequent delays. In other words, situations demanding an increase in productivity illustrate part of the tensions and dilemmas in harmonizing the organizations that make up *Rede Asta*: in order to improve financial results, Asta needs to increase scale, but artisanal production does not always follow the market's demand.

Given the diversity of people involved in the network, its three-pronged goal generates a constant tension in meeting Asta's stakeholder expectations. After interviews with several different actors, we were able to identify an ongoing effort to balance results, so as to provide income-generation, enfranchise the artisans and support recycled or reused material. This effort appears to be paying off, as the interviews unanimously showed that Asta has been satisfactorily meeting stakeholder expectations, which contributes to their feeling of belonging with the network.

Establishing and consolidating *Rede Asta* has required constant learning on behalf of managers, chiefly from practice: each challenge led to experiments in finding solutions. A legal issue, for instance, led to organizational duality: the path recommended by lawyers and accountants was to simultaneously operate with both the association and the corporation. The sale of corporate gifts required an invoice, which only a corporation could provide, while partnerships with companies to reuse and recycle materials occurs through the association. Asta's managers explained that they operate with one organization or the other depending on each demand.

The compensation structure is another example of Asta's learning tensions and dilemmas. The managers initially researched traditional catalog and direct sales models, usually of cosmetic companies. They found that those salespeople typically worked with several brands; they were mostly low-income women who did not habitually consume artisanal products and had little adherence to the network's social and environmental goals. The advisers, on the other hand, claimed to identify with Asta's nonfinancial objectives; these are mostly middle-class women who occasionally consume artisanal products. This nature of Asta's salespeople is relevant for direct sales to expand consistently in the future.

Finally, the managers are currently learning to value *Rede Asta's* brand, with technical assistance from a French company that boasts a worldwide household brand. The managers understand that strengthening the brand is a necessary and meaningful strategic path to advance the social business. Indeed, traditional successful businesses have established brands. This process will yield results, however, in the medium or long term, and may require the help of investment funds. As the Asta founder declared, the business' financial stability will be reached only after at least two more years – during which time there are likely to be challenges involving learning tensions and dilemmas.

The above findings regarding the tensions and dilemmas faced by *Rede Asta* involving performance, organizational aspects, perceptions of belonging and learning have been summarized in Exhibit 3.

Exhibit 3. Summary of results observed in *Rede Asta*

Types of tensions	Facts related to <i>Rede Asta's</i> history and operations
Performance	<ul style="list-style-type: none"> <li>- Asta attempts to disseminate the concept of fair trade throughout the production chain;</li> <li>- Financial results alone are not enough to define priorities among sales channels;</li> <li>- The network's stated target audiences are inconsistent (focusing on women or valuing diversity?).</li> </ul>
Organizations	<ul style="list-style-type: none"> <li>- Each group's singular production speed may compromise the delivery schedule for requests of large quantities of items;</li> <li>- The network needs to operate with two organizations: an association and a corporation (also applicable in learning).</li> </ul>
Belonging	<ul style="list-style-type: none"> <li>- The <i>Rede Asta</i> cause, based on the triple bottom line, has so far served as the means to create a feeling of belonging to the organization, especially considering that the expectations of different internal stakeholders are as yet being met.</li> </ul>
Learning	<ul style="list-style-type: none"> <li>- The sales team worked hard for years to combine financial return with their social and environmental causes:</li> <li>- Starting in 2011, the network realized the need to strengthen its brand in order to consolidate itself as social business and has been investing in this purpose;</li> <li>- Meanwhile, Asta also understood the importance of production scale in order to establish itself in the market.</li> </ul>

*Rede Asta* case has proven to be auspicious for examining tensions and dilemmas in social and financial performance, organizational aspects and learning; on perceptions of belonging, despite the identification of consensus (as opposed to dilemmas), we must bear in mind that this is not necessarily a permanent state, since the tensions that require said consensus remain dynamic.

## CONCLUSIONS

The theoretical essay by [Smith et al. \(2013\)](#), which addressed the tensions in social businesses using four variables (performance, organizational aspects, belonging and learning) contributed to a greater understanding of *Rede Asta* as a social business: the investigations and interviews with stakeholders helped elucidate the dilemmas experienced by the organization's managers.

From a theoretical perspective, this study has added, via the analysis model, three analytical elements: that tensions entail dilemmas for managers and stakeholders; that tensions and dilemmas help provide meaning and understand social businesses; and, finally, that such conflicts lead to an ongoing process of meanings and understandings on social businesses, according to [Weick's \(1995\)](#) proposal in his sense-making approach. From an empirical standpoint, the study has brought in-depth information on the operations of a social business, emphasizing the tensions and dilemmas that emerged throughout Asta's five years of existence. In light of both these contributions, this research has fulfilled its intended purposes.

Asta's effort to generate income for 650 artisans merits broad recognition. For most Brazilian artisans, selling their products is the main difficulty. In this context, *Rede Asta* offers

an alternative to increase and professionalize sales of artisanal products in the country. The network's construction process proved to be challenging, with the several tensions and dilemmas described in the analysis above. There are, in any case, specific aspects that may contribute to the understanding of social businesses.

To begin with, Asta consists of two organizations (a non-profit and a for-profit) – as advised by legal and accounting counsel to adapt to legislation in Brazil, which does not yet acknowledge social businesses. In several other countries, these hybrid organizations are provided with legal status, such as the United Kingdom, with its Community Interest Companies (CICs), Italy, with Social Co-operatives, and the United States, with Low-profit Limited Companies (L3Cs).

The case study also revealed that *Rede Asta* is a complex type of social business, because socially and economically enfranchising artisans is an inclusive business that, in theory ([Comini et al., 2012](#)), would not seek to scale operations. The managers indicated, however, that they plan to scale productivity by valuing their brand. In addition, *Rede Asta* may also be classified as a form of commercial 'activism', in which the advisers are more than simply salespeople. They are indeed activists for *Rede Asta*, for the advisers do more than sell products: they champion the social and environmental cause addressed by the organization. This situation may be relevant to other social businesses: can they differentiate by hiring activists?

Asta's managers assess that the adviser team demands more time, effort and resources from the network, not always accompanied by greater sales. Despite entailing lower financial results when compared to other channels, the network plans to

keep the advisers as a sales force, due to their contribution in disseminating the cause.

Another noteworthy aspect of *Rede Asta* is its focus on gender, or lack thereof. The distance between the claim to “include women in production systems” and the manager’s interview statement of “seeking to value diversity” seems to indicate a dilemma on which audience to target. As argued by Primeaux and Veness (2009, p. 13): “opportunity-cost decision-making assumes that (1) choices have to be made, (2) everyone and everything has value, precisely as a scarce resource, especially in the long term, and (3) accordingly, the benefits attached to the accepted option are offset by those attached to the rejected option (fairness in business)”. In other words, opting to favor women may indicate progress for the social impact that *Asta* can in fact deliver.

Despite one of the network’s goals being the practice of fair trade, some limitation to this ideal were identified in interviews with the managers and production groups, given that the funds obtained via the network are distributed to group coordinators, which does not necessarily ensure that they are arriving to each artisan with equity and transparency.

*Rede Asta* is, as mentioned, under construction – the investigation revealed an ongoing process of building meanings and understandings (Weick, 1995) on the definition of a social business and its limits and possibilities. The tensions and dilemmas experienced by the organization are elements that contribute to this process.

One of the investigation’s main limitations concerns the single case study. Although *Rede Asta* is a pioneer social business in direct sales of artisanal products, multiple case studies could yield more solid conclusions. In addition, the number of interviewees, despite involving the main stakeholders, was reduced due to available resources. In that light, potential future researches could, among other options, investigate more social businesses, using the same analysis model; examine the decision process of social business managers, seeking to understand their choices in face of tensions and dilemmas; or apply quantitative measurements to the categories of tensions in social businesses. Despite said limitations, we believe this article has contributed to the theoretical and empirical knowledge of social businesses.

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