

FOR-PROFIT SOCIAL ENTREPRENEURSHIP: A STUDY OF  
RESOURCES, CHALLENGES, AND COMPETENCIES IN UK

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## **Declaration**

In line with University of London requirements, I hereby certify this work is my own.

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## ABSTRACT

Social Entrepreneurship has received increasing attention over the years. However, little is known about the different business models of social enterprises and how they can be run effectively to realise their full potential (Prabhu, 1999; Nicholls, 2006). Moreover, empirical research has largely focused on non-profit social value creation while the for-profit context of social entrepreneurship has received less attention (Dees, 1998). Therefore, research within the for-profit context can contribute strongly to the advancement of the field, whereby exploring the challenges for-profit social enterprises face is an important research task which will, among other things, shed more light on how they overcome resource constraints. To address these research opportunities, this thesis analyses twelve social enterprises in the UK through original semi-structured interviews, observations, and archival research. It adopts a resource-based lens and employs an interpretivist approach to gain new insights.

With close reference to extant SE literature as well as entrepreneurial capital and bricolage theory, the research identifies three specific challenges experienced by social enterprises operating within the for-profit context. These challenges - that spring from a 'double bottom line' configuration - are: (1) successfully positioning a for-profit social enterprise along the enterprise spectrum; (2) maintaining a balanced focus on contrasting objectives; (3) and countering pressures to compromise on objectives. The present study also critically extends the theory of social bricolage as the findings show that creativity, social skills, resilience and adaptability comprise key competencies that enable bricolage activity by for-profit social enterprises. The surveyed social enterprises have extensively leveraged these competencies while navigating resource scarce environments. The identification of such particular competencies is one significant theoretical contribution the thesis makes to both bricolage theory and the broader social entrepreneurship literature. The study furthermore makes a general contribution to the study of for-profit social entrepreneurship, an outstanding gap in the field.

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## **DEDICATION**

To my beautiful mother, Olubukola Kupolokun.

Mummy, this is for you.

## CHAPTER 1: INTRODUCTION

*“If you’re a social enterprise...more up this end [commercial], you’re talking to the bank and private equity people, whereas if you’re more down this end [charity], you go for donations. The problem is, donors and grant givers don’t like the fact that you are trying to build a business...[while] private equity people don’t like the fact that you give the money away. So you can really get screwed at both ends of the spectrum” – David, Founder of Oceana*

Blending social goals with for-profit missions, is this really the best of both worlds, or regrettably, the worst of both? This is the ambiguous zone that for-profit social enterprises find themselves, and this is the arena around which this thesis investigates. Of particular interest to this research is understanding the challenges that come with having these two distinct objectives, and also considering the resource scarce environment of most of these types of organizations, exactly how are they able to overcome resource constraints. The findings revealed that while this form of social enterprise certainly has its benefits, the additional complexities of having two bottom-lines to contend with result in these organizations being challenged in three key areas: their positioning along the enterprise spectrum, maintaining focus on differing objectives, and pressures to compromise on objectives. Also, by employing a social bricolage framework, it was found that creativity, social skills, resilience, and adaptability were competencies that enabled these social enterprises overcome resource constraints. In addition, having a clear vision and mission, a high performance team, sound morals and integrity, a solid social brand, and

good networks, were identified as factors that can facilitate the operation of for-profit social enterprises.

This initial chapter presents an introduction to the research. The chapter starts off with providing a background on the field of social entrepreneurship, and then looks more specifically at what this research would focus on, based on the identified gaps in the field. This is outlined in the research aims and objectives, following which an overview of the research methodology and the intended contribution of the study are presented. The chapter concludes with outlining the structure of the rest of the thesis, as well as providing a definition of the key terms used within the study.

## **1.1 Research background**

'Social entrepreneurship' presently is a phrase that appears to combine the fervor and enthusiasm that comes with having a social purpose, and the image of innovation and business structures to solve social problems. The phenomenon, which involves combining resources in new ways to create social value, has received increasing popularity, and is gaining more attention both in academia and in practice. However, although the name 'social entrepreneurship' and its current description are relatively new, social entrepreneurship phenomenon as a practice is much older, as both government aid agencies and private foundations over many years have supported initiatives, introduced programmes, and implemented interventions to assist

impoverished and marginalized groups in innovative ways (Noruzi, Westover, & Rahimi, 2010). Also, individuals employing entrepreneurial strategies to solving social problems have existed before. Individuals such as William Lloyd Garrison, who founded the Anti-Slavery Society in 1833, and Jane Addams founded the social settlement Hull House in Chicago in 1889, support this fact. William Lloyd Garrison campaigned for abolition determinedly, while Jane Addams through Hull House provided a welfare centre for the neighborhood poor. Both acts could plausibly be viewed as historical examples of social entrepreneurship (Barendsen & Gardner, 2004). Other examples of these early change-makers include Mary McLeod Bethune, a leader who in 1935 founded the National Council of Negro Women. Margaret Sanger, in 1916, founded the first American birth control clinic, and in 1921, formed the America Birth Control League (later to become the Planned Parenthood Federation of America). Social history shows many more of these early change-makers who created organizations to bring about change.

So why is it only in recent years that these types of change-makers have only now become known by the new term 'social entrepreneur'? What has been the driving force behind the emergence of social entrepreneurship as a recognizable field? This has been attributed to a variety of factors. On a macro-societal level, growth in social entrepreneurship and social enterprises, it has been said, has resulted from the inability of the welfare state to meet social needs within the European tradition, and the inability of markets to satisfy the social needs of the population within the American tradition (Jespersen, 2010).

Other relevant factors include lack of confidence in the NGO sector, including charities and foundations, prompting the creation of different organizational forms aiming to create social value (Robinson in Mair et al., 2006, p. 96); increasing in turn, competition in the non-profit sector and attempts by NGOs to employ new methods of financing and taking on more business-like approaches (Perrini in Mair et al., 2006, p. 60). This has blurred boundaries between the non-profit and for-profit sectors, which seems to have promoted cross-sector cooperation and new organisational forms (Austin in Mair et al., 2006, p. 22); increased provision of funding for social enterprises; and also international recognition of some individual change-makers.

Although social entrepreneurship has been observed in practice for many years, interest in the phenomenon within academia and government was only realized in the 1990s, with a growth in media interest in 2000s. The Italian government has been credited with establishing the first relevant form for social co-operatives. In 2004, the Community Interest Company was introduced by the UK government to support social enterprises wanting to use their profits and assets to meet social objectives (Nyssens, 2006). At this time, research on social entrepreneurship within academia was also on the rise (Leadbeater, 1997; Dees, 1998), with an upsurge in interest seen in literature in the mid 2000s (Alvord, Brown, & Letts, 2004; Tan, Williams, & Tan, 2005; Mair & Marti, 2006; Weerawardena & Mort, 2006), and a significant amount of that literature also focusing on the UK (Ridley-Duff & Bull, 2011; Nicholls, 2006; Dees, Emerson, & Economy, 2002). As interest in academia and government increased, the

phenomenon caught the attention of the media as well, with social entrepreneurs and their organizations becoming known in the public eye. Some examples include Muhammad Yunus, founder of renowned microfinance Grameen Bank who won the Nobel Peace Prize in 2006, jointly with Grameen Bank “for their efforts to create economic and social development from below”.<sup>1</sup> Jeffrey Skoll, the first president of eBay, founded the Skoll Foundation to support social entrepreneurship, and was chosen in 2006 by Time Magazine as one of the ‘100 People of the Year’. Also contributing greatly to the recognition and advancement of social entrepreneurship was William Drayton, a MacArthur Fellow, who is often credited with introducing the term ‘social entrepreneur’. Believing that social entrepreneurs have great potential for tackling social issues, Drayton founded Ashoka in 1980, a social venture created to empower social entrepreneurs with financial resources and a network that allows them to share ideas and solutions. Ashoka has been one of the first intermediaries to identify social entrepreneurs, and also since the very beginning, has been one of the first designed explicitly to fund them. The American Society of Public Administration and the National Academy of Public Administration jointly presented William Drayton with the National Public Service Award.

In more recent years, other transnational organizations have also contributed greatly to the movement of social entrepreneurship, including the Schwab Foundation for Social Entrepreneurship, the Skoll Foundation, and the Acumen

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<sup>1</sup> The official site of the Noble Prize - [http://www.nobelprize.org/nobel\\_prizes/peace/laureates/2006/](http://www.nobelprize.org/nobel_prizes/peace/laureates/2006/)

Fund, founded in 1998, 1999, and 2001 respectively. These organizations identify and invest in social entrepreneurs, provide support, and also foster networking and sharing amongst these entrepreneurs. Other organizations that provide funding and support to social entrepreneurs include UnLtd, Big Issue Invest Social Enterprise Fund, and Community Development Finance Institutions (CDFIs), all in the UK, and Echoing Green and Ewing Marion Kauffman Foundation in the US.

### *Why Study Social Entrepreneurship?*

As the boundaries are blurring between government, nonprofit, and business sectors, and as more innovative and cost-effective ways of approaching social problems are sought, interest in how concepts such as social entrepreneurship can address such social issues continues to grow (Dees & Anderson, 2003). However, although interest in social entrepreneurship has grown over the years, it has become evident that not much is known about social entrepreneurship, or about how to run social entrepreneurial organizations effectively (Prabhu, 1999; Spinali & Mortimer, 2001), with Robinson and Lo (2005) suggesting that there has not been sufficient academic research leaving a number of unanswered questions. Emerson (1999a, p. 3) has noted that, “the field of social purpose business development is an emerging one with no formalized knowledge base”, citing that understanding of the field tends to be weak. Researchers like Nicholls (2006) have noted that a more comprehensive understanding of how innovative social ventures are driven is required before they can realize their full potential. Arguably, the least well-understood

dimension of the field concerns for-profit social enterprises as empirical research has largely focused on non-profit social value creation, while the for-profit context of social entrepreneurship has received less attention (Dees, 1998).

## **1.2 Research Aims and Objectives**

The overall aim of this thesis is to develop an understanding of 'for-profit social entrepreneurship', with a particular focus on resources, challenges, and competencies. The two research questions addressed here are: What challenges arise from blending a social goal with a for-profit mission? Considering the resource scarce environments of most for-profit social enterprises, what competencies enable them to overcome resource constraints?

To support this investigation, the following research objectives are set out:

- To critically review the social entrepreneurship literature, and examine how the extant literature captures social entrepreneurship within the for-profit context. This investigation will enable the development of a conceptual model to categorize the different forms of social entrepreneurship.
- To critically review the resource-based view (RBV) and examine its relationship with social entrepreneurship, in order to identify an

appropriate framework(s) for the investigation of the selected for-profit social enterprises.

- To carry out an original investigation to identify challenges particular to for-profit social enterprises in order to develop new insights into this form of social entrepreneurship
- To identify key competencies that enable for-profit social enterprises to overcome resource constraints

Focusing the study in this area follows the identification of certain gaps in the existing social entrepreneurship literature. Firstly, as social entrepreneurship is a relatively new phenomenon that has only become popular in the last twenty years (Massarsky & Beinhacker, 2002), academic research in the field is only just gaining ground, with most of the past research being conceptual (most of which is descriptive and explanatory in nature), and now only moving towards a more empirical research approach. Early research on social entrepreneurship was mostly conceptual and focused on gaining an understanding of what social entrepreneurship really is, defining the scope of this phenomenon, and identifying the role that social entrepreneurship plays both in the public and private sectors. In this time as well, research tried to identify and define whom a social entrepreneur is, differentiating the social entrepreneur from the commercial entrepreneur. Hence, there is still a great lack of empirical research in this field. Secondly, there is a lack of research in the for-profit context. Dees

(1998) notes that empirical research in the field is limited, with most of the focus being on the non-profit perspective and actions of social entrepreneurs but less work having been carried out on the for-profit context and the degree to which such ventures employ entrepreneurial processes to solve social problems. Most of the research on social entrepreneurship has evolved in relation to the non-profit NGO domain. Thirdly, social enterprises rely greatly on the ability to successfully mobilize resources, but yet, not enough resource based theoretical lenses have been applied to the study of this field. As suggested by Di Domenico, Haugh, & Tracey (2010, p. 688), "the tendency for social enterprises to be situated within environments that are de facto resource poor justifies an investigation of social entrepreneurial actions orchestrated to counter these constraints and create social value". Social entrepreneurs and enterprises are usually faced with resource constraints, and faced with challenges of resource mobilization. Social enterprises need to efficiently make use of their scarce resources while also being able to creatively combine gathered resources to maximize success and achieve their set out goals. Dacin, Dacin, & Matear (2010) suggest that social entrepreneurship research around resources is one of the most promising areas to research, suggesting that researchers should look into issues of resource acquisition, mobilization, and bundling in the social entrepreneurship context.

Studies with such a focus as discussed here will yield interesting findings and develop our understanding of the field of social entrepreneurship in the for-profit arena. In particular, this study is limited to a single location – London, UK.

According to the RBS SE100 2011 reports, London is seeing the fastest growth in social enterprises within the UK, and in the 2010 reports, the region was the highest ranked region in median growth at 20.76%<sup>2</sup>, and second to England in turnover of £367,497,591. Therefore, social enterprises operating in London, UK, were chosen for this study, as the region has been seen to be one of the more thriving regions of social entrepreneurial activity. Selection criteria are discussed in more detail in Chapter 4 of this thesis.

### **1.3 Research Methodology**

I take a 'subjective' philosophical stance to this study, with this chosen outlook therefore guiding the following choices, leading to the adoption of an interpretivist research paradigm and an inductive research approach. The case study approach is the selected research strategy, with twelve for-profit social enterprise cases being studied using a purposive sampling approach, and set by two key bounding criteria. The selected data gathering tools to help answer the research questions and obtain in-depth information comprise semi-structured interviews, observation, and document analysis.

### **1.4 Research Contribution**

Many academic fields have contributed to the advancement of social entrepreneurship, including economics, political science, education, and

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<sup>2</sup> Companies operating more than three years and over only

psychology, but for the purpose of this study, the focus was placed on the entrepreneurship and management literature. It is expected that this study will contribute to social entrepreneurship literature, and especially a better understanding of the for-profit context of the field. The findings of the research will be of interest not only to researchers, but also to business and society as a whole, thereby leading to further investigation and future advancement of social entrepreneurship. Additionally, an enhanced understanding of social entrepreneurship may help policy makers re-define the output desired from the sector, and aid them to put in place the necessary support systems for the development and success of social entrepreneurial activities.

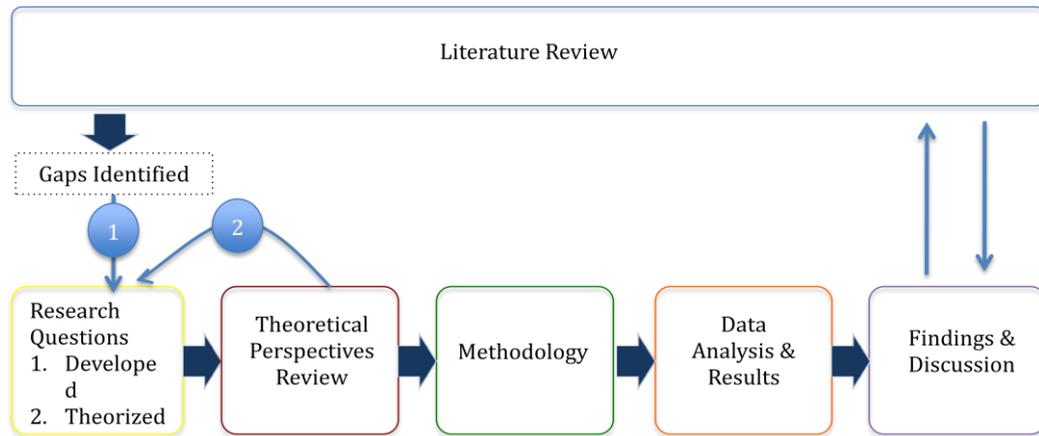
Santos (2009) argues that social entrepreneurship is having a great impact on the economic system by creating new industries, validating new business models, and assigning resources to social issues that were previously neglected. Therefore, this research will ultimately bring us a step closer to justifying social entrepreneurship as a channel to building social and economic value (Mair & Marti, 2006).

## **1.5 Structure of thesis**

This thesis is organized as follows. Chapter 2 introduces the concept of social entrepreneurship and provides a critical review of the existing literature in the field. This allowed for the identification of gaps in the literature, aiding in determining the focus of the study, i.e. for-profit social entrepreneurship,

resources, challenges, and competencies, and also aided in the development of the research questions, aims, and objectives. Chapter 3 presents a literature review of the resource-based view as the theoretical perspective to guide this study, which led to the selection and review of entrepreneurial bricolage and entrepreneurial capital as the frameworks employed to guide the analysis of the research. Chapter 4 is concerned with the methodology used to achieve the set out objectives of the research, whereby the methodology is refined and methodological choices justified. This led to the selection of a subjectivist research philosophy, an inductive research approach, and a case study research design. In addition, semi-structured interviews, observations, and document analysis as data collection methods were selected, with a manual data analysis approach. The data analysis and findings are covered in the following two chapters, Chapter 5 and Chapter 6. The first analysis chapter provides a within-case analysis of the studied social enterprises, whereby all the different sources of data were used to support the development of narratives for the social enterprise cases, while the second of the analysis chapters provides a cross-case analysis of the findings as well as a discussion of the overall findings of the research. In concluding the research carried out, Chapter 7 provides a summary of the dissertation, along with the limitations of the research and possible future research areas for study.

The research map shown in Figure 1 presents a clear representation of the flow of the research conducted.



**Figure 1. Research Map**

## 1.6 Definitional Signposting

It is paramount to define the terms used in this study to ensure clarity and consistency is maintained. As stated by Stanworth and Curran (1999, p. 324), "theoretical discussion of a phenomenon first requires a clear definition of that phenomenon". As is seen from the social entrepreneurship literature, there is an absence of agreement on definitions of social entrepreneurship, and consequently, on social entrepreneurs also. Defining social entrepreneurship and its conceptual boundaries has not been a simple task, partly due to the complexity of the concept, and also as a result of the lack of consensus on the topic as a newly developing area of research (Johnson, 2000). Therefore we see that some researchers interpret social entrepreneurship more broadly, while others opt for a more narrow definition, with differences in the definitions mostly revolving around operating sectors, mission, and profit requirements.

With the lack of agreement in definition, is it any surprise that critiques of the social entrepreneurship definitional landscape also conflict? Unfortunately not, as researchers such as Martin and Osberg (2007) suggest that current definitions are too inclusive, while on the other hand, Light (2006) describes them as being too exclusive. In response to this predicament that he also observed, Dees (1998) suggested that defining social entrepreneurship too broadly or too narrowly should be avoided. He argues that too broad a definition can make the term void of meaning, while if it is defined too narrowly, it becomes the province of a special few. On review of the social entrepreneurship and social entrepreneur definitions, it is clear that there is yet to be a balance in the literature that Dees suggests.

Here my aim is not to debate on the differing definitions used in previous studies, but rather, I aim to provide clarity and consistency in the terminology used in this study by highlighting chosen definitions based on appropriateness to guide this study. Having explored the different approaches, challenges, and dilemmas to defining social entrepreneurship, I believe that a definition of the concept should, as Dees (1998) suggested, be neither too broad nor too narrow. A definition should focus on the social value mission, as this will help move the field forward. A focus on the social mission aids researchers to study the activities through which some explicit outcomes can be achieved. This focus will give pre-eminence to the processes and resources involved. In attempting to meet this criteria, and considering the overall aim of this study, the definition of social entrepreneurship employed is that of Robinson (2006):

*“Social entrepreneurship is a process that includes: the identification of a specific social problem and a specific solution (or set of solutions) to address it; the evaluation of the social impact, the business model and the sustainability of the venture; and the creation of a social mission-oriented for-profit or a business-oriented non-profit entity that pursues the double (or triple) bottom line”.*

Robinson (2006, p. 95)

For clarity and a full understanding of the concept of social entrepreneurship, Mair and Marti (2006, p. 37) acknowledge the importance of distinguishing between the venture and the individual behind it, suggesting that social entrepreneurship typically refers to a process or behavior, whereby definitions of the social entrepreneur center on the founder of the venture, while definitions of the social enterprise refer to the tangible results of social entrepreneurship. Therefore, I also go further to define the social entrepreneur and social enterprise below.

Social Entrepreneur:

*“Social entrepreneurs play the role of change agents in the social sector, by:*

- *Adopting a mission to create and sustain social value (not just private value),*
- *Recognizing and relentlessly pursuing new opportunities to serve that mission,*
- *Engaging in a process of continuous innovation, adaptation, and learning,*
- *Acting boldly without being limited by resources currently in hand, and*

- *Exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created”.*

(Dees, 1998b, p. 4)

Social Enterprise:

*“Private organizations dedicated to solving social problems, serving the disadvantaged, and providing socially important goods that were not, in their judgment, adequately provided by public agencies or private markets”.* (Dees, 1994, p. 1)

For-Profit Social Enterprise:

*“[These] are organizations that are:*

- 1. Legally incorporated as for-profit entities, with one or more owners who have a formal right to control the firm and who are entitled to its residual earnings and net assets. For-profit forms include proprietorships, partnerships, corporations, limited liability companies, and cooperatives.*
- 2. Explicitly designed to serve a social purpose while making a profit. Having a social purpose involves a commitment to creating value for a community or society rather than just wealth for the owners or personal satisfaction for customers.”*

(Dees & Anderson, 2003, p. 2)

## **1.7 Chapter Summary**

The chapter has provided an overview of this research. It introduced the concept of social entrepreneurship, as well as highlighted why research in this area is important. Having identified the gaps in the extant literature, which guided the development of the aims and objectives of this study, the main focus of the research was discussed, i.e. resources, challenges, and competencies in for-profit social enterprises. Following this, the intended research contributions were then highlighted. The next chapter provides a comprehensive review of the social entrepreneurship literature.

## CHAPTER 2: LITERATURE REVIEW

Social entrepreneurship can be defined as “a process that includes: the identification of a specific social problem and a specific solution (or set of solutions) to address it; the evaluation of the social impact, the business model and the sustainability of the venture; and the creation of a social mission-oriented for-profit or a business-oriented non-profit entity that pursues the double (or triple) bottom line” (Robinson, 2006, p. 95). As the overall purpose of this research is to explore social entrepreneurship in the for-profit context, so as to advance our understanding of this emerging phenomenon, it is vital to explore existing literature, reviewing relevant theoretical and empirical literature that will support this study. Therefore, in this chapter, I critically review the extant literature on social entrepreneurship.

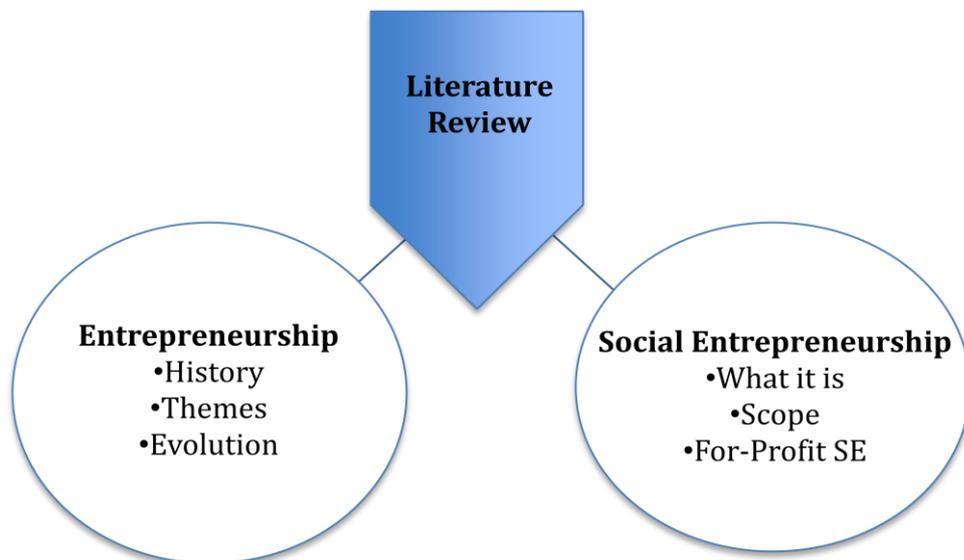


Figure 2. Literature Review Map

The chapter starts with a brief introduction of the entrepreneurship field, as an understanding of entrepreneurship on its own helps to yield a more complete view of the social entrepreneurship phenomenon. The section looks at how entrepreneurship has evolved over the years, both in academia and in practice, and the emergence of social entrepreneurship from within the entrepreneurship domain.

The following section delves into the social entrepreneurship literature, investigating what exactly social entrepreneurship means, and understanding who a social entrepreneur is by attempting to differentiate between the social entrepreneur and commercial entrepreneur. Following this, the scope of the field is reviewed, looking at social entrepreneurship in a variety of contexts i.e. non-profit and for-profit contexts, and then theoretical perspectives that have been applied to the study of this field are explored. Based on the reviewed literature, the chapter concludes with the development of a conceptual model that categorizes the different forms of enterprises surrounding the present social entrepreneurship literature.

## **2.1 Entrepreneurship**

*Entrepreneurship is the manifest ability and willingness of individuals, on their own, in teams, within and outside existing organizations, to:*  
*- Perceive and create new economic opportunities (new products, new production methods, new organizational schemes and new product-market combinations) and to*

- Introduce their ideas in the market, in the face of uncertainty and other obstacles, by making decisions on location, form, and the use of resources and institutions.

*Wennekers and Thurik (1999, pp. 46-47)*

*[Inspired by Hebert and Link (1998), Bull and Willard (1993), and Lumpkin and Dess (1996)]*

Entrepreneurism and entrepreneurship is by no means a new concept, with contributions to the concept, from Jean-Baptiste Say, being traced back all the way to the 18<sup>th</sup> century, following on to Alfred Marshall in the 19<sup>th</sup> century, and Joseph Schumpeter in the 20<sup>th</sup> century. Even in 1776, in a book published by Adam Smith, *The Wealth of Nations*, references to entrepreneurial efforts are also observed.

### **2.1.1 Origins of the word 'Entrepreneur'**

An 'entrepreneur', from the French verb *entreprendre*, with a contextual meaning of 'do something different', is a term which according to Long (1983) goes as far back as the twelfth century, in a time where socio-economic roles were rigid. Dees (1998b) suggests that the term, in French means someone who 'undertakes', therefore to say someone who undertakes a significant project or activity, originated in French economics as early as the 17<sup>th</sup> and 18<sup>th</sup> centuries. Solymossy (1998) observed that the modern form of the term first appeared in Savery's *Dictionnaire Universal de Commerce* (Paris, France, 1723).

Building on Cantillon's framework of the entrepreneur as a risk-bearer, Jean-Baptiste Say suggests that introducing new commodities and entering new markets are defining characteristics of entrepreneurship (Jones & Wadhvani, 2006). According to Solymossy (1998, p. 14), Say presents industry in three separate operations: development of specialized and conceptual knowledge, application of this knowledge toward a useful purpose, and a production or manufacturing function. Say therefore commends positive social consequences and value creation resulting from a self-seeking profit motive. The French economist Jean Baptiste Say famously said, in *A Treatise on Political Economy*, when successful, the entrepreneur "shifts economic resources out of an area of lower and into an area of higher productivity and yield". Jean Baptiste Say was recognized as giving the term 'entrepreneur' a more specific meaning, which identified audacious individuals who stimulated economic progress by finding new and better ways of doing things (Dees, 1998b). By putting the notion forward of creating value, an entrepreneur is mostly therefore identified as not just someone who starts a new business, but is someone who creates value.

Moving into the 20th century, Austrian economist, Joseph Schumpeter was closely linked with the term, describing entrepreneurs as innovators driving the 'creative destructive' process of capitalism. In *Capitalism, Socialism, & Democracy*, he mentioned that "the function of entrepreneurs is to reform or revolutionize the pattern of production" in a given field or market. He highlighted the various ways in which this can be done, saying "by exploiting an invention or, more generally, an untried technological possibility for producing

a new commodity or producing an old one in a new way, by opening up a new source of supply of materials or a new outlet for products, by reorganizing an industry and so on” (Schumpeter, 1952).

As time has passed over the years, entrepreneurship has evolved both in definition and theoretical interpretation. A brief overview of this evolution in theory is reviewed below.

### **2.1.2 Theories of Entrepreneurship**

The entrepreneurship and entrepreneur concepts were founded within economic theory, which focuses on the creation and distribution of wealth. As the concepts have evolved into other fields, defining the concept of entrepreneurship and the entrepreneur has not necessarily been an easy one in academia. For example, economists and sociologists have different thoughts on these concepts whereby sociologists are typically focused on the character of the entrepreneur, and economists are usually focused on the organization (Duncan, 2007). Therefore, understanding and defining such concepts require an interdisciplinary approach.

Focusing on research in management and business, researchers in these areas over the years have offered different theories of entrepreneurship. Over the years, a range of themes has emerged from entrepreneurship focusing on different aspects of the phenomenon. Mainly building on Cantillon’s work, four

economic traditions are observed: Schumpeter's emphasis on innovation, Knight's focus on risk and uncertainty, Kirzner's emphasis on opportunity, and Stevenson's emphasis on resourcefulness, and according to (Dees, 1998b), other leading researchers and writers only offer subtle variations to the theme provided by the Say-Schumpeter tradition.

*Innovation Perspective:*

Researchers view entrepreneurship as the act of innovation embodying innovation activities (Schumpeter, 1934; Stevenson & Jarillo, 1990; Zahra, Hayton, Marcel, & O'Neill, 2001) and as a type of innovation (Hornaday, 1992). According to Praag (1999, p. 322), "Innovations are endogenous developments in a dynamic economic system". It is the exploitation of new products, processes, markets, or organizations. Joseph Schumpeter, who is considered as one of the founding fathers of entrepreneurship (Barringer & Bluedorn, 1999), is credited with recognizing the role of innovation and entrepreneurship in economic development. Schumpeter defines the entrepreneur as an innovator and a leader, and thereby brings together the dynamics of technology and business enterprise. Schumpeter (1934) regarded entrepreneurship as the catalyst for innovation, developing the phrase 'creative destruction'. He describes this term as the process of causing disequilibrium by destroying existing products or services, causing old institutions to become obsolete, by exploiting new raw materials, and introducing new products and services, thereby leading to 'new combinations' of economic development. Another researcher who emphasizes the economic potency of innovation is Peter

Drucker (1985), incorporating Schumpeter's view of entrepreneurship. Drucker (1985, p. 17) suggests that "innovation is the specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or a different service", arguing that "innovation is the specific instrument of entrepreneurship... the act that endows resources with a new capacity to create wealth" (p. 27). He is also of the notion that entrepreneurship does not necessarily entail starting a business, neither is starting a business sufficient to be labeled as 'entrepreneurship'. He stated explicitly that, "not every new small business is entrepreneurial or represents entrepreneurship" (Drucker 1965, p. 21). He suggests that the enterprise must create something new and different, and transform values. Drucker (1985) argues that entrepreneurship demands innovation, thereby suggesting that creating a venture that follows business models and technical processes that are already established is not entrepreneurial. Other researchers who also view entrepreneurship as the act of innovation embodying innovation activities include Stevenson and Jarillo, (1990), Zahra et al., (2001), and Carayannis (2000). Hornaday (1992) views entrepreneurship as involving innovation.

An example of this innovation is found in the case of Apple Computers, where Steve Jobs and Steve Wozniak revolutionized the computing system. In the past, offices made use of a centralized computing model, whereby users were dependent on mainframe computers controlled by IT staff. Putting their innovative talents to work, Jobs and Wozniak went ahead to invent the first true personal computer in 1976, the Apple I, which was a personal computer that

allowed users to advance from the mainframe. With more innovative personal computers following the Apple I, this was the start of what has become a success story worldwide, Apple Inc.

*Opportunity Perspective:*

Researchers emphasize the opportunistic elements of entrepreneurship, as the entrepreneur has a key trait of being able to identify and exploit opportunities. Israel Kirzner follows the suggestions of Ludwig Von Mises and Frederick Von Hayek. Kirzner, as part of the 'Austrian School', brings to light the importance of alertness in an entrepreneur. Kirzner (1979, p. 51) suggests, "entrepreneurial discovery represents the alert becoming aware of what has been overlooked. The essence of entrepreneurship consists in seeing through the fog created by the uncertainty of the future. When he [the entrepreneur] acts, he is determining what indeed he "sees" in the murky future. He is inspired by the prospective pure-profitability of seeing the future more correctly than others do". This alertness is described as the ability to recognize opportunities that are brought about from a misallocation of market resources. The Kirznerian entrepreneur is able to perceive and seize new profit opportunities. He suggests that one of the entrepreneurs' principal characteristics lies in the ability to perceive opportunities and fulfill the entrepreneurial task. Kirzner (1979) portrays the entrepreneur as an individual who, through awareness and profit motivation, embarks on a process, to capitalize on unobserved market opportunities. For this reason, according to Kirzner (1973 and 1979), it is essential to have a level of creativity, a good imagination, the ability to

anticipate events beforehand, and also the ability to identify the right sources of knowledge about market data. Another researcher who also highlighted this opportunity element in entrepreneurship is Peter Drucker. Peter Drucker sees entrepreneurs as individuals who exploit the opportunities, such as technology and consumer preferences, created by change. Drucker (1985, p. 28) says, “this defines entrepreneur and entrepreneurship—the entrepreneur always searches for change, responds to it, and exploits it as an opportunity.”

An example of recognizing and successfully exploiting an opportunity is in the case of Snugli. Ann and Mike Moore recognized the limited options parents were faced with when toting their infants and were quickly inspired by the way babies were carried close to their parents in West Africa, snuggled in a simple cloth sling. Although impressed by this method of carrying a child, Ann noticed it was ineffective, as babies would often slip. Hence, Ann and Mike recognized an opportunity in the market, acknowledging the benefits for newborns of close physical contact with their parents, they developed a back harness which allows for this physical contact but with less physical exertion while leaving the use of both hands free. This led to the birth of the Snugli baby carrier, in 1969.

*Risk Perspective:*

Frank Knight built upon Richard Cantillon's notion of an entrepreneur being someone who faces uncertainty. Influenced by Schumpeter's vision of the entrepreneur, Knight (1921) suggests that the entrepreneur is an individual who is highly motivated by a desire to stand out and shine, but who also

assumes a great risk of uncertainty. Knight, who was an American economist, was said to have been influenced by both German tradition and American institutionalism. He suggests that the distinguishing feature of an entrepreneur lies in the ability to tackle uncertainties, which are unique events requiring thorough assumption of responsibility. According to Knight (1965), this is what the entrepreneur does that fully justifies the profits that he makes. This process of risk bearing involves accepting unusually high risks from the potential losses in a business activity or enterprise. Periods of economic uncertainty call for entrepreneurship, as in times of uncertainty, creators are confronted with the challenge of making changes from the seemingly routine, to making decisions about an untold future (Knight, 1921). Hence, the Cantillon or Knightian entrepreneur is willing to take the risk associated with uncertainty.

Looking at the case of the courier service and Fred Smith, the founder of FedEx, an instance of great entrepreneurial risk and uncertainty is seen. In the past, local courier services would pick up a package, have it transported to a common carrier, who then flies the package to a remote destination city, and is then passed on to a third party to complete the delivery process. This delivery process was not only time consuming, but it was also difficult to track, leading to a number of misplaced packages. Then came Fred Smith, at a time when other courier service only operated trucks for local pickup and delivery, he had to convince everyone, especially investors, that acquiring a fleet of jets and building a massive airport and sorting center in Memphis was the way to go in order to achieve next day deliveries with the package always being in FedEx's

possession. This new model Fred Smith was proposing was a huge risk with a lot at stake, but with his committed entrepreneurial spirit, FedEx was able to survive millions of dollars in losses and also ensure investors that they'll eventually achieve the necessary scale to cover the costs incurred on fixed infrastructure, which sure enough, they eventually did.

*Resourcefulness Perspective:*

Another agreed on element of the concept of the entrepreneur is in the entrepreneurs ability to take initiative in organizing and reorganizing social and economic systems to transform resources while accepting some level of risk (Hirsch & Peters, 2002). One of the leading theorists of entrepreneurship, Howard Stevenson, distinguishes entrepreneurial management from the more common forms of administrative management by factoring resourcefulness into the opportunity-oriented definition. Stevenson (1983, p. 23) conceptualizes entrepreneurship as a management approach that has at its heart an all-consuming passion for “the pursuit of opportunity without regard to resources currently controlled.” He suggests that the visions and actions of entrepreneurs are not constrained or limited by their own initial resource availability. Stevenson and Jarillo (1990, p. 23) suggests that the core of entrepreneurship lays in “the willingness to pursue opportunity, regardless of the resources under control”. Drucker (1985) also emphasizes one of Say’s most famous quotes, “The entrepreneur shifts economic resources out of an area of lower and into an area of higher productivity and greater yield.”

In summary, although one of the primary activities of entrepreneurship is new venture creation, Dees (1998b) however pointed out, a viewpoint that I agree with, that although the entrepreneurs which Say and Schumpeter refer to seem to serve their function by starting new, profit seeking business ventures, starting out a business is not necessarily the quintessence of entrepreneurship. As is seen in table 1, over the years different researchers have brought up different perspectives of who they believe an entrepreneur is, and this encompasses other elements as well, including opportunity recognition, risk bearing, and innovative business activities. Overall, that being said, despite the fact that different economists and researchers have used the term with subtle differences over the years, the Say-Schumpeter tradition that identifies entrepreneurs as the ‘catalysts and innovators behind economic progress’ has been the underpinning for the more recent use of the concept (Dees, 1998b).

| <b>The Role of the Entrepreneur</b>   | <b>Theorists</b>  |
|---|---|
| The entrepreneur is the person who assumes the risk associated with uncertainty | Cantillon, Thünen, Mill, Hawley, Knight, Mises, Cole, Shackle   |
| The entrepreneur is the person who supplies financial capital                   | Smith, Turgot, Böhm-Bawerk, Pigou, Mises  |
| The entrepreneur is an innovator  | Baudeau, Bentham, Thünen, Schmoller, Sombart, Weber, Schumpeter   |
| The entrepreneur is a decision maker  | Cantillon, Menger, Marschall, Wieser, Amasa Walker, Francis Walker, Keynes, Mises, Shackle, Cole, Schultz |

|  |   |
|--|---|
| The entrepreneur is an industrial leader                               | Say, Sain-Simon, Amasa Walker, Francis Walker, Marshall, Wieser, Sombart, Weber, Schumpeter |
| The entrepreneur is a manager or superintendent                        | Say, Mill, Marshall, Menger   |
| The entrepreneur is an organizer and coordinator of economic resources | Say, Walras, Wieser, Schmoller, Sombart, Weber, Clark, Davenport, Schumpeter, Coase         |
| The entrepreneur is the owner of an enterprise                         | Quesnay, Wieser, Pigou, Hawley  |
| The entrepreneur is an employer of factors of production               | Amasa Walker, Francis Walker, Wieser, Keynes  |
| The entrepreneur is a contractor                                       | Bentham   |
| The entrepreneur is an arbitrageur                                     | Cantillon, Walras, Kirzner  |
| The entrepreneur is an allocator                                       | Cantillon, Kirzner, Schultz   |

**Table 1. Historical Overview of the Role of the Entrepreneur in Economic Theory**  
**Source: Hebert and Link (1988, p. 152)**

### **2.1.3 Evolution to Social Entrepreneurship**

It has been believed over the years by management and economic researchers, until recently, that the core motivation for entrepreneurial success has been commercial profit, as the bulk of research in conventional entrepreneurship was in the market driven, profit making contexts (Dacin, Dacin, & Matear 2010). In this context, the mission of these conventional enterprises and entrepreneurs

are to create economic value and shareholder wealth. However, in recent literature over the last 20 years, it is seen that there is a growth in the acceptance that conventional entrepreneurs do not need to be driven solely by profit at the expense of their vision (Drucker, 1993; Dees, 1998). Drucker (1985, p. 21) states that entrepreneurship does not have to be motivated by profits, including in his book on *Innovation and Entrepreneurship* public service institution as entrepreneurial, and stating that, “No better text for a *History of Entrepreneurship* could be found than the creation of the modern university, and especially the modern American university.” An increasing number of researchers have investigated entrepreneurial processes outside of the business arena (Zerbinati & Souitaris, 2005), and entrepreneurship role in society (Steyaert & Katz, 2004). As entrepreneurship has evolved, focus began to increase on entrepreneurship in the social context. This evolution in the entrepreneurship field has been a key factor contributing to the permeation and progression of what is now known as social entrepreneurship.

## **2.2 Social Entrepreneurship**

Times have moved from governments alone taking ‘responsibility for civil society’ to a sharing of responsibilities across sectors, suggesting that there is now more support from other sectors on civil society than there was in the early 70s as government is now unable to provide solely the same extent of social welfare that was provided in earlier times (Roper & Cheney, 2005). Therefore, there has been a rise in different ‘social trends, organizational

structures, and individual initiatives', all of which fall under the generic term of social entrepreneurship (Roper & Cheney, 2005). This section introduces the phenomenon of social entrepreneurship, and how it has evolved both in academia and in practice. The section presents the different perspectives of social entrepreneurship, what defines a social entrepreneur, and subsequently the scope of social entrepreneurship. Following this, in focusing on the purpose of this research, the literature review then centers on social entrepreneurship within the for-profit context.

### **2.2.1 What is Social Entrepreneurship?**

Social entrepreneurship means different things to different people and researchers (Dees, 1998b), with definitions of the social entrepreneurship concept in the literature ranging from broad to narrow. Broadly defined, social entrepreneurship refers to innovative activity with social intent in the for-profit sector, such as commercial ventures with social objectives (e.g. Emerson & Twersky, 1996; Dees & Anderson, 2003) and corporate social entrepreneurship (e.g. Austin, Leonard, Reficco, & Wei-Skillern, 2004), or in the nonprofit sector or a mixture of both sectors (Dees, 1998b), which make use of both for-profit and nonprofit approaches. These broad definitions of social entrepreneurship tend to focus on the entrepreneurship and uniqueness, from creativity and innovation, in solving social problems, rather than on the resulting social benefits of such activities. On the other hand, researchers such as Emerson and Twersky (1996) and Robinson (2006) describe a narrower definition of social

entrepreneurship, describing it as economically sustainable ventures that produce social value. Reis (1998) describes it as the application of business knowledge and market-based skills to the nonprofit sector to aid the sector in becoming more efficient in delivering services. Boschee (1998) differentiates for-profit activities, which is to help offset an organizations costs, from 'social purpose ventures' by describing the latter as a venture whose main aim is to generate profits to be used for non-profit ventures.

Other perspectives exist, such as Bronstein's (2007) perspective that is based on the idea of active persons, whereby creative people not only conceive an idea, but also carry out the implementation or play a part in the development of that idea. Meanwhile, researchers like Mair and Martí (2006) argue that social entrepreneurship is the innovative combination of resources and pursuit of opportunities to tackle social needs and attain social change. More recently, Zahra, Gedajlovic, Neubaum, and Shulman (2009, p. 5) describe social entrepreneurship as "encompass[ing] the activities and processes undertaken to discover, define, and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner", while Meyskens, Carsrud, and Cardozo (2010, p. 426) present it as "a process of creating value by bringing together a unique package of resources to address unmet social needs". Bacq and Janssen (2011) describe social entrepreneurship as "the process of identifying, evaluating, and exploiting opportunities aiming at social value creation by means of commercial, market-based activities and of the use of a wide range of resources" (p. 376). Some

researchers who have defined social entrepreneurship around processes and resources including Mair and Marti (2006), who view it as social wealth creation vs. economic wealth creation, and Martin and Osberg (2007), looking at social entrepreneurial activities vs. social service activities.

A summary of the variety of definitions in management and entrepreneurship is provided in table 2 from 3\* and 4\* academic journals.

| Author                        | Social Entrepreneurship Definition   | Focus                 |
|-------------------------------|--|-----------------------|
| Sullivan Mort et al. (2003)   | Social entrepreneurship leads to the establishment of new social organizations or NFPs and the continued innovation in existing ones. NFPs represent a vast array of economic, educational, research, welfare, social and spiritual activities engaged in by various organizations (p. 79) | Innovation            |
| Alvord, Brown, & Letts (2004) | Social entrepreneurship creates innovative solutions to immediate social problems and mobilizes the ideas, capacities, resources, and social arrangements required for sustainable social transformations (p. 262)   | Innovation, Resources |
| Roberts & Woods (2005)        | Social entrepreneurship is the construction, evaluation, and pursuit of opportunities for transformative social change carried out by visionary, passionately dedicated individuals (p. 49)  | Opportunity           |

|  |  |                                    |
|--|--|------------------------------------|
| Seelos & Mair (2005)                     | Social entrepreneurship combines the resourcefulness of traditional entrepreneurship with a mission to change society (p. 241)   | Resources                          |
| Austin, Stevenson, & Wei-Skillern (2006) | Social entrepreneurship as innovative, social value creating activity that can occur within or across the nonprofit, business, or government sectors (p. 2)  | Innovation                         |
| Korosec & Berman (2006)                  | Organizations and individuals that develop new programs, services, and solutions to specific problems and those that address the needs of special populations (p. 449)   | Innovation                         |
| Mair & Marti (2006)                      | A process involving the innovative use and combination of resources to pursue opportunities to catalyze social change and/or address social needs (p. 37)  | Innovation, Opportunity, Resources |
| Robinson (2006)                          | Social entrepreneurship is a process that includes: the identification of a specific social problem and a specific solution (or set of solutions) to address it; the evaluation of the social impact, the business model and the sustainability of the venture; and the creation of a social mission-oriented for-profit or a business-oriented nonprofit entity that pursues the double (or triple) bottom line (p. 95) | Opportunity                        |

|                                       |   |   |
|---------------------------------------|---|---|
| <p>Peredo &amp; McLean (2006)</p>     | <p>Social entrepreneurship is exercised where some person or group: (1) aim(s) at creating social value, either exclusively or at least in some prominent way; (2) show(s) a capacity to recognize and take advantage of opportunities to create that value (“envision”); (3) employ(s) innovation, ranging from outright invention to adapting someone else’s novelty, in creating and/or distributing social value; (4) is/are willing to accept an above-average degree of risk in creating and disseminating social value; and (5) is/are unusually resourceful in being relatively undaunted by scarce assets in pursuing their social venture (p. 64)</p> | <p>Innovation,<br/>Opportunity,<br/>Risk,<br/>Resources</p> |
| <p>Weerawardena &amp; Mort (2006)</p> | <p>Social entrepreneurship is a behavioral phenomenon expressed in a NFP organization context aimed at delivering social value through the exploitation of perceived opportunities (p. 25)</p>  | <p>Opportunity</p>  |
| <p>Tracey &amp; Jarvis (2007)</p>     | <p>The notion of trading for a social purpose is at the core of social entrepreneurship, requiring that social entrepreneurs identify and exploit market opportunities, and assemble the necessary resources, in order to develop products and/or services that allow them to generate “entrepreneurial profit” for a given social project (p. 671)</p>   | <p>Opportunity,<br/>Resources</p>                           |

|   |  |                                    |
|---|--|------------------------------------|
| <p>Zahra,<br/>Gedajlovic,<br/>Neubaum, &amp;<br/>Shulman<br/>(2009)</p> | <p>Social entrepreneurship encompasses the activities and processes undertaken to discover, define, and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner (p. 5)</p>   | <p>Innovation,<br/>Opportunity</p> |
| <p>Martin &amp;<br/>Osberg (2007)</p>                                   | <p>We define social entrepreneurship as having the following three components: (1) identifying a stable but inherently unjust equilibrium that causes the exclusion, marginalization, or suffering of a segment of humanity that lacks the financial means or political clout to achieve any transformative benefit on its own; (2) identifying an opportunity in this unjust equilibrium, developing a social value proposition, and bringing to bear inspiration, creativity, direct action, courage, and fortitude, thereby challenging the stable state's hegemony; and (3) forging a new, stable equilibrium that releases trapped potential or alleviates the suffering of the targeted group, and through imitation and the creation of a stable ecosystem around the new equilibrium ensuring a better future for the targeted group and even society at large (p. 35)</p> | <p>Innovation,<br/>Opportunity</p> |
| <p>Weerawardena,<br/>McDonald, &amp;<br/>Mort (2010)</p>                | <p>Social entrepreneurship is about finding new and better ways to create and sustain social value (p.348)</p>   | <p>Innovation</p>                  |

|                                     |  |                                    |
|-------------------------------------|--|------------------------------------|
| Tapsell & Woods (2010)              | Social entrepreneurship is the construction and pursuit of opportunities for transformative social change through innovative activities occurring within or across economic and social communities in a historical and cultural context (p. 539)   | Innovation, Opportunity            |
| Friedman & Desivilya (2010)         | Social entrepreneurship refers to a range of practices and discourses involving the creation of new and innovative organizations or enterprises to meet human needs and improve services in fields, such as poverty reduction, healthcare, child protection, disability rights and environmental sustainability (p. 495) | Innovation                         |
| Perrini, Vuro, & Costanzo (2010)    | Social entrepreneurship is an innovative use of resources to explore and exploit opportunities that meet a social need in a sustainable way (p. 515)   | Innovation, Opportunity, Resources |
| Smith & Stevens (2010)              | Innovative and effective activities that focus strategically on resolving social market failures and creating opportunities to add social value systematically by using a range of organizational formats to maximize social impact and bring about change (p. 577)  | Innovation, Opportunity            |
| Meyskens, Carsrud, & Cardozo (2010) | A process of creating value by bringing together a unique package of resources to address unmet social needs (p. 426)  | Risk                               |

|                    |  |             |
|--------------------|--|-------------|
| Corner & Ho (2010) | Social entrepreneurship involves opportunity recognition or the identification of opportunities to solve social problems or create social value (p. 635) | Opportunity |
|--------------------|--|-------------|

**Table 2. Summary of Social Entrepreneurship Definitions**

Masseti (2008, p. 4) distinguishes between social businesses, traditional not-for-profits, and traditional profit-based businesses, suggesting that "Social businesses differ from traditional not-for-profit institutions in that social businesses must have profits to successfully function. Also, they differ from traditional profit-based businesses in that their profits are used to support social causes rather than to increase the wealth of investors, managers, and owners". Some definitions of social enterprises are also highlighted below.

| Author      | Social Enterprise Definition   |
|-------------|--|
| Dees (1994) | Private organizations dedicated to solving social problems, serving the disadvantaged, and providing socially important goods that were not, in their judgment, adequately provided by public agencies or private markets. These organizations have pursued goals that could not be measured simply by profit generation, market penetration, or voter support (p. 57) |
| Dart (2004) | Differs from the traditional understanding of the non-profit organization in terms of strategy, structure, norms, values, and represents a radical innovation in the non-profit sector (p. 411). Examples are Ashoka and Schwab Foundation   |

|                               |   |
|-------------------------------|---|
| Harding<br>(2004)             | They are orthodox businesses with social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners (p. 41)  |
| Haugh &<br>Tracey<br>(2004)   | Businesses that trade for a social purpose. They combine innovation, entrepreneurship and social purpose and seek to be financially sustainable by generating revenue from trading. Their social mission prioritizes social benefit above financial profit, and if and when a surplus is made, this is used to further the social aims of the beneficiary group or community, and not distributed to those with a controlling interest in the enterprise (p. 347) |
| Hartigan<br>(2006)            | A business to drive the transformational change. While profits are generated, the main aim is not to maximize financial returns for shareholders but to grow the social venture and reach more people in need effectively. Wealth accumulation is not a priority - revenues beyond costs are reinvested in the enterprise in order to fund expansion (p. 45)  |
| Korosec &<br>Berman<br>(2006) | Organizations that develop new programs, services, and solutions to specific problems and those that address the needs of special populations (p. 449). Examples are Medbank, and North Greenwood Health Resource Center  |
| Haugh (2006)                  | Social enterprise adopt one of a variety of different legal formats but have in common the principles of pursuing business-led solutions to achieve social aims, and the reinvestment of surplus for community benefit. Their objectives focus on socially desired, nonfinancial goals and their outcomes are the nonfinancial measures of the implied demand for and supply of services (p. 184)   |

|                            |   |
|----------------------------|---|
| Hockerts (2006)            | Social purpose business ventures are hybrid enterprises straddling the boundary between the for-profit business world and social mission-driven public and nonprofit organizations. Thus they do not fit completely in either sphere (p. 145)   |
| Thompson & Doherty (2006)  | Social enterprises - defined simply - are organizations seeking business solutions to social problems (p. 362)  |
| Pheby (2007)               | Social enterprise is something which is socially led, with a market orientation that is designed to achieve a surplus for sustainability but is rooted within the community (p. 80)   |
| Haugh (2007)               | Nonprofit social ventures pursue economic, social, or environmental aims, generating at least part of their income from trading. They fill market gaps between private enterprise and public sector provision, and increasingly, policy makers consider them to be valuable agents in social, economic, and environmental regeneration and renewal (p. 161) |
| Parkinson & Howorth (2008) | Social enterprise involves taking a business-like, innovative approach to the mission of delivering community services (p. 285)   |

**Table 3. Summary of Social Enterprise Definitions**

Definitions of social entrepreneurship from tables provided above can be broadly categorized as focusing on two broad factors: mission and outcome, and operating sector.

### *Mission and Outcome:*

One of the main focuses of the definitions in the literature, and an element that is highly agreed on is the mission and outcome of the social entrepreneurial activity. Dixon and Clifford (2007, p. 341) emphasize the significance of an organization's mission, arguing that the mission "acts a lodestar for determining the company's overall direction and its culture". Researchers define the social entrepreneurship primary mission and outcome as solving social problems leading to creating social value or some offshoot of social value. On review of the definitions, it is seen that many researchers lay emphasis on the social value being created or some derivative of social value, therefore such emphasis focuses the definition of social entrepreneurship on the outcome of the social entrepreneurial activity.

### *Operating Sector:*

Another focus of the literature in the definitional landscape is the sector in which the social enterprise operates including its resulting processes. Some researchers situate social entrepreneurship solely in the non-profit sectors, while others argue that the process can be found in the for-profit sector, yet still, some suggest that most social entrepreneurial activities occur within hybrid set-ups of both non-profit and for-profit forms. This is discussed in more detail in following sections.

A diagrammatic construct of social entrepreneurship was introduced by Massetti (2008), which relates the mission of social enterprises to profit

requirements. This is seen in figure 3. The matrix shows the interaction between the "social entrepreneurial, mission-orientation continuum with the social business, profit-requirements continuum" (Masseti, 2010, p. 8). Quadrant I, II, III, and IV represent the traditional not-for-profit, the tipping point quadrant, the transient organization, and the traditional business respectively.



**Figure 3. Massetti's Social Entrepreneurship Matrix**  
**Source: Massetti (2010, p. 4)**

On the other hand, researchers like Dees and Elias (1998) consider social enterprises as existing on a continuum between purely charitable and purely commercial. Dees (1998a) argues that social entrepreneurship can take on different forms, including not-for-profit ventures and social purpose business ventures e.g. for-profit community development banks and hybrid organizations having both not-for-profit and for-profit elements. Dees (1998a)

describes on a spectrum the variations in social enterprises, suggesting these social enterprises exist on a continuum from purely philanthropic activity (non-profit) to purely commercial activity (for-profit) shown in figure 4. Most social enterprises are hybrid organizations, combining both non-profit and for-profit purposes and methods.

|                                    |               | Purely Philanthropic                                 | ←————→  | Purely Commercial  |
|------------------------------------|---------------|--|---|--|
| <b>Motives, Methods, and Goals</b> |               | Appeal to goodwill<br>Mission driven<br>Social value | Mixed motives<br>Mission and market driven<br>Social and economic value | Appeal to self-interest<br>Market driven<br>Economic value |
| <b>Key Stakeholders</b>            | Beneficiaries | Pay nothing  | Subsidized rates, or mix or fill payers and those who pay nothing       | Market-rate prices   |
|                                    | Capital       | Donations and grants                                 | Below-market capital, or mix of donations and market-rate capital       | Market-rate capital  |
|                                    | Workforces    | Volunteers   | Below-market wages, or mix of volunteers and fully paid staff           | Market-rate compensation                                   |
|                                    | Suppliers     | Make in-kind donations                               | Special discounts, or mix of in-kind and full-price donations           | Market-rare prices   |

**Figure 4. Dees Social Enterprise Spectrum**

**Source: Dees (1998a, p. 60)**

Considering the definitions of social entrepreneurship in the literature, some well known examples of social entrepreneurial activities from around the world have been identified, including Grameen Bank, legally a for-profit institution founded in 1976 by Muhammad Yunus, which is a micro-credit lending agency in Bangladesh providing small loans to the poor who are unable to meet the requirements for credit from standard lenders. Another example is the Big Issue Magazine, which is a general-interest magazine sold by homeless people as the vendors, whereby the homeless people become independent business people supported by the profits they make on the sale of the magazine. A third example is the Aravind Eye Hospital, founded by Dr. Venkataswamy in India in 1976, is a

hospital that offers eye services and cataract surgery at a significantly small fraction of the cost of the same services in developed countries. Three brief case studies are discussed below.

- **Grameen Bank Case Study**

Grameen Bank is a Nobel Peace Prize-winning microfinance organization that was started by Nobel Laureate Professor Mohammad Yunus in 1976 for the Bangladeshi poor as an action research project. Following the successful performance of the project, it was then transformed into an independent bank by government legislation in 1983. The bank is a microfinance institution and community development bank that extends loans to small households in order to make their economic life better and raise their standard of living. Believing that the poor are not poor by any fault of their own, but that they are so because they are not given enough opportunities to utilize their expertise and get benefit from the opportunities that come their way, the bank was established as a way to help the poor who have a lot of potential but do not have enough resources to utilize their potential.

There are several strategies that are used by Grameen Bank to achieve its objectives, which involve using various eye-catching schemes for the youth as well as women, and at the same time providing training to people who were from disadvantaged societies. When it comes to offering loans, the bank ensures that all borrowers are members of the bank who have to follow a 16 points code

of conduct, known as 'sixteen decisions', to aid in bringing about solidarity among the people. The bank works with the idea that if the farmers and rural people are provided credit on favorable terms, they can reap innumerable profits using their potential.

Grameen Bank is known to target women, whereby 97% of Grameen Bank's members are women, particularly because the women do not tend to have ample opportunities of self-actualization. The bank aims to make getting loans for women easier, as prior to the establishment of Grameen Bank, this was a great difficulty for this group. The bank provides women with capital so that they can start home businesses, support their families, and provide their children basic facilities like health, education, and better living environments. That said, the provision of capital has not been the only service that the bank renders for the uplift of poor, but it also provides them guidance about starting their businesses. The bank also provides them with readymade business feasibility plans, at no cost, in order to transform the financial health of these businesses. Doing this is aimed at making things easier for their clients as most lack the necessary expertise to develop good business plans so that they can utilize the credit provided to them efficiently.

Through its mobile service called Grameen Phone launched in 2004, another strategy that has been used to alleviate poverty for rural women was to provide these women credit and capital to start village payphone services through which the women are able to earn their livelihood and achieve financial

independence. For this service, women are motivated to buy a phone, and are given incentives to provide wireless payphone service in rural areas. These women are provided with incentives such as concessional loans, credit for phone, and maternity benefits. As a result, with over 55,000 phones in operation, over 80 million people have benefited from this service. This program received plaudits from many international institutions and it also reduced communication barriers for people who were living in villages and did not have enough resources to stay in contact with their dear ones in other areas.

Financially, Grameen Bank is the most successful bank in the history of Bangladesh and its microfinance model is being followed in more than 43 countries now. Its founder, Professor Muhammad Yusuf, is now well recognized as an efficient strategist, who brought land reforms, social reforms, educational reforms as well as cultural reforms in the Bangladeshi rural society in particular. The socio economic impacts of Grameen Bank are huge and it has received many appreciations on its strategies to reduce poverty and making the people financially strong and empowered. Now Grameen Bank has won a Nobel Prize as well, because it has played a vital role in the progress of Bangladesh.

- **The Big Issue Case Study**

The Big Issue is a magazine based organization, which was found in 1991 by John Bird and Gordon Roddick. The Big Issue is a street newspaper that is

published in four continents of the world and is written by professionals, who have vast experience in the field of journalism, and then sold by homeless people who do not have any source of income to support themselves. In particular, marginalized or other needy people, who can somehow become homeless, are eligible to apply for vendorship. This social enterprise was established as a response to the increasing numbers of homeless people in London, whereby John Bird came up with the idea to offer a sustainable source of income to this group of people. Hence the basic idea behind the Big Issue is to provide homeless people employment opportunities and a legitimate source of income.

In starting up the social enterprise, initial capital of the equivalent of \$50,000 was received from The Body Shop UK. The magazine began publishing on a monthly basis, but following the success of the scheme, the project was expanded to the entire United Kingdom, and by 1993, had become a weekly publishing. As one of Big Issue's multifarious standing and operational strategies to achieve its objectives, it focuses on commercial revenue, which comes through ads and publicity. The magazine targets the advertisers who want to reach their target audience via an effective media vehicle, charging premium rates to put out advertisements. The editor and founder of Big Issue, John Bird has maintained a corporate-like strategy, however, the thrust of the strategy is on social change for homeless people so that there is a visible change in the financial condition of these people. The strategies that Big Issue adopts are effective in generating revenue for the newspaper as well as those homeless

people who work as Big Issue vendors, and overall, the cornerstone of Big Issue's strategy is providing this group of people with an income, as earning an income is a big leap towards stability and financial freedom.

While the social enterprise has faced challenges from increased competition and reduced sales figures, Big Issue has helped a lot of people to change their lives and gain financial independence over the years. Many homeless people have found a sustainable source of income in order to earn a legitimate livelihood. With the slogan of Big Issue being "put your hand up and not a hand out", many people have regained their self-respect by earning an income by virtue of their hard work not because of any charity.

- **Divine Chocolate Case Study**

Divine Chocolate is a chocolate manufacturing company and a farmer owned social enterprise that is aimed at improving the financial health of cocoa farmers of West Africa. The company was established in 1998 when its shares were owned by three entities - Fairtrade NGO Twin Trading, Kuapa Kokoo Farmers' Cooperative, and international trader Body Shop International with the proportion of 52%, 33% and 14 % respectively. Following the distribution of Body Shop's shares as an act of social enterprise to Kuapa Kokoo in 2006, and Oikocredit also getting involved, Divine Chocolate is now owned by Kuapa Kokoo Cocoa which has 45% shares of the company, 43% shares are held by Twin Trading based in UK, and 12% are owned by Oikocredit which is a

microfinance institution based in Holland. The social enterprise set-up has been created in this way so that the cocoa farmers who supply the raw material for Divine Chocolate are guaranteed to receive a fair pricing of their produce. One of the main objectives of this social enterprise is to provide share capital to farmers, as a way of providing financial security. Divine Chocolate is bringing great change through its fair trade concept. With Kuapa Kokoo Cocoa cooperative running successfully in Ghana, many people have been opportuned to gain employment as a direct result of Divine Chocolate's initiative, and also the living standards of the farmers have been improved. The farmers are getting good returns for their investment and hard work, and are attaining financial independence as well as being empowered.

As a social enterprise, Divine Chocolate had made a considerable difference in Ghana's farmer community with its concept of fair trade chocolate manufacturing. Last year's returns for the company exceeded \$100 million in revenue, and the company processed over 40k tons of cocoa. Kuapa Kokoo itself indeed has been a great success, growing from 2,000 members from 22 villages, to 45,000 members from 1,200 villages.

#### **2.2.1.1 Who is a Social Entrepreneur?**

One of the broadest definitions of a social entrepreneur is by Dees (1998b, p. 4) which is stated as follows:

*Social entrepreneurs play the role of change agents in the social sector, by:*

- *Adopting a mission to create and sustain social value (not just private value),*
- *Recognizing and relentlessly pursuing new opportunities to serve that mission,*
- *Engaging in a process of continuous innovation, adaptation, and learning,*
- *Acting boldly without being limited by resources currently in hand, and*
- *Exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created.*

Dees (1998b) identifies social entrepreneurs as a special breed of leaders, arguing that social entrepreneurs will aid in sourcing new avenues for social improvement. In the public domain, social entrepreneurs, by drawing together resources to solve social issues, are able to set and reset social and public policy agenda (Waddock & Post, 1991). Other researchers like Martin and Osberg (200, p. 397) suggest that a social entrepreneur is “someone who targets an unfortunate but stable equilibrium that causes the neglect, marginalization, or suffering of a segment of humanity; who brings to bear on this situation his or her inspiration, direct action, creativity, courage, and fortitude; and who aims for and ultimately affects the establishment of a new stable equilibrium that secures permanent benefit for the targeted group and society at large”. Bacq and Janssen (2011) describe a social entrepreneur as “an individual whose main objective is not to make profits but to create social value for which he/she will adopt an entrepreneurial behavior” (p. 381).

Dees (1998b) sought to gain an insight into what social entrepreneurship means by understanding first the history of the origins of the word 'entrepreneur' and the theories of entrepreneurship, eventually being able to clearly differentiate between business entrepreneurs and social entrepreneurs. Other researchers have also attempted to clearly differentiate between social entrepreneurs and business entrepreneurs (Acs, Boardman, & McNeely, 2013; Lumpkin, Moss, Gras, Kato, & Amezcuca, 2013; Dacin, Dacin, & Tracey, 2011; Ridley-Duff, 2008; Peredo & McLean, 2006). This differentiation of the two entrepreneurs is highlighted in Thompson's (2002, p. 143) definition of a social entrepreneur, where he suggests that social entrepreneurs are "people with the qualities and behaviors we associate with the business entrepreneur but who operate in the community and are more concerned with caring and helping than with making money". Overall, one is able to distinguish commercial entrepreneurs from social entrepreneurs, as commercial entrepreneurs are driven by profits (Schumpeter, 1942; Kirzner, 1979) whereby wealth creation is a way of measuring value creation, while on the other hand, social entrepreneurs have a fundamental social mission and are driven by social value creation, whereby wealth creation is a means to an end (Santos, 2012; Dees 1998b). This is why some researchers have suggested that social entrepreneurship is distinct from commercial entrepreneurship, as their goals and their missions are fundamentally different (Lumpkin et al., 2013; Austin, Stevenson, & Wei-Skillern, 2006). In conceptualizing social entrepreneurship and the social entrepreneur, Dees (1998b, p. 6) highlights that the same way not

every business leader is an entrepreneur, so also, “not every social sector leader is well suited to being entrepreneurial”.

When it comes to the use of the term ‘social entrepreneur’, it is important to note that, to some extent, the term is viewed differently in different contexts. For example, in the United States, the term is usually associated with a specific individual, while in Europe, a defining feature of the concept is more of the idea of ‘collective entrepreneurship’ (Peattie & Morley, 2008). In promoting the role of the ‘individual’ as accepting big business solutions, commonly seen in the US context is the use of words such as passionate, heroic, dynamic, and bold to describe the characteristics of these social entrepreneurs (Thompson, 2002; Dees & Anderson, 2006; Austin et al., 2006). That being said, this ideology is not solely limited to the US, as some organisations in the UK such as UnLTD and Social Enterprise Coalition also see the social entrepreneur as the key leader of the social enterprise whereby the solution to addressing social issues is found in social entrepreneurs. This is different from the ‘collectivist’ perspective, which instead emphasizes group activity, and suggests that as opposed to a single individual being the medium through which social value is created, it is instead a collective effort (Westall, 2007; Crutchfield & Grant, 2008; Martin & Osberg, 2007). As simply captured by Gartner et al. (1994, p. 6), “the ‘entrepreneur’ in entrepreneurship is more likely to be plural”.

Focusing on the social entrepreneur as the ‘heroic’ individual has received increased criticism for not painting a true picture of social entrepreneurship, as

it does not acknowledge the role of collective efforts seen in practice (Hosking and Morley, 1991; Light, 2008; Short et al., 2009; Huybrechts & Nicholls, 2012). According to Goldstein et al. (2008), this view hinders theoretical development, as failure to move beyond the 'heroic' individual means other factors responsible for creating social change are overlooked. As suggested by Stumbitz (2013, p. 74), "the presentation of social entrepreneurs as high achieving 'heroes' does not do justice to the diversity of the group and the variety of the activities involved and their varied impacts". Researchers such as Amin (2009) and Spear (2006) argue that success in social enterprises is a team effort, rather than individual, with Amin's (2009) ethnographic study of social enterprises in Bristol, UK, revealing that the key individuals within these social enterprises are experienced social economy actors, i.e. directors who answer to a board of trustees or management board and are therefore "rarely solely responsible for the success of the organization" (Amin, 2009, p. 10). This is similar to the findings of Bridge et al. (2009) who suggest that rather than focusing on a single individual, the key lies in developing teams, with Leadbeater (2007, p. 7) arguing that "focus needs to shift to what social enterprises can achieve, together and with other players, measuring their impact more accurately".

A summary of the variety of definitions in management and entrepreneurship is provided in table 4 from 3\* and 4\* academic journals.

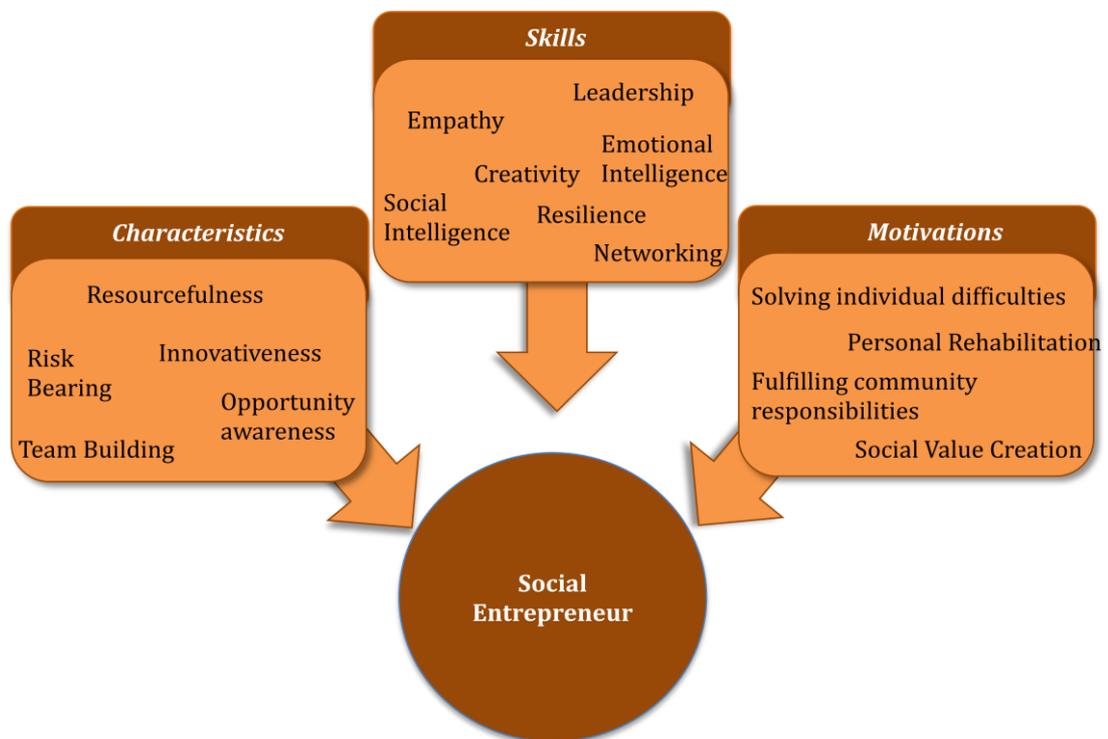
| Author                  | Social Entrepreneur Definition  |
|-------------------------|---|
| Waddock & Post (1991)   | Social entrepreneurs are private sector citizens who play critical roles in bringing about "catalytic changes" in the public sector agenda and the perception of certain social issues. Although not involved in direct actions to solve public problems, their work sets the stage and context for policy making and policy implementation activities (p. 393) |
| Prabhu (1999)           | Social entrepreneurial leaders are persons who create and manage innovative entrepreneurial organizations or ventures whose primary mission is the social change and development of their client group (p. 140)   |
| Drayton (2002)          | Social entrepreneurs focus their entrepreneurial talent on solving social problems...First, there is no entrepreneur without a powerful, new, system change idea. There are four other necessary ingredients: creativity, widespread impact, entrepreneurial quality, and strong ethical fiber (p. 123)   |
| Thompson (2002)         | People with the qualities and behaviors we associate with the business entrepreneur but who operate in the community and are more concerned with caring and helping than with making money (p. 413)   |
| Hartigan (2006)         | Entrepreneurs whose work is aimed at progressive social transformation (p. 45)  |
| Korosec & Berman (2006) | Social entrepreneurs are defined as individuals or private organizations that take the initiative to identify and address important social problems in their communities (p. 448)   |
| Light (2006)            | A social entrepreneur is an individual, group, network, organization, or alliance of organizations that seeks   |

|                               |   |
|-------------------------------|---|
|                               | sustainable, large-scale change through pattern-breaking ideas in what or how governments, nonprofits, and businesses do to address significant social problems (p. 50)   |
| Sharir & Lerner (2006)        | The social entrepreneur is acting as a change agent to create and sustain social value without being limited to resources currently in hand (p. 3)  |
| Martin & Osberg (2007)        | The social entrepreneur should be understood as someone who targets an unfortunate but stable equilibrium that causes the neglect, marginalization, or suffering of a segment of humanity; who brings to bear on this situation his or her inspiration, direct action, creativity, courage, and fortitude; and who aims for and ultimately affects the establishment of a new stable equilibrium that secures permanent benefit for the targeted group and society at large (p. 39) |
| Parkinson & Howorth (2008)    | Social entrepreneurs are expected to combine entrepreneurial flair with a commitment to giving something back to the community (p. 285)   |
| Bloom & Chatterji (2009)      | Social entrepreneurs are individuals who start up and lead new organizations or programs that are dedicated to mitigating or dominating a social problem, deploying change strategies that differ from those that have been used to address the problem in the past (p. 114)  |
| Dacin, Dacin, & Matear (2010) | An actor who applies business principles to solving social problems (p. 44)   |
| Miller & Wesley II (2010)     | Social entrepreneurs identify opportunities to address an underserved social market or to provide services in a different and/or more efficient manner to affect a community in a positive way (p. 707)   |

|                       |  |
|-----------------------|--|
| Bacq & Janssen (2011) | A social entrepreneur is an individual whose main objective is not to make profits but to create social value for which he/she will adopt an entrepreneurial behavior (p. 381) |
|-----------------------|--|

**Table 4. Summary of Social Entrepreneur Definitions**

From the literature focusing on social entrepreneurs, three different factors emerge – the motivations, characteristics, and skills of the social entrepreneur.



**Figure 5. Social Entrepreneur Characteristics, Skills, and Motivations**

Characteristics:

In terms of the characteristics of the social entrepreneur, researchers have highlighted elements such as motivation, opportunity recognition, and also resource acquisition abilities, as what defines the social entrepreneur (Tan,

Williams, & Tan, 2005; Light, 2009). More specifically, Drayton (2002) highlighted traits of creativity and strong ethical fiber; Mort, Weerawardena, and Carnegie described traits of risk taking and passion for social value creation; Hartigan (2006) mentions traits of innovativeness, resourcefulness, and opportunity awareness; and Korosec and Berman (2006) highlight traits of entrepreneurial spirit, opportunity recognition, team playing and team leading skills. A key thing highlighted in the characteristics of social entrepreneurs is the aforementioned entrepreneurship themes of innovative abilities, opportunity exploiter, risk bearer, and resourcefulness.

*Skills:*

As part of the skills highlighted in the literature, a combination of people with leadership skills and people with innovative ideas is advisable for the purpose of advancing social entrepreneurship (Thompson, Alvy, & Lees, 2000). Hence, in such a changing policy environment, both managerial and entrepreneurial skills are key skills that should exist within a social entrepreneurship setting. Another key skill for being able to operate a social enterprise is networking skills (Alvord, Brown, & Letts, 2004; Sharir & Lerner, 2006). Alvord et al. (2004) suggest that such networking skills in social entrepreneurs are essential for building and managing relationships with stakeholders, who are a big part of the social enterprise environment, while Sharir and Lerner (2006) highlight networking skills as necessary conditions for the success of a social venture.

It is interesting to note here that the discourse around the significance of networks for entrepreneurs, and social entrepreneurs alike, has helped challenge the notion of the entrepreneur being the 'heroic' individual. As suggested by Korsgaard (2011, p. 669), "the individual human actor is powerless without the agency of others. The single individual contributing all agency from start to finish in the process is an illusion, as the agency of the actor is an effect of the network in which he is embedded". This concept of networking moves entrepreneurship from being viewed as individualistic to more of a collective phenomenon (Conway & Jones, 2006; Johannisson, 2000; Casson & Della Giusta, 2007). This is seen in the popularly cited example of UK entrepreneur James Dyson in Conway and Jones (2006, p. 305-306):

"At one level Dyson illustrates the traditional viewpoint that sees entrepreneurs as 'heroic' individuals who achieve success as a result of their motivation, persistence and hard work. However, a closer reading of Dyson's autobiography, *Against the Odds* (Dyson, 1997), reveals that at crucial stages in all of his business ventures he made extensive use of his wide and diverse social network. The autobiography, for example, highlights the important contribution of Dyson's personal network to his access to finance, legal advice, social and emotional support, marketing and public relations services, as well as to talented young design engineers".

Hence, long-term co-operation is seen to contribute to the success of social enterprises (Sharir & Lerner, 2006), with Haugh (2007) suggesting that the

creation of networks precede the formal creation of the venture itself. Also, Sharir and Lerner (2006) suggest experience in managing an enterprise as a success variable.

Although it is apparent that these skills are very similar to commercial entrepreneurs, as most of these skills are core entrepreneurial skills, some researchers such as Sherman (2011), after considering curriculums that teach social entrepreneur skills and also studying social innovators, include empathy, social intelligence, and emotional intelligence as skills that are required for social entrepreneurs to succeed, which are not necessarily required in traditional entrepreneurship arenas. Sherman (2011) explains that in regards to empathy, social entrepreneurs are able to put themselves in the shoes of others, which allows them to better understand the needs of those whom they serve, while social and emotional intelligence allows the social entrepreneur connect with others and build strong relationships.

*Motivations:*

Sharir and Lerner (2006) investigates the common and distinctive motives between social entrepreneurs and commercial entrepreneurs, arguing that in common with commercial entrepreneurs, things such as achievement, occupational independence, and self-fulfilment drive social entrepreneurs. On the other hand, motives that are unique to social entrepreneurs, in comparison to commercial entrepreneurs, include seeking solutions to individual difficulties, personal rehabilitation, and fulfilling community responsibilities by

solving social problems. The different definitions that highlight the motivations of the social entrepreneur show that things such as creating social and economic value, the desire to innovate, etc, motivate them. Although from the literature it is observed that these motivators are built upon from other forms of entrepreneurship, therefore, researchers such as Mair and Marti (2006) show some skepticism about researchers being able to differentiate among these different forms of entrepreneurship from these broadly referenced motivating factors.

#### **2.2.1.2 Themes of Social Entrepreneurship**

Similar to the identified themes in the entrepreneurship literature, the four broad themes of opportunity, risk, innovation, and resourcefulness are seen to emerge in the social entrepreneurship literature as well.

##### *Opportunity:*

Within the social entrepreneurship literature, opportunity identification has been described as an activity carried out by social entrepreneurs to actively seek opportunities for social value creation (Weerawardena & Mort, 2006). Mair and Marti (2009, p. 419) describe opportunities within social entrepreneurship as institutional voids, which are “situations where institutional arrangements that support markets are absent, weak, or fail to accomplish the role expected of them”. These opportunities can emerge by means of necessity or from the social entrepreneurs vision (Thompson et al.,

2000). Weerawardena and Mort (2006) argue that the social mission of the venture, environmental dynamics, and organizational sustainability influence this process of identifying and evaluating opportunities. Even though on a conceptual level opportunities may seem similar in both commercial and social entrepreneurship, in practice, "the opportunity dimension...is perhaps the most distinct owing to fundamental differences in missions and responses to market failure. Commercial entrepreneurship tends to focus on break-throughs and new needs, whereas social entrepreneurship often focuses on serving basic, long-standing needs more effectively through innovative approaches" (Austin, Stevenson, & Wei-Skillern, 2006, p. 27). Social enterprises and social entrepreneurs are also involved in actively seeking market opportunities to create social value for both existing and potential clients, but considering the resource constraints of social enterprises, they are compelled to tread cautiously, especially in the early stages (Weerawardena & Mort, 2006).

*Risk:*

Although risk is a large part of entrepreneurship, and consequently social entrepreneurship, only a few studies have addressed the element of risk in the social entrepreneurship arena. From the Weerawardena and Mort (2006) framework, along with innovativeness and proactiveness, risk management is also considered as one of the three core behavioural dimensions. Social entrepreneurs operate with the awareness that the sustainability of the venture is very much on their own efforts (Vidal, 2005), thereby being very aware of the risks involved. Social enterprises also face challenges in terms of managing risk,

whereby, compared to commercial entrepreneurs who have access to various sources of funding, social entrepreneurs are more limited in terms of fund generation and therefore usually assess risks before committing resources. According to Weerawardena and Mort (2006, p. 29), social entrepreneurs operating in the non-profit social enterprise context are mostly constrained in raising funds, therefore, managing the risks involved in sustaining the enterprise becomes a vital operational activity, arguing that "the key decision maker will not undertake any project without ascertaining the cost involved, irrespective of the social value that will be generated by the project".

*Innovation:*

Innovation in the social entrepreneurship arena is also considered as an important element of social entrepreneurial activity. Within social enterprise sector, as a result of increasing competition, these organizations are becoming more innovative in their activities to create social value (Weerawardena & Mort, 2006; McDonald, 2007), they too are forced to place great emphasis on innovation in their activities to create social value, including in areas of their funds raising activities. Weerawardena & Mort (2006, p. 28) found in their studies of social entrepreneurial NFPs that not only do these organizations display high levels of innovativeness in making decisions, but "they also actively pursue innovation in all aspects of service delivery". According to McDonald (2007), innovation can be related to the mission of the social venture, with McDonald suggesting that the mission influences the development and

adaptation of innovations, whereby the organizations that are mission driven are expected to develop and adopt innovations faster than competitors.

Social entrepreneurs such as Bill Drayton consider social entrepreneurship to be more about innovation and impact, and not income. According to Dees (2003, p. 1), "any form of social entrepreneurship that is worth promoting broadly must be about establishing new and better ways to improve the world. Social entrepreneurs implement innovative programs, organizational structures, or resource strategies that increase their chances of achieving deep, broad, lasting, and cost-effective social impact". He suggests that "by embracing a definition of social entrepreneurship that focuses on innovation and impact, we can assure that social objectives are taken seriously in the entrepreneurial process" (p. 1).

Resources:

Entrepreneurship literature suggests that commercial entrepreneurs refuse to be limited or confined by a lack of resources when pursuing their objectives or goals, but instead, they find creative ways tackle such obstacles. In the social entrepreneurship arena, social enterprises and social entrepreneurs usually operate in resource-scarce environments, but just like the commercial entrepreneurs, they also refuse to enact to limitations. This is corroborated in the social entrepreneurship literature with Dees (1998b, p. 4) suggesting that "social entrepreneurs act boldly without being limited by resources currently in hand", with Peredo and McLean (2006, p. 56) suggesting also that "social

entrepreneurs decline to accept limitations in available resource". In agreement with the fact that the entrepreneurial process is not a set process in any way (Mair & Marti, 2009), terms such as 'bricolage' and 'making do' have become common place within the social entrepreneurship literature. Mair and Marti (2009, p. 431) describe this exploitation of opportunities as "the continuous combination, re-combination and re-deployment of different practices, organisational forms, physical resources, and institutions."

Although there are similarities in human and financial resources across social entrepreneurship and commercial entrepreneurship, there are also differences in the nature of these resources, mostly as a result of difficulties in resource mobilization in the social entrepreneurship arena. As highlighted by Austin et al. (2006, p. 12), while these similarities in the resources required for success exist, social entrepreneurs "are often faced with more constraints: limited access to the best talent; fewer financial institutions, instruments, and resources; and scarce unrestricted funding and inherent strategic rigidities, which hinder their ability to mobilize and deploy resources to achieve the organization's ambitious goals".

Some past studies in social entrepreneurship have focused on resource mobilization and the resource-constrained environment in which social entrepreneurs and social enterprises operate in. The research approach in this area has been mostly case studies, studying how resources are acquired and made the most of in meeting the desired objectives. Through a multiple

embedded case study of eight UK social enterprises, Di Domenico et al. (2010) conducted individual case study analysis and cross-case comparison, the researchers found that the ability to make use of available resources and recombine them for new purposes is vital in creating social value and attaining financial sustainability.

Personal credibility is also seen to play a role in how resources are acquired, as social entrepreneurs leverage their personal credibility, going further to build helpful networks, to gain access to necessary resources (Thompson 2002, Sharir & Lerner 2006). Also, Waddock and Post (1991) suggest that as social entrepreneurs draw together resources through networks, and by getting other individuals and organizations involved, they create long-term change through the changed public attitudes and increased awareness of social problems, thereby leveraging the impact of their own efforts. Using content analysis, Sharir and Lerner (2006) studied 33 non-profit social ventures founded in Israel and started by individuals acting independently of their organizations. From the study, they suggested that eight variables are found to contribute to the success of social ventures, with social network being of highest value.

### **2.2.1.3 Distinguishing Social Entrepreneurship**

Adding to the existing complicacies of being able to narrow down what social entrepreneurship is from the differing definitions and descriptions, various terms are also being used to describe similar activities such as civic

entrepreneurship (Henton, Melville, & Walesh 1997), social purpose enterprise (Wallace, 1999), hybrid ventures (Katre & Salipante, 2012; Wilson & Post, 2013; Lepoutre et al., 2013), social enterprise (Cannon, 2000), for-profit social venture (Dees & Anderson, 2003), community based enterprise (Somerville & McElwee, 2011), more-than-profit (Ridley-Duff, 2008), community wealth venture, venture philanthropy, and caring capitalism. Although some of these terms refer to social entrepreneurship whereby one prominent commonality that is shared amongst researchers is the 'problem-solving to add social value' element, others are slightly different from what has been termed social entrepreneurship.

A closely related concept to social entrepreneurship, which is at times mistaken to be the same thing as social entrepreneurship, is the concept of Corporate Social Responsibility. CSR is defined as "the economic, legal, ethical, and philanthropic expectations placed on organizations by society at a given point in time" (Carroll & Buchholtz, 2000, p. 35). The term is used to describe the integration of social and environmental issues into the operations and goals of organizations. Over the years, as companies continued to grow larger and became more influential all around the world, their operations were seen to have a growing impact on various societies. Multinational companies have been expected to follow the legal and ethical standards in the different countries they operated in, with additional pressure from other interest groups such as NGOs and investment funds to act responsibly in the various societies. This pressure

gave rise to concepts such of Corporate Social Responsibility (CSR) and the Triple Bottom Line (TBL).



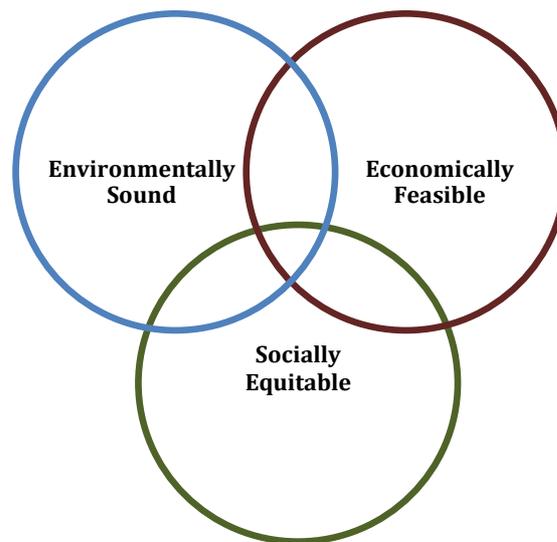
**Figure 6. The Pyramid of Corporate Social Responsibility**

One of the more widely acknowledged CSR models is Carroll's CSR model which is based on four key dimensions: Economic, Legal, Ethical, and Philanthropic (figure 6). The economic dimension is the foundation upon which all other dimensions rest. The economic component suggests that a company's first responsibility towards society is ensuring the business runs well as an economic unit which involves elements such as performing efficiently to be consistently profitable, return on investment for shareholders, maintaining a strong competitive position, and providing fair employee salaries. The legal component refers to the importance of meeting legal requirements of

government and the law. It is of essence that an organization fulfills its legal obligations as a legal framework promotes society's ethical view. The ethical dimension of the CSR model refers to a company's responsibilities, which are neither economical nor legal requirements, but instead are considered as what is seen to be right or fair by society. Hence it is important for companies to act morally and ethically. The final level of the CSR pyramid is the philanthropic component, which involves the willingness of organizations to improve the quality of living for their stakeholders. This is a voluntary decision by the organization and can be achieved through things such as charitable donations and activities.

A commitment to corporate social responsibility entails some form of commitment to what is known as the Triple Bottom Line. John Elkington is well known for being the one who first coined the phrase "the triple bottom line" in 1994, a phrase that was brought to a wider audience in his 1997 book, *Cannibals with Forks*. Elkington's argument was that it is in the interest of organizations to attend to the economy, society, and environment, hence having three different bottom lines: a 'profit account' bottom line, a 'people account' bottom line, and a 'planet account' bottom line. The corporate profit bottom line represents the traditional profit and loss account, while a company's people account shows in some form of measure the company's socially responsible operations. The third account, 'planet account', then presents how environmentally responsible the company has been. Hence, the triple bottom line of profit, people, and planet, aims to measure/represents the financial,

social, and environmental performance/alignment of an organization over a period of time. As what you measure is what you are likely to pay attention to, the growth in the awareness and use of the triple bottom line has seen companies re-examine some of their policies and keep a closer eye on their social and environmental impact as well as their economic performance.



**Figure 7. The Triple Bottom Line**

When it comes to comparing and contrasting social enterprises nationally and internationally, this too has its difficulties as social enterprises adopt various legal forms and operate by different legal frameworks, responsibilities, and duties in different countries (Noruzi, Westover, & Rahimi, 2010). Contributing to the confusion and lack of agreement on a definition for social entrepreneurship and social enterprise is the fact that the phenomenon has also evolved differently in different parts of the world (Kerlin, 2010; Teasdale, 2012). For example, in the US, the term 'social' typically refers to "external purpose rather than internal dynamics, that is, what an organisation does

rather than how it does it”, while in Europe, the concept of social enterprise emerged from a more collective tradition, in the form of cooperatives, where the term ‘social’ suggested collective ownership of an enterprise (Teasdale, 2012, p. 102). Similar ambiguity is also present in defining boundaries of social enterprise in different contexts, as illustrated here. According to the EMES network, social enterprises can be defined as “organisations with an explicit aim to benefit the community, initiated by a group of citizens and in which the material interest of capital investors is subject to limits. They place a high value on their independence and on economic risk-taking related to ongoing socio-economic activity” (EMES, 2012). This definition of social enterprise can be said to be inclusive, as it alludes to different forms of organizations, but that being said, the types of organizations that are viewed as social enterprises is context dependent. For example, Bridge et al. (2009) suggest that cooperatives, foundations, associations, and mutual societies, are not considered as social enterprises in the European approach. So although these organizational forms are a central part of the social economy and indeed share similar characteristics with social enterprises, they are not categorized as social enterprises. On the other hand, within the US and UK approach, cooperatives, foundations, associations, and mutual societies, are viewed as some of the different forms of social enterprise. This is one of the reasons why researchers have increasingly concerned themselves with the definitions and origins of various social enterprise terms (see *Understanding Social Enterprise: Theory and Practice*, by Ridley-Duff and Bull, which to date, is recognized as one of the best sources that

comprehensively looks at the origins of social enterprise i.e. historically, conceptually, and geographically).

| Distinctions            | American Tradition       |                          | European Tradition                          |  |
|-------------------------|--------------------------|--------------------------|---|--|
|                         | Social Innovation School | Social Enterprise School | EMES Approach                               | UK Approach                                  |
| Unit of observation     | Individual               | Enterprise               | Enterprise                                  | Enterprise                                   |
| Link mission – services | Direct                   | Direct / indirect        | Direct                                      | Direct / indirect                            |
| Legal structure         | No constraints           | Nonprofit                | Some constraints                            | No constraints                               |
| Innovation              | Prerequisite             | Not emphasized           | Not emphasized                              | Not emphasized                               |
| Profit distribution     | No constraint            | Constraint               | Limited constraint                          | Limited constraint                           |
| Earned income           | Not emphasized           | Prerequisite             | Not emphasized                              | Important                                    |
| Governance              | Not emphasized           | Not emphasized           | Multiple stakeholder involvement emphasized | Multiple stakeholder involvement recommended |

**Table 5. Distinctions between schools of thought on social entrepreneurship**

Source: Hoogendoorn, Pennings, and Thurik (2010, p. 7)

So while social entrepreneurship is evidently a global phenomenon (Nicholls, 2006), United States and Western Europe are the two regions that dominate academic discourse (Hoogendoorn, Pennings, & Thurik, 2010). According to Hoogendoorn et al. (2010), two geographical traditions evolved from these regions, spurring four approaches or schools of thought – the innovation school of thought, the social enterprise school of thought, the EMES (emergence of social enterprise in Europe) approach, and the UK approach. The main distinctions and commonalities of these different approaches to social entrepreneurship are presented in table 5.

As this research studies social enterprises based in the UK, a further look into social entrepreneurship in the UK context is discussed.

### **Social Entrepreneurship in the United Kingdom**

Social enterprises have been around in the UK for many years, dating as far back as the eighteenth century, as their origin stems from the cooperatives, mutual societies, and settlement movements of the time (BASSAC, 2002; BRASS, 2004), with Ridley-Duff (2008) suggesting that the root of the social enterprise movement in the UK is from the cooperative movement. So while cooperatives, community enterprises etc have existed for centuries, the term social enterprise has only gained popularity over the last twenty years (Peattie & Morley, 2008). In this time, there has been emphasis on the potential of the phenomenon to tackle social exclusion and deprivation, with a number of organizations having

both social and economic objectives offering products and delivering services to markets that had been largely ignored by the public and private sectors (Hines, 2005). In particular, it was with the election of the Labour government in 1997 that support of the social enterprise model became explicit (BRASS, 2004), whereby the policies of the New Labour Government of 1997 to 2010 aimed to build a bridge between the public and private sectors (Amin, Cameron, & Hudson, 2002; Bridge, Murtach, O'Neil, 2009). Social enterprises have been around in the UK for many years, dating as far back as the eighteenth century, as their origin stems from the cooperatives, mutual societies, and settlement movements of the time (BASSAC, 2002; BRASS, 2004), with Ridley-Duff (2008) suggesting that the root of the social enterprise movement in the UK is from the cooperative movement. So while cooperatives, community enterprises etc have existed for centuries, the term social enterprise has only gained popularity over the last twenty years (Peattie & Morley, 2008). Highlighted in Teasdale's (2012) research analysis of the development of social enterprise in the United Kingdom, between 1999 and 2010, it was seen that the progress around social enterprise has been influenced by the changes in policy emphasis, i.e. emphasis was placed on promoting different types of organisations at different times. It was seen that earlier on in the New Labour's Third Way approach, the concept of social enterprise included both the cooperative and community enterprise movement, which therefore placed social enterprise as a means to address existing market failures as well as restoring areas of decline within the country. Then between 2001 and 2005, the concept was broadened to include social businesses, by placing emphasis on the use of business ideas to solve social

issues, as social enterprise was then defined as “a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or community, rather than being driven by the need to maximise profit for shareholders and owners” (DTI, 2002). The next five years saw the concept expanded further to include the idea of earned income whereby more conventional businesses were promoted as avenues of creating social value. With these developments, and in agreement with Teasdale (2012), it is seen that the term ‘social enterprise’ is indeed becoming an all-encompassing label, with Peattie and Morley (2008, p. 7) highlighting that the term “includes a range of organisational types that vary in their activities, size, legal structure, geographic scope, funding motivation, degree of profit orientation, relationship with communities, ownership and culture”. According to Defourny and Nyssens (2010), this includes cooperatives, non-profits, and conventional businesses. Over the years these social enterprises have increasingly been used as a political tool by politicians as a strategy for drumming up votes (The Economist, 2005; Toynbee, 2006), with Teasdale (2012) also suggesting that the reason for this increased inclusiveness and expansion in the meaning of social enterprise was because various actors took on this language as a way of competing for policy attention and resources.

“Policy makers deliberately kept the definition loose to allow for the inclusion of almost any organisation claiming to be a social enterprise. This allowed them to amalgamate the positive characteristics of the different organisational forms,

and so claim to be addressing a wide range of social problems using social enterprise as a policy tool" (Teasdale, 2012, p. 99).

Following Labour's success at the 1997 general election, Mr Byers who was the then Secretary for Trade and Industry stated in a House of Commons Debate that "the government recognizes the important contribution and role that social enterprises play in the nation's economy, including helping to overcome problems of social deprivation' (House of Commons Hansard, 2000, in Mswaka, 2011). With their aim of supporting the growth of social enterprise across the UK, the Government, along with other key individuals from within the UK's third sector, framed social enterprise as including cooperatives, development trusts, fair trade organisations, trading arms of charities, and social businesses, hence, in the early days social enterprise was seen as "an amalgamation of alternative business types" (Somers, 2013).

Since this time, the concepts of social entrepreneurship and social enterprise have become a central part of the governments policy in tackling social exclusion, as it has been suggested that these concepts possess the potential to aid in the development of long needed solutions to difficult social issues, and "might be a sort of magic bullet for targeting social exclusion and reducing deprivation" (Bridge et al., 2009, p.16). Social enterprises are seen as able to deliver more personalized public services to those most in need, i.e. the most disadvantaged people, and are also able to apply innovative solutions more quickly and effectively than state bodies (Conservatives, 2010). Hence, the

coalition government proposed to commit to developing infrastructure required to facilitate the “creation and expansion of mutuals, cooperatives, charities and social enterprises, and enable these groups to have a much greater involvement in the running of public services” (HM Government, 2010, p. 29).

As part of their commitment to the idea of social business, central government established the Cabinet of the Third Sector in 2006, and also introduced the Community Interest Company (CIC) under the Companies (Audit, Investigations and Community Enterprise) Act 2004, which is a type of company or community oriented enterprise designed for social enterprises that aim to use their profits and assets for the public good.

According to the CIC Regulator

“CICs are a new type of limited company for people wishing to establish businesses which trade with a social purpose (social enterprises), or to carry on their activities for the benefit of the community... [These] CICs are being recognised more and more as an effective legal form for social enterprises. They are particularly attractive to those wishing to enjoy the benefits of limited company status [and] also want to make it clear that they want to be established for the benefit of the community rather than their member and do not wish to become charities”.

While many have lauded the development of social enterprise within the UK, not everyone is convinced that these developments in the social economy and the support that social enterprises are receiving are actually positive developments. According to a 2005 Framework report entitled '20 Years: Past and Future', a group of consultants described these developments as a "tyranny of innovation". They argued that new social entrepreneurship and social enterprise projects may take priority over the best projects and that the bottom line in the voluntary sectors will shift from 'are we having positive impact' to 'can we guarantee our ongoing existence'? (Thomas, 2005). I do not wholly agree with this conclusion, as I don't believe it to be an either-or situation, but instead, these two things go hand-in-hand for social enterprises, i.e. they aim to deliver positive impact and as well as be sustainable. After all, what is the point of an organization that can deliver positive impact today but cannot be sustained tomorrow?

In agreement with Carter (2003), more often than not, the existing political ideology usually determines the type and level of support given to non-profit organizations and generally voluntary sector organisations. It can be argued that the previous UK Labour government pursued its social agenda through the development of social enterprise (Mswaka, 2011), whereby to achieve this, a unit within the then Department of Trade and Industry (DTI) was established and dedicated to further the development of social enterprises (Marshall & Loyatt, 2004). Moving into the current coalition government, there has been a continuation of the development of social enterprises through its 'Big Society'

strategy, along with an increased emphasis on autonomy and viability (Schwartz, 2010). There continues to be the work towards facilitating social enterprises carrying on as sustainable businesses and having them make increased use of the structures available to them, including legal and financial structures, so as to accomplish their various goals (Mswaka, 2011; Jones, 2010; Hampson, 2010).

As the UK social enterprise sector experiences growth, with the number of social enterprises as of 2013 estimated to be around 70,000 and employing close to a million people (Cabinet Office, 2013)<sup>3</sup>, some key statistics based on the recent State of Social Enterprise Survey<sup>4</sup> on the sector are presented below.

- Social enterprises are doing well to differentiate themselves from charities in that majority earn most of their money through trade i.e. 72% of social enterprises earn between 76% and 100% of their revenue in their marketplaces.
- Social enterprises main source of income is from trade with the general public (32%), while close to half of all social enterprises now also trade with the private sector as well.
- In what the Social Enterprise UK describe as ‘the rise of the sound pound’, it has emerged that there is a growing trend of trade based on values, as more people are ‘buying social’ i.e. there has been a sharp

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<sup>3</sup> A May 2013 report by BMG Research, based on the BIS Small Business Survey 2012

<sup>4</sup> State of Social Enterprise Survey 2013, by Social Enterprise UK

increase in the amount of trade with third sector organisations and between social enterprises themselves – choosing to ‘buy social’ by including other social enterprises in their supply chain as a way of maximising their own social impact.

- A lot of social enterprises are working towards tackling disadvantage, i.e. catering to people who have been long-term unemployed, disabled, ex-offenders, with 52% of them employing this group of people.
- More social enterprises are measuring social impact, with 68% of the surveyed social enterprises seen to do so, and this rises to 74% for start-up social enterprises.

Overall, from a global perspective it is seen that as the more traditional social institutions are seen to suffer from non-effectiveness and are viewed as inefficient, interest in how concepts such as social entrepreneurship, which appear to be blurring the boundaries between public, private, and non-profit sectors, can address social issues continues to grow. According to Roper and Cheney (2005), non-profits that take up an entrepreneurial position are less hesitant to employ practices from areas of marketing, strategic planning, and systems to manage their costs, which thereby suggests that there exists a certain level of boundary blurring which is taken for granted. There has been an increasing degree to which non-profits employ commercial methods. Dees and Anderson (2003) suggest that boundaries are blurring between government, nonprofit, and business sectors due to searches for more innovative and cost-effective ways of approaching social problems by employing business practices.

That said, where does this blurring of boundaries leave social entrepreneurship?

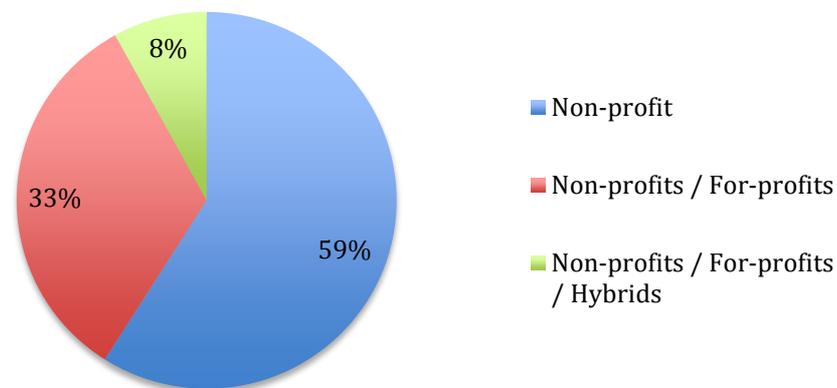
### **2.2.2 Social Entrepreneurship: Non-Profit, For-Profit, or Both?**

*“Many associate social entrepreneurship exclusively with not-for-profit organizations starting for-profit or earned-income ventures. Others use it to describe anyone who starts a not-for-profit organization. Still others use it to refer to business owners who integrate social responsibility into their operations.”*

Dees (1998b, p. 1)

There has been an obvious rise in entrepreneurial activity within the social sphere, with a growth of 31% in the number of non-profit organizations between 1987 and 1997, compared to the rate of new business formation of 26% (The *New Non-profit Almanac and Desk Reference*, 2002). The primary objective of social entrepreneurship is social wealth creation while the creation of economic value through earned income aids in sustaining the project and allows for the organization to be financially self-sufficient. As non-profit organizations and government agencies seek for ways to enhance their performance, they have increasingly begun to employ methods and strategies from the business world. Along with this, other models of social entrepreneurship have also burgeoned in recent years (Austin, 2006).

In the social entrepreneurship literature, it is seen that social entrepreneurship is normally described as a non-profit, a for-profit, or a hybrid. From my review of social entrepreneurship articles, it is seen that approximately 59% of articles considered social entrepreneurship to be in the non-profit domain, 33% on either non-profit or for-profit arenas, and 8% including both non-profit, for-profit and some form of hybrid set-up (Figure 8).



**Figure 8. Categorization of Social Entrepreneurship Domains in Extant Literature**

Some researchers such as Emerson and Economy (2001) associate social entrepreneurship with non-profit organizations. Such researchers believe that some of the social goals of a social entrepreneur must be their exclusive aim, suggesting that wealth is just a means to a social end. Another researcher who positions social entrepreneurship to occur solely in the non-profit context is Thompson (2002).

Researchers like Peredo and McLean (2006) suggest that social entrepreneurship goes beyond the not-for-profit arena. Simms and Robinson (2009) suggest that social entrepreneurial activity can occur in either the non-

profit or for-profit context and that individual differences arbitrate that decision. Dees (1998, p. 1) also suggests that social entrepreneurship is not limited to not-for-profit organizations, but can also include “social purpose business ventures, such as for-profit community development banks, and hybrid organizations mixing not-for-profit and for-profit elements, such as homeless shelters that start businesses to train and employ their residents”.

Roper and Cheney (2005) suggest that most social entrepreneurship applications exist in the form of a hybrid between non-profit, private, and public sectors. An example of a hybrid includes non-profit organizations having a profit-generating entrepreneurial derivative, which then utilizes the profits made to address the organizations social objective. Another hybrid model that is emerging is one with a greater emphasis on the private, for-profit sector, whereby businesses provide funds and the necessary know-how to non-profits. (Roper & Cheney, 2005) suggest that this model is partly as a result of pressure from the public sector on businesses to express a certain degree of social responsibility.

At an individual level, social identity has been observed as impacting the choice of social enterprise, and also resource-seeking strategies employed (Simms & Robinson, 2005). As social entrepreneurs have been identified as often having two identities, the entrepreneur and the activist, which can and do exist, social entrepreneurs need to decide which comes first. "They must answer the question 'how can I make a living enacting social change?' In some ways, they

must decide whether they are profiting from a problem, or contributing to the solution" (Simms & Robinson, 2005, p. 12). From these two social entrepreneur identities, Simms and Robinson (2005) suggest that activists are more likely to choose a non-profit set-up, compared to the individuals with more of an entrepreneurial identity, who instead are more likely to choose a for-profit set-up. When presented with an opportunity both activist and entrepreneur ask similar questions such as "What are the risks of going after this opportunity for me and others? Do I have the resources to take advantage of the opportunity? What are the risks? Are there any barriers to me pursuing this opportunity?" (Simms & Robinson, 2005, pp. 16-17). Yet the perceptions of benefit and risk of the activist and entrepreneur are driven by different goals, i.e. social impact and recognition or income and financial independence. Moreso, the social entrepreneurs who are more activist oriented may overlook some beneficial resource-seeking strategies, as they may appear to be secondary to them, such as financial gains and market tools. On the other hand, social entrepreneurs with more of an entrepreneurial identity may risk losing the legitimacy of the social cause (Dart, 2004) as a result of their entrepreneurial orientation. Light (2005, p. 12) suggests that only further research will tell whether society has had an effect on whether social entrepreneurs put activism or entrepreneurship first, suggesting possibly that "if they are denied opportunities through gender, race, and class, they may be more likely to seek them through activist-identity social entrepreneurship. But if they are denied resources and the chance to earn income through the same demographic identity, they may be more likely to emphasize entrepreneur-identity social entrepreneurship".

Mair and Marti (2006, p. 7) argue that the choice for either a for-profit or non-profit set-up is "typically dictated by the nature of the social needs addressed, the amount of resources needed, the scope for raising capital, and the ability to capture economic value". Similarly, Austin (2006, p. 25) suggests that the social problem being addressed is the central driver of social entrepreneurship, and "the particular organizational form a social enterprise takes should be a decision based on which format would most effectively mobilize the resources needed to address that problem". Mair and Marti (2006) also suggest that factors such as the social problem being dealt with, the resources required, the extent to which capital can be raised, and the ability to capture economic value all usually play a role in determining the choice for a for-profit or non-profit social enterprise set-up. Hence, as social entrepreneurship can be practiced through various means, such as within the non-profit sectors, business sector, governmental sector, and hybrid set-ups, the concept social entrepreneurship itself is not constrained by legal form (Noruzi, Westover, & Rahimi, 2010).

### **2.2.3 For-Profit Social Entrepreneurship**

Dees and Anderson (2003) argue that the blurring of the boundaries between the government, nonprofit, and business sectors has allowed social entrepreneurs to create for-profit organizations, whereby entrepreneurs are making use of business world strategies to tackle social issues, resulting in more innovative, cost-effective, and sustainable structures. There have been varying opinions in the literature as to the extent which enterprises with a

social mission are involved with profit generation to fall under the term 'social entrepreneurship'. Other researches such as Thompson et al. (2000), have suggested that for-profits can be regarded as socially entrepreneurial if they take innovative approaches towards building social capital.

Dees & Anderson (2003, p. 2) define "for-profit social ventures as organizations that are:

1. *Legally incorporated as for-profit entities, with one or more owners who have a formal right to control the firm and who are entitled to its residual earnings and net assets. For-profit forms include proprietorships, partnerships, corporations, limited liability companies, and cooperatives.*
2. *Explicitly designed to serve a social purpose while making a profit. Having a social purpose involves a commitment to creating value for a community or society rather than just wealth for the owners or personal satisfaction for customers."*

For-profit social entrepreneurship has been categorized/represented in Massetti's (2008) Social Entrepreneurship Matrix as 'The Tipping Point' in quadrant II of the matrix (see figure 3). Massetti (2008, p. 11) describes social entrepreneurs who fall within quadrant II of the SEM as "organizations that are not only driven by social missions, but must also make profits to survive". Dees and Anderson (2003) describe the goal of both social and financial objectives as what is commonly referred to as the 'double bottom line'. So although success is measured in terms of social impact, being able to generate profits is necessary

as well, thereby creating dual social and financial objectives referred to as the 'double bottom line' (Mair & Marti, 2006). This shows a similar concept to that of Elkington's Triple Bottom Line discussed earlier on, where in the case of the TBL, social enterprises with environmental objectives will be looking at a TBL as opposed to social enterprises without such an objective who will then instead be faced with a double bottom line of social and economic focuses.

By going for a for-profit organizational form, social enterprises are able to overcome some barriers of non-profit organizational forms, i.e. choosing a for-profit form increases the ability to access commercial capital markets, and also aids in attracting more experienced talent as the organization will be able to pay more competitive wages (Austin et al., 2006). Dees and Anderson (2003) suggest that the benefits of for-profit social ventures are not easily imitable by nonprofit or public sector setups. They group these benefits into four categories – promoting efficiency and innovation, leveraging scarce public and philanthropic resources, responding quickly to demand, and improving access to skilled personnel.

- *Promoting efficiency and innovation* – achieved when the profit motive is properly channeled, as for-profits are driven to be efficient in maximizing investments while minimizing costs, and are hence incentivized to find innovative cost-effective ways to meet their objectives.
- *Leveraging scarce public and philanthropic resources* – as some for-profits draw on some private revenue sources and also tend to occupy

niche markets where potential profits are high, public and philanthropic resources are then more focused on niches and programs that are in need of subsidies.

- *Responding quickly to demand* – research has shown that for-profits are more responsive than non-profits to changes in market demand, whereby such market responsiveness can be advantageous for "spreading innovations in a timely manner, re-allocating resources when appropriate, and dealing with social needs that are expected to vary over time" (Dees & Anderson, 2003, p. 6).
- *Improving access to skilled personnel* – as for-profits are able to attract more people with skills that are highly valued in the business arena such as managerial and technical skills, compared to the non-profits that are traditionally known to offer lower salaries, these for-profits therefore have the potential to expand the labor pool.

Social enterprises and social entrepreneurs who fall within this for-profit form are dedicated to remedying issues arising from both non-profit and for-profit sides of the economic system as they seek to accomplish only goals that benefit society as a whole, as opposed to focusing on any market place demand that yields profits regardless of social value created; use profit as an efficiency measure to make sure there's no resource wastage, rather than taking pride in the positive change they contribute; and keep themselves independent from the whims of market forces as their profits aid their growth (Masseti, 2008). For-profit social enterprises hold the most promise for economic transformation

(Masseti, 2010), as if their "double-bottom line" way to doing business reaches critical mass in the marketplace, according to Gladwell (2002), they may tip the scale for how all business performance is measured. Massetti (2010, p. 7) suggests that for-profit social enterprises "can provide the needed stability as well as a new perspective, as they are committed to correcting the fundamental problems that stem from both the not-for-profit and profit sides of our economic system".

Although there are many benefits of operating as a for-profit social enterprise, there has been some skepticism concerning for-profit social entrepreneurship itself, and the possibility of successfully blending a profit motive with a social purpose. For example, Adam Smith (1976) suggests that business people although may have the intentions of working towards a social goal, they are easily dissuaded from it. Dees and Anderson (2003) also acknowledge the risks of conflicts between having both a social objective and wealth creation objective, admitting that successful examples of such setups are rare in practice. In some instances, as observed by Dees (2012), the hybrid identity in social enterprises can "be at odds" in some cases, and at other times "work hand-in-hand" (Dees, 2012, p. 321). Dacin, Dacin, and Matear (2010, p. 45) also highlight this fact, that it is an "increasingly important concern that all forms of business face: how to weave social and economic concerns into the fabric of organization management, to the mutual satisfaction of stakeholders". Dees and Anderson (2003) suggest that challenges that arise from having a for-profit social venture structure include the complexities of combining two different

kinds of objectives, the market pressures to compromise on the creation of social values, and also the social and political pressures to compromise on financial performance.

So although success of for-profit social enterprises is rare (Dees & Anderson, 2003) in comparison to non-profits, as the ability to manage the conflicts between pursuing profits and creating social value can be challenging, it is indeed feasible to have both a social objective and profit motive, but it is not easy. Dees and Anderson (2003) encourage social entrepreneurs to consider deeply both the benefits and challenges of a for-profit setup, and to overall analyze which approach is best for them. They suggest that social entrepreneurs considering a for-profit social venture should bear in mind these challenges and how it may affect their organizations, which I agree with. Overall, the social entrepreneurs choice for a not-for-profit or a for-profit form of organization depends on the specific business model, and also the social issue being responded to. What drives social entrepreneurship is the social issue that is being addressed; therefore the choice of the organizational form taken by the social enterprise should be based on the format that will most effectively mobilize the necessary resources to tackle that social problem.

#### **2.2.4 Existing Theoretical Perspectives**

Austin (2006) argues that the theoretical groundwork of social entrepreneurship is yet to be adequately explored, suggesting that there is a

pressing need for contributions to theory and practice in the field. On review of the social entrepreneurship literature it can be seen that collections of scholarly papers began to emerge in 2006, which has led to some advancement in the field in areas of boundary setting, theory development based on disciplinary approaches, and new empirical data (Perrini, 2006). Based on my review, there was a noticeable increase in the use of theory in studying social entrepreneurship in 2010 compared to earlier years, with the largest portion of the theory based articles appearing in 2010 (table 5). Overall, on review of the social entrepreneurship articles in the literature review table, only approximately 34% have taken some form of theoretical perspective in their study of social entrepreneurship. As mentioned earlier, for the field of social entrepreneurship to advance to the next level, more research needs to utilize established theories in entrepreneurship and related fields for legitimacy in social entrepreneurship to be built.

| Author          | Focus of Study   | Theory   |
|-----------------|--|--|
| Dart (2004)     | Emergence and evolution of social enterprise from an institutional perspective | Institutional theory - Legitimacy construct  |
| Robinson (2006) | Identifying and evaluating social entrepreneurial opportunities                | The presented framework draws on two relevant theoretical approaches to social entrepreneurship: |

|                               |   |  |
|-------------------------------|---|--|
|                               |   | the Austrian approach and entry barriers.  |
| Anderson, Dana, & Dana (2006) | Business development activities that flow from the later aspect of indigenous land rights in a Canadian context   | Modernization theory, the radical perspectives of dependency theory, and the emerging contingent perspectives of regulation theory |
| Tracey & Jarvis (2007)        | Relevance of resource scarcity theory and agency theory to social venture franchising   | Resource Scarcity Theory and Agency Theory   |
| Haugh (2007)                  | Stages of venture creation in community-led non-profit social ventures, focusing especially on the inception  | Grounded theory was used for analysis  |
| Parkinson & Howorth (2008)    | Micro discourses of social entrepreneurs - exploring the language used by social entrepreneurs  | Discourse Analysis   |
| Friedman & Desivilya (2010)   | Social entrepreneurship as an effective strategy for regional development - presents theoretical model for furthering regional development by integrating social entrepreneurship and conflict management | Action Science and Programme Theory Evaluation   |

|  |   |  |
|--|---|--|
| Tapsell & Woods (2010)                                 | Innovation in the process of social entrepreneurship in the indigenous context  | Complexity Theory - self organization and complex adaptive systems |
| Meyskens, Carsrud, & Cardozo (2010)                    | Collaboration in social engagement networks and the role of social ventures in this process   | Population Ecology, Resource Dependency, and Resource-based View   |
| Nicholls A (2010)                                      | Microstructures of legitimation that depict the advancement of SE in terms of key actors, discourses, and emerging narrative logics | Neo-institutional Theory, Structuration Theory                     |
| Corner & Ho (2010)                                     | Identifying and exploiting opportunities  | Rational/economic and Effectuation                                 |
| Meyskens, Robb-Post, Stamp, Carsrud, & Reynolds (2010) | Resource based operational processes of social ventures   | Resource-based View  |
| Di Domenico, Haugh, & Tracey (2010)                    | Acquiring resources in resource-scarce environments and using resources to meet social goals  | Bricolage  |
| Kistruck & Beamish (2010)                              | Structural configurations and embeddedness in social entrepreneurship, focusing on social intrapreneurship                          | Cognitive Embeddedness, Network Embeddedness, Cultural             |

|                           |   | Embeddedness  |
|---------------------------|---|---|
| Grimes (2010)             | Refocus attention on social entrepreneurship as a socially constructed phenomenon - exploring the social dynamics of equivocality and its relationship to sensemaking   | Sense Making Theory   |
| Miller & Wesley II (2010) | How social venture capitalists are prompted to value resources and goals within the dual identity of the social and entrepreneurship sectors of social ventures - criteria used by SVCs to assess social ventures | Organizational Identity Theory  |
| Ruvio & Shoham (2011)     | Organizational outcomes of social ventures using a multilevel model   | Hypotheses followed Gartner's (1985) model for describing the phenomenon for new venture creation |
| Ruebottom (2013)          | Building legitimacy for social change focusing on rhetorical strategy used by the social enterprises and the underlying microstructures   | Draws on the concept of institutional entrepreneurship and rhetoric                               |

**Table 6. Theoretical Perspectives Employed in Past Social Entrepreneurship Research**

Dart's (2004) theoretical contribution is more explanatory, i.e. explaining the degree to which key constructs are related. In his research, he employs institutional theory to explain the origins of social enterprise and how it has

developed as a result of societal customs and expectations. Dart (2004) takes on a predictive theoretical contribution, employing institutional theory as a lens to study the emergence and evolution of social enterprise. From institutional theory, he suggests that moral legitimacy is the most strongly linked species of legitimacy to social enterprise. Ruebottom (2013) also draws on the concept of institutional theory in building legitimacy for social change.

Another theoretical perspective used in attempting to understand social entrepreneurship, with a focus on social entrepreneurship being an effective strategy for regional development, was action science and programme theory evaluation by Friedman & Desivilya (2010). In a different way, Tracey and Jarvis (2007) also conducted qualitative research to understand the relationship and relevance of resource scarcity and agency theory to social venture franchising. Other theoretical perspectives employed in social entrepreneurship research include discourse analysis (Parkinson & Howort, 2008), resource based view (Meyskens, Robb-Post, Stamp, Carsrud, & Reynolds, 2010), bricolage (Di Domenico et al., 2010), and complexity theory (Tapsell & Woods, 2010).

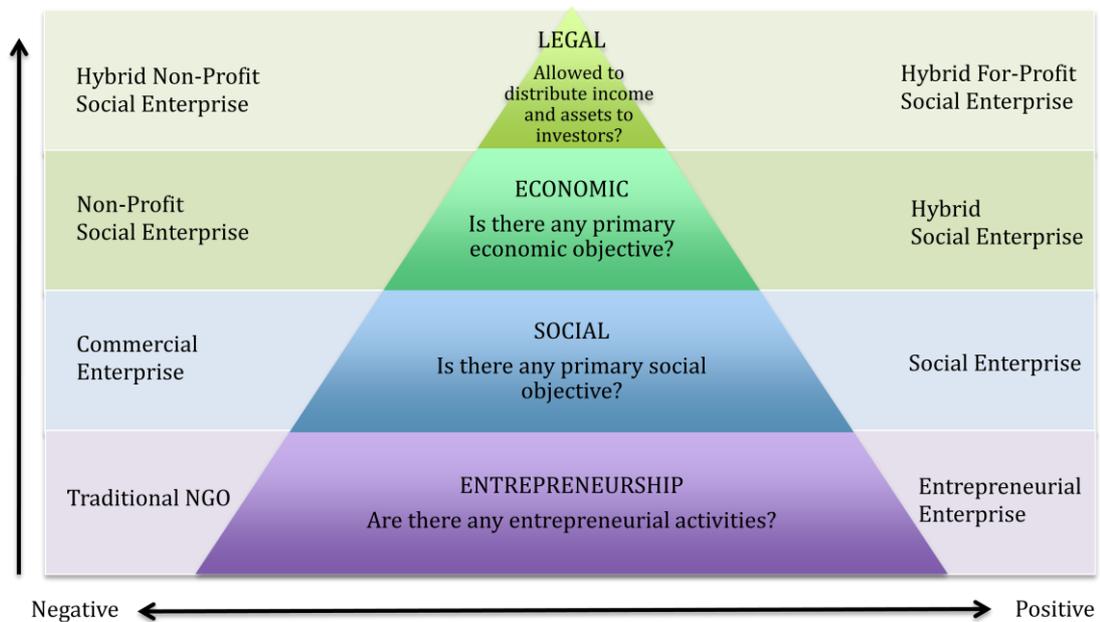
Finding authenticity in a field becomes attainable when research questions are primarily theory driven, and quantitative approaches are mainly utilized in the data gathering and analysis (Cummings, 2007). On review of the social entrepreneurship literature, it is observed that theoretical relationships are lacking, and I believe that for the field to advance, as Cummings (2007) suggests, researchers need to focus on making theoretical relationships more

explicit. As Mair and Marti (2006, p. 39) suggest, “the variegated nature and multiple expressions of social entrepreneurship make it a fascinating playground for different perspectives and literatures and, at the same time, suggest that it should be studied through diverse theoretical lenses”. For the advancement of the social entrepreneurship field, there should be a growth in the unity of the construct definition, with researchers then employing a variety of established theoretical lenses to pave understanding.

### **2.2.5 Conceptual Model**

From the review of the existing literature, and considering the ongoing debate about the scope and boundaries of social entrepreneurship, I was able to develop a conceptual model (figure 9). This conceptual model attempts to clearly categorize and differentiate the various enterprises surrounding the present social entrepreneurship literature.

***Traditional NGO:*** is a typical everyday non-profit organization or charity, which serves a social mission, but does not engage in entrepreneurial activity as part of its operations in addressing social issues. Although some of these organizations have a social mission as well as generating earned income (i.e. income generated through the provision of goods and services), they are not classified as social enterprises as social entrepreneurship is simply not about income, but about a combination of innovativeness and social impact. Examples include Robert Bosch Stiftung and Oxfam.



**Figure 9. Social Entrepreneurship Conceptual Model**

**Entrepreneurial Enterprise:** can be described as a firm that engages in entrepreneurial activities such as creating something innovative, recognizing and exploiting opportunities, being resourceful, and having a willingness to face risks and uncertainties.

**Commercial Enterprises:** are firms that are entrepreneurial in nature with the main aim of making profits. Some of these types of enterprises may be involved in providing or creating some form of social value, but at a secondary level, as social value creation is not their primary objective. Examples include Apple Inc. and Dell Inc.

**Social Enterprises:** make use of business-like approaches or entrepreneurial behaviors to solve social problems. Social enterprises can be charities, non-profit organizations, private sector firms, etc.

**Non-Profit Social Enterprise (NPSE):** is a non-profit organization that has the typical social mission of non-profits, but employs entrepreneurial strategies in

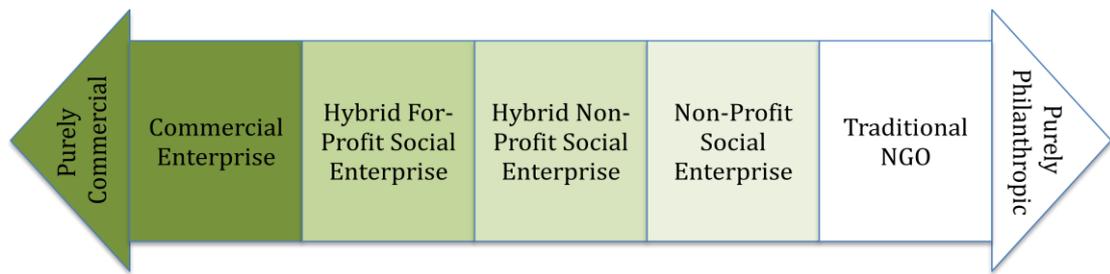
achieving their social objectives. These social enterprises receive funding from grants and donations, but do not have any earned income or earned income generated is negligible. Examples are Habitat for Humanity and Teach for America.

**Hybrid Social Enterprises:** are social enterprises that have both social and economic objectives as primary objectives. Such social enterprises manage a double bottom line, i.e. a social bottom line and a financial bottom line.

**Hybrid Non-Profit Social Enterprise (HNPSE):** The hybrid non-profit form of social enterprise generates earned income compared to the non-profit social enterprise. Although this social enterprise creates both social and economic value, due to its non-profit legal set-up, it is prevented from distributing profits or assets, and therefore reinvests all its profits into achieving its social objectives. An example is Goodwill Industries.

**Hybrid For-Profit Social Enterprise (HFPSE):** This is a social enterprise with a for-profit set-up. Therefore, this type of social enterprise has both a social and economic mission, and is also legally allowed to distribute its profits to investors because of its for-profit nature. Examples are Grameen Bank and Big Issue.

These organizations categorized above can be presented on a spectrum from purely philanthropic organizations to purely commercial organizations as in figure 10.



**Figure 10. Conceptual Social Enterprise Spectrum**

### **2.2.6 Overview of Social Entrepreneurship Literature**

As discussed in the various sections of the literature review, social entrepreneurship while having received much praise through the years, and rightly so, there still remains a number of weak points around the concept and its development in both practice and academic literature. Firstly, most of the literature to date is more conceptual than empirical research (Short, Moss, & Lumpkin, 2009). A large number of social entrepreneurship articles are mostly descriptive and explanatory in nature i.e. describing key constructs, focusing on the ‘what’s’ of social entrepreneurship and explaining the degree to which key constructs are related respectively. A fewer number of the articles are predictive in nature, i.e. of social entrepreneurship outcomes where suggestions were clearly expressed. The first two decades of social entrepreneurship research shows a lack of predictive theoretical contributions, with the literature focusing on social entrepreneurship heroes rather than details that are generalisable (Hitt, Gimeno, & Hoskisson, 1998). The limited number of such articles in the social entrepreneurship literature can be attributed to the differing construct definitions, unclear boundary conditions, and also the

anecdotal antecedents to performance (Short, Moss & Lumpkin, 2009). This variety observed in the different definitions of the social entrepreneurship concept is due to the lack of agreement on boundaries, forms, domain, and meanings of social entrepreneurship (Peredo & McLean, 2006; Perrini, 2006). As a result, the field is characterized by no unified definition (Short et al., 2009). In putting forward new definitions and attempting to unify existing definitions, researchers like Light (2006) have warned against overly narrowing the definition of the social entrepreneur [or social enterprise]. With all the differences in definitions, Peattie and Morley (2008) argue that although it may be challenging to grasp the variety of different activities in a single definition, the choice of a definition should still not exclude the variety of social entrepreneurship. However, irrespective of the vast activities captured in different definitions, there is a mutual agreement that the primary drive for social entrepreneurship is to gain social value as opposed to personal or shareholder wealth.

Also noticed in the review is the large amount of focus and research placed on the individual social entrepreneur, compared to the social enterprise itself. Light (2006, p. 47) suggests that focusing narrowly on the individual can produce a “cult of personality” whereby other people and organizations that are worthy are declined the much needed support. Also, focusing solely on the characteristics of the social entrepreneur proves problematic for a definition, as it is improbable that a particular set of characteristics confined to a box will be valid to all kinds of social entrepreneurial activities in the various contexts. The

social entrepreneurs should not solely become the focal point of research as this can overstate their power, resulting in a shift of focus from the initial set out tasks. As observed by Grenier (2009), this is one key reason for criticism of the literature, i.e. making entrepreneurs too much of a focal point which overstates their power, and thereby shifts focus away from duties of state. Also, within the studies conducted, there is a possibility of biased observations in the suggested characteristics and motivations of social entrepreneurs due to the nature of the research approaches. Most of the studies were on individually centered case studies and therefore introduce personal perception based on identified successful social entrepreneurs.

Social entrepreneurship has also received some skepticism surrounding for-profit social entrepreneurship, and the possibility of successfully blending a profit motive with a social purpose. For example, Adam Smith (1976) suggests that business people although may have the intentions of working towards a social goal, they are easily dissuaded from it. Dees and Anderson (2003) also acknowledge the risks of conflicts between having both a social objective and wealth creation objective, admitting that successful examples of such setups are rare in practice. Dacin, Dacin, and Matear (2010, p. 45) also highlight this fact, that it is an “increasingly important concern that all forms of business face: how to weave social and economic concerns into the fabric of organization management, to the mutual satisfaction of stakeholders”.

Criticized for overlooking political processes, consequently undermining social problems (Grenier, 2009), social entrepreneurship has also seen a slow development in the area of impact assessment, resulting in the impact of social entrepreneurship on its beneficiaries also becoming questionable. According to Neugarten (1976), any societal change has a long-term cycle. This long-term cycle makes it difficult to determine or assess the true overall impacts of social entrepreneurship. Due to the difficulty in assessing social impact, it is also difficult to determine if a social enterprise is operating in a wrong way that can pose serious long-term harm to the targeted beneficiaries, as failure of these social enterprises can worsen the situation of these targeted beneficiaries. So even though the goal of any social enterprise is to help or provide solutions to societal challenges, they are indeed vulnerable and have a high probability of failure that can have a negative impact on their stakeholders. This failure is commonly caused by failures in the business model (Teece, 2010).

Another key area that has been observed in this literature review is that within the entrepreneurship arena, resources, resourcefulness, and resource limitations are found to be central concepts in the field. Commercial entrepreneurs are known to operate under resource scarce conditions, a theme which is seen in the social entrepreneurship context as well. Even in the social entrepreneurship definitional landscape, definitions emphasize the ability of social enterprises and entrepreneurs to be able to leverage resources to solve social problems. But unlike commercial entrepreneurs, social enterprises seek markets characterized by a paucity of resources as they aim to respond to these

conditions of lack, mostly due to the fact that such social enterprises are usually created in response to a need in a community or a lack of facilities and services. This resource scarcity experienced in this sector impacts on the social enterprise and how they are able to respond to challenges that arise from it, therefore making studies employing a resource-based lens an avenue for gaining a more in-depth understanding of social entrepreneurship and social enterprises. As suggested by Mair, Hockerts, and Robinson (2006), academic fields of research in their early stages, such as social entrepreneurship, raises the challenge of how to judiciously apply theories from other domains for the advancement of the field itself. So although there has been a growth in the link between the embryonic social entrepreneurship research and other more established fields of research such as entrepreneurship, management, and public administration, there is still a lack in theoretical relationships. The lack of theoretical relationships in the social entrepreneurship literature calls for the use of existing established theories to aid in the advancement of the field. Also observed is the growing number in the use of theories, like the resource-based view (Barney, 1991; Peteraf, 1993), resource-dependence (Pfeffer & Salancik, 1978), and social capital (Burt, 1997; Putnam, 2000), in investigating the acquisition and utilization of resources. Therefore, the choice of the resource-based view as a theoretical perspective for this study is fitting in relation to the types of perspectives that have been employed in social entrepreneurship research (discussed further in the next chapter).

Following the systematic review of the social entrepreneurship literature that was conducted here, the identified gaps in extant literature helped determine the focus of this research as outlined in Chapter 1, i.e. an empirical study of social entrepreneurship within the for-profit context employing a resource-based theoretical lens. In addition, as discussed in this chapter, considering the fact that for-profit social enterprises are faced with both a social and economic bottom line, also known as the double-bottom line, this in itself raises its own set of challenges (Dees & Anderson, 2003), with Johnson (2000) suggesting that the difficulty of meeting these two objectives simultaneously should not be underestimated. This therefore informed the research questions of this study, leading to the development of the two research questions being addressed: (1) What challenges arise from blending a social goal with a for-profit mission? (2) Considering the resource scarce environments of most for-profit social enterprises, what competencies enable them to overcome resource constraints?

### **2.3 Chapter Summary**

This chapter has critically reviewed the existing social entrepreneurship literature, including how it evolved from entrepreneurship by studying the trends that have emerged over the years. The chapter identified themes within the social entrepreneurship literature, which were indeed representative of earlier identified theories of entrepreneurship. The literature review also highlighted the key gaps identified in the social entrepreneurship field, which guided the development of the research aims and objectives as discussed in

Chapter 1. Following the review of relevant theoretical and empirical literature, the resource-based view was found to be a fitting theoretical lens for research in social entrepreneurship. Hence, the next chapter introduces the theoretical perspective that will be used to guide this study, i.e. the resource-based view, with the aim of providing a review of theoretical frameworks to be used.

### CHAPTER 3: THEORETICAL PERSPECTIVES

As already highlighted within the social entrepreneurship literature review, social enterprises and social entrepreneurs operate in resource scarce environments. According to Sharir and Lerner (2006), lack of access to capital in the start-up stage hinder social enterprises, confirming that social entrepreneurs are faced with resource scarcity. Also, Purdue (2001) suggests that community leaders he studied were hindered by a lack of resources in their pursuit to engage actively in connecting with a variety of community networks that would allow them to build up communal and social capital. On the other hand, Alvord, Brown and Letts (2004) suggest that social entrepreneurs are more likely to mobilize the present assets of their clients to aid in achieving their objectives. As an organizations' resources impact on its performance, the possession or lack of the necessary resources can be a source of strength or limitation to the organization. Therefore, various challenges are faced in acquiring and being able to creatively utilize these resources to attain success. Hence, these social entrepreneurs make use of creative resource strategies in reaction to the perceived resource scarcity (Alvord et al., 2004). For these reasons, employing a resource-based view perspective in this study was deemed fitting, and more so as the study aims to explore the challenges and competencies needed within the for-profit social enterprise space, two theoretical frameworks of entrepreneurial bricolage and entrepreneurial capital were seen as suitable choices to investigate these areas. Therefore, this section aims to provide an overview of the resource-based view as the

theoretical perspective to guide this study, and then further introduce the two relating strands (entrepreneurial bricolage and entrepreneurial capital) and their suitability as the theoretical frameworks applied to this research.

### **3.1 Resource-Based View**

The premise of the resource-based view is that internal, firm-specific resources produce competitive advantage (Lei, Hitt, & Bettis, 1996; Maritan, 2001; Colbert, 2004), offer a foundation for superior firm performance (Ray, Barney, & Muhanna, 2004; Lado, Boyd, Wright, & Kroll, 2006), and result in value creation (Amit & Zott, 2001). Firms are considered as 'bundles of resources', which are seen as both tangible and intangible assets that confer competitive advantages. These resources have been defined as "anything that might be thought of as a strength or weakness of a given firm" (Wernerfelt, 1984, p. 84), and also as "strengths that firms can use to conceive of and implement their strategies...all assets, capabilities, organizational processes, firm attributes, information, knowledge etc controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness" (Barney, 1991, p. 101). Lichtenstein and Brush (2001, p. 37) put forward a simple definition, suggesting that resources are "all tangible and intangible assets that are tied to the firm in a relatively permanent fashion".

One of the earliest origins of the RBV was from Edith Penrose (1959). Recognizing the importance of resources to a firm's position, she researched

further. In *'The theory of the Growth of the Firm'*, Penrose argued that it is the heterogeneity of the productive services available from its resources that gives a firm its distinctive nature. Penrose (1959, p. 25) explained this as "services yielded by resources are a function of the way in which the resources are used, in that exactly the same resource when used for different purposes or in different ways or in combination with other resources provides a different service or set of services". Penrose (1959, p. 24) argued that "a firm is more than an administrative unit; it is also a collection of productive resources the disposal of which between different uses and over time is determined by administrative decision. When we regard the function of the private business firm from this point of view, the size of the firm is best gauged by some measure of the productive resources it employs". She positioned the internal resources of a firm within the context of their productive services, highlighting that it is not the resources alone, but more so what can be done with the resources, i.e. how they can be put to use. In her 1995 article, she suggests, "what an entrepreneur sees in his environment, and his ability to take advantage of what he sees, are conditioned by the types and amounts of productive services existing in the firm" (p. 215).

Although a highly influential piece of work with a detailed perspective of managerial capability, Penrose was vague about how other resources impacted the growth of firms. This led to her theory being further developed by other scholars. One of them was Wernerfelt (1984). Wernerfelt, with his paper *'A Resource Based view of the Firm'*, amplified the recognition of the resource

viewpoint as the paper was selected as one of the most influential papers prior to 1990 that had been published in the strategic management journal. He argued that “for a firm, resources and products are two sides of the same coin” (Wernerfelt, 1984, p. 171), suggesting that a firm’s performance and profitability is related to its resources.

Even though the resource-based view has been ground-breaking and helped pave the way for the understanding of strategic management, there have still been some questions and critics surrounding the validity of the framework. A frequent criticism of the resource-based view is that it hardly makes mention of how resources can develop and change over time. This is also seen when it comes to the dynamic role played by individuals within organizations, whereby the role played is assumed to be self-evident, and therefore little is said about it. Priem and Butler (2001) criticized the resource-based view approach for being static and not considering different situations and resources. They also argued that due to its lack of detail, it is not easily employable by organizations. They suggest that for it to be useful to organizations, the resource based view needs to be more detailed. Another reason for the difficulty of implantation has been said to be as a result of the attributes of sustainable competitive advantage not being open to managerial manipulation. Priem and Butler (2001) stated that not only does the theory have limited dogmatic implications, but that the role of product markets is also underdeveloped. In addition, they have argued that the resource-based view is tautological and conceptually vague, and suggest that the reasoning behind Barney’s definition of competitive advantage based on a

'valuable' resource as one of its conditions is circular and hence operationally invalid.

Overall, resource perspectives are being employed even more in entrepreneurship research (Greene & Brush, 1997; Brush, et al., 2001; Alvarez & Busenitz, 2001; Hanlon & Saunders, 2007) to acknowledge the relationship between entrepreneurial activity and resource mobilization. Past researchers have identified entrepreneurs as having an ability to combine resources for new purposes, with Schumpeter (1934) describing entrepreneurs as individuals who combine productive factors in new ways e.g. new products, production methods, or a new market. According to Schumpeter (1934, p. 132), entrepreneurs bundling resources to produce new products or services occurs in five different situations, "reforms or revolutionizes the pattern of production by exploiting an invention or an untried technology for producing a new commodity or producing an old one in a new way, by opening up a new source of supply of materials, or a new outlet for products, or by reorganizing an industry". However, it is noted that this may not consider the resource penurious environment that enterprises operate in, whereby the entrepreneurs' actions of mobilizing resources are paramount to the ventures success (Baeyertz, 2010). The resource-based view of the firm offers an alternative point of view in exploring how firms in resource scarce environments are still able to develop and thrive notwithstanding the limited resources they may have at hand. The resource-based view suggests that the same set of resources are employed by different firms in different ways

(Penrose, 1959; Wernerfelt, 1984), whereby each firm is unique as a result of its distinctive relation to the resource environment. These firm differences arise “because different firms elicit different services from the same set of resources” (Desa, 2008, p.26). As resources that may be deemed worthless in one organization may in actual fact be seen as useful in another, organizations and enterprises are thus able to *make do* by utilizing such resources that may be freely or cheaply available (Baker & Nelson, 2005). This procedure of being able to recombine existing resources in different ways for new purposes is described as bricolage (Levi-Strauss, 1966; Baker & Nelson, 2005), whereby this concept builds on the notion that firms can create different services from the same resource.

### **3.2 Bricolage**

Claude Levi-Strauss, a French structural anthropologist, introduced the term ‘bricolage’ in 1967 in his book, *The Savage Mind*. The word implies resourcefulness and adaptiveness, by making do with whatever is at hand. The concept is also used to refer to an entrepreneur who is able to create something from nothing (Timmons, 1989). Levi-Strauss (1966) used the bricolage term to exemplify the approach taken by ‘primitive’ people to construct myths by making use of their available raw materials, such as trees, animals, etc, in their surrounding environments. Levi-Strauss contrasts the bricoleur to the ‘civilized’ engineer, suggesting that civilized engineers make advancements in a formulaic, methodical manner, whereas on the other hand, the bricoleur is a do-it-yourself

individual who improvises and gathers materials around him to devise projects. Hebdige (1979, p. 51) refers to Hawkes's (1977) clarification of Levi-Strauss's original definition of bricolage:

*"[Bricolage] refers to the means by which the non-literate, non-technical mind of so-called 'primitive' man responds to the world around him [sic]. The process involves a 'science of the concrete' (as opposed to our 'civilised' science of the 'abstract') which far from lacking logic, in fact carefully and precisely orders, classifies and arranges into structures the minutiae of the physical world in all their profusion by means of a 'logic' which is not our own. The structures, 'improvised' or made up (these are rough translations of the process of bricoler) as ad hoc responses to an environment, then serve to establish homologies and analogies between the ordering of nature and that of society, and so satisfactorily 'explain' the world and make it able to be lived in".*

Garud and Karnoe (2003) also employed the concept of bricolage in describing the activities of engineers and entrepreneurs in the wind turbine industry. The study showed how Danish entrepreneurs and engineers were able to combine and exploit their resources at hand for new purposes. While actors in Denmark adopted a bricolage approach of resourcefulness and improvisation characterized by co-shaping of the emerging technological path, actors in the US adopted a breakthrough approach, which evokes "an image of actors attempting to generate dramatic outcomes. Rather than adaptiveness, an unyielding vision to leap-frog the Danish initiative characterized the involvement of actors in the US" (Garud & Karnoe, 2003, p. 279). In comparison to the development of the wind turbine industry in the United States where they depended on having new

components and tools specifically designed for each task, engineers in Denmark made use of cheap and free materials, due to lower financial resources, from scrap dealers for materials. This suggests that bricoleurs exploit resources that are cheaply available or free to recombine them for new purposes. The study observed that those in Danish wind turbine industry who engaged in bricolage, by making use of resources that had been discarded by others as useless, triumphed over their US competitors who took a 'breakthrough' development path that did not rely on former approaches and materials. The study suggested that US actors may have failed because of their use of a breakthrough approach as such an approach can "end up stifling micro-learning processes that allow for the mutual co-shaping of emerging technological paths to occur" (Garud & Karnoe, 2003, p. 296). On the other hand, with bricolage, emergent properties are preserved, whereby it is a process of "moving ahead on the basis of inputs of actors who possess local knowledge, but through their interactions, are able to gradually transform emerging paths to higher degree of functionality" (Garud & Karnoe, 2003, p. 296). This co-shaping is seen to occur at various points of interactions including between producers and users, between designers and shop floor workers, and between policy makers and the markets they regulate. This study indeed corresponds with Weicks (1993a) description of bricoleurs:

*"Bricoleurs remain creative under pressure . . . and they proceed with whatever materials are at hand. Knowing these materials intimately, they are then able, usually in the company of other similarly skilled people, to form the materials or insights into novel combinations".*  
(Weick, 1993a, pp. 639–640)

Levi Strauss (1966, p. 21) characterized the bricoleur as someone who is engaged in a process of “continual reconstruction from the same materials”. The bricoleur is prepared to re-strategize as necessary by, for example, employing new organizational combinations, in response to unexpected circumstances (Ciborra, 1996) and disasters (Johannisson & Olaison, 2007). In Ciborra’s (1996) study of how high-tech firms survive in an uncertain industry where recombinations occur quickly and frequently, he made use of a longitudinal case based study (over a 10 year period) of Olivetti, a top European computer firm. With the organization as the unit of analysis, the study viewed the organization as a platform or context where specific structures are extracted, tested and discarded, much like the processes of bricolage. It was seen that although the platform organization on the surface may appear to be poorly organized and inefficient, its strength is found in its ability and readiness to take on whatever organizational form is required. The organizations pool of what appears to be junk resources is in fact ready to be deployed when required as a result technology or marketing strategy changes. This bricolage process therefore implies an active assembly of ongoing transformations and reconfigurations (Lanzara & Patriotta, 2001). Hebidge (1979, p. 103) also acknowledges the richness of bricolage, suggesting that systems of meaning “are capable of infinite extension because basic elements can be used in a variety of improvised combinations to generate new meanings within them”.

In aiming to study how entrepreneurs in resource-poor environments render unique services, Baker and Nelson (2005) applied a grounded theory approach

to study 29 resource-constrained firms. The participant-observation and interviews carried out, it is seen that an initial market is created by the entrepreneurial organization through the process of bricolage, defined by Baker and Nelson (2005, p. 333) as "making do by applying combinations of the resources at hand to new problems and opportunities". They suggest that bricolage can occur in different domains including physical inputs, skills, labor, customers, and institutional/regulatory domains. They also go further to highlight that bricolage is associated with different elements including a diverse collection of physical resources, self-taught skills used by personnel, nonconformity to craft standards, a multiple network, and multiple reinforcing use of bricolage. From the study the authors found that they could categorize the 29 firms into 3 groups: those that practice parallel bricolage which is made up of firms that operate in every domain and use every element; those practicing selective bricolage i.e. firms that use bricolage here or there in their work but do not practice bricolage as a core part of their business; and those not practicing bricolage at all. It was found that those firms practicing selective bricolage were often able to grow, whereas those that employed parallel bricolage or no bricolage at all found it more difficult to grow. The authors suggest that it is the mutually reinforcing nature of parallel bricolage that acts as the biggest barrier to growth, as on the other hand, in a non-mutually reinforcing environment, firms will be able to benefit from the practice of bricolage while also allowing for limitations in the form of routinization and richer more demanding markets that can be associated with growth. Hence,

according to Baker and Nelson (2005), to enter broader markets requires a move from parallel to selective bricolage.

Some of the other leading researchers on entrepreneurial bricolage include Baker, Miner and Easley (2003). In being able to create something from what is at hand, Phillips and Tracey (2007, p. 317) suggest that these entrepreneurs therefore “defy conventional assumptions about the role of the environment in determining the success or failure of organizations”. According to Georg Simmel in David Frisby's 1994 book titled '*Georg Simmel: Critical Assessments*', "the bricoleur is practical and gets the job done, but it is not always or even usually the same job that was initially undertaken and is uniquely structured by the set of 'preconstrained' elements that are selected from the treasury. A substitution of one element for another would change the form of the construction. The bricoleur works and plays with the stock. His parts are not standardized or invented; they are appropriated for new uses" (p.134).

Bricolage is often associated with improvisation, as bricolage employs existing resources in new ways to address new challenges (Weick, 1993b). The constructs of 'making do' and 'refusal to be constrained by limitations' from the concept of bricolage are in many ways closely related in practice to improvisation. Weick (1993a) also related bricolage as irrevocable to improvisation in his study of the 1949 Mann Gulch fire in Montana. Drawing on Levi-Strauss (1966) and Harper (1987), he argues that organizational buoyancy can be achieved as from improvisation being a part of bricolage, suggesting that

bricoleurs are “able to create order out of whatever materials were at hand” substituting “a traditional order with an improvised order” (Weick, pp. 639–640). Miner, Bassoff and Moorman (2001) in their study of organizational improvisation observe that improvisation is a promising lens through which the process of ‘making do with materials at hand’ can be investigated. Baker, Miner, and Eesley (3003, p. 256) also acknowledge improvisation in describing bricolage as “a construct frequently used to describe the resource set invoked by improvisation.” Miettinen and Virkkunen (2005, p. 451) describe bricoleurs as “tinkerers . . . improvising, imagining, playing and searching for new, unexpected cultural resources”. Nonetheless, the varying views of the relationship between bricolage and improvisation exist. The two terms, bricolage and improvisation, have been used interchangeably in the literature (Ciborra & Lanzara, 1990; Garud & Karnoe, 2003; Weick, 1993b), with bricolage sometimes being viewed as a feature of improvisation (Cunha, Cunha, & Kamoche, 1999). This is partly due to the fact that there has been more scholarly attention on improvisation than bricolage to date (Di Domenico, Haugh, & Tracey, 2010). Other researchers such as Miner, Bassoff and Moorman (2001), and Baker and Nelson (2005) also argue that although those who improvise often engage in bricolage, bricolage may occur separately as a precursor to improvisation. Miner, Bassoff and Moorman (2001) suggest that improvisation compared to bricolage occurs with no time lag, suggesting that improvisers do not have the time to bring together resources outside of what they have at hand.

Improvisation is a theme that is also found across social entrepreneurship literature in regards to combining resources to address social challenges. Often in many communities, idle capital assets that are no longer required act as the starting point for community mobilization to create a social enterprise (Di Domenico, et al., 2010). For example, Furniture Resource Centre, based in Liverpool UK, collect domestic furniture from owners who no longer need them anymore. The organization then makes do with what has been donated to them in creating a strategy of refurbishing the furniture and then reselling it.

While practicing bricolage comes with its many benefits to entrepreneurs, especially when faced with resource scarcity, the concept can also impact negatively on an organization. For example, according to Baker & Nelson (2005), organizations that fully engage in bricolage may find it harder to grow or expand compared to those that don't employ bricolage but instead apply alternative methods such as seeking new investment for their organization. This is because bricolage is mostly used as a strategy to get by when faced with limited resources, whereby an entrepreneur's idea of resource seeking becomes limited to making do with what is available instead of looking into other ways of getting resources into the organization. As suggested by Senyard, Baker, and Davidsson, (2009), bricolage firms provide solutions that are just good enough, which can in turn make it more difficult to compete with other organizations who have access to a wider array of resources. A study conducted by Arenius Rönkkö and Peltonen (2011) revealed that bricolage has an inverted U-shaped relationship on an organizations growth, whereby the model suggests that the

age of an organization practicing bricolage negatively moderates growth. The results of this study suggested that the growth driving effects of bricolage decreased as the firm grew older. In addition, in as much as bricolage enables entrepreneurs to make use of existing resources in different ways, it only helps the entrepreneurs to adapt to the current constraints they are facing but it does not improve the effectiveness of their activities. This is so because most entrepreneurs who practice bricolage do not wait for the right resources to be used, instead they try to bend the rules for what the resources at hand should be used for to create room for what it could be used for. Also, the concept of bricolage involves a lot of improvising and combining the available resources to come up with a solution that is just good enough. This means that there is a lot of use of amateur skills and experimentation (Senyard, Baker & Davidsson, 2009). This is a very slow process of finding necessary solutions, and means that firms that engage in bricolage may experience slow rates of progress that can lead to stagnation. Following from these critiques, it can be advised that social enterprises that seek to grow should apply bricolage judiciously and not be blinded by short-term successes achieved through bricolage.

### **3.2.1 Bricolage and Entrepreneurship**

Entrepreneurship literature over the years has focused on the relationship between an organization's success and resource acquisition abilities, including financial resources, knowledge, and human resources (Cooper, Gimeno-Gascon, & Woo, 1994; Mosakowski, 1998). Some argue that one of the main drivers of

value creation through entrepreneurial innovation is Bricolage (Baker & Nelson, 2005). Andersen (2008, p. 56) argues that bricolage captures the capacity for problem solving, suggesting that the concept reveals how organizations make use of built up social capital and know how in supporting internal processes of innovation by “reemploying existing assets at hand”.

Baker and Nelson (2005, p. 333) define bricolage as “making do by applying combinations of the resources at hand to new problems and opportunities.” Looking closely at the three components of this definition – making do, forming combinations of resources for new purposes, resources at hand – provides more clarity. The first element, ‘making do’, suggests that the entrepreneur refuses to be limited (Weick, 1979), taking action with what is at hand as opposed to seeking additional resources. The second element, ‘forming combinations of resources for new purposes’, implies the entrepreneur makes use of the resources in ways other than what was initially intended, where Schumpeter (1934) is one of the foremost proponents of resource recombination’s. Reliance on the third element, ‘resources at hand’, as suggested by Baker and Nelson (2005) is able to overcome external resource constraints. Lévi-Strauss (1966) argued that a bricoleur has a set of “odds and ends”, either tangible or intangible, that are accumulated on the basis that “they may always come in handy”.

Baker and Nelson’s (2005) field study of 29 resource-constrained small firms suggest that entrepreneurs in these resource-constrained environments make

new combinations with what they have at hand for new purposes. They extend this concept of 'making do' to include 'refusal to enact limitations' as entrepreneurs were found to refuse being constrained by resource limitations imposed on them by institutional or political settings.

The characteristic of 'making do' is also often seen in descriptions of social entrepreneurship (Zahra, Gedajlovich, Neubaum, & Shulman, 2009) as social enterprises are frequently faced with the challenge of seeking resources. These social enterprises usually start out with little available resources to address a selected social problem. Bricolage is able to offer an explanation for how it is possible for social enterprises to still function in the face of limited resources or even funding in three ways:

- Existing, free, or inexpensive resources can be combined in an array of ways to create products that can meet a social need. Baker and Nelson (2005) suggest that as opposed to the entrepreneur seeking additional resources, he 'makes do' by applying combinations of the resources at hand. The entrepreneur need not wait for additional resources to be acquired, but instead, works with what is available to him, thereby not being limited by the insufficient resources.
- Existing contacts and networks can be leveraged as a way of obtaining additional resources and support. Starr and MacMillan (1990) suggest that things such as borrowing, begging, amplifying, and scavenging are additional resource seeking strategies that rely on social transactions and networks. Di Domenico et al. (2010) also acknowledge the ability to

persuade other actors as a way of leveraging acquisition of new resources. Baker and Nelson (2003a) highlight some resource-seeking strategies for particularly accessing financing, such as recruiting early employees; legitimating activities that will aid in acquiring of resources; and “bootstrapping” as methods of surviving without further financial capital.

- Building knowledge during the social entrepreneurial activity from iterative processes, as a way of learning on the go, to save costs in terms of hiring professionals

The three constructs of bricolage, ‘*making do, the refusal to be constrained by limitations, and improvisation*’, were extended by Di Domenico et al. (2010) to the context of social entrepreneurship to propose a new concept of social bricolage. Social bricolage, described as a “contextualized amalgam of social action capabilities that can be leveraged by social entrepreneurs in their efforts to create social value” is a process involving making do, the refusal to be constrained by limitations, improvisation, social value creation, stakeholder participation, and persuasion (Di Domenico et al. 2010, p. 698) (see table 6). This theoretical framework by Di Domenico et al. (2010) is indeed fitting for this social entrepreneurship study, and therefore is employed as the theoretical lens to guide this research.

*“...by recognizing the potential value unused in resources, social bricolage has the potential to lower costs, reduce the risks associated with financial expenditure, and potentially increase the returns on assets. By engaging with stakeholders, social bricolage also creates, extends, and strengthens social relations among communities and augments the legitimacy of social enterprise” - Di Domenico et al. (2010, pp. 698-699)*

| <b>Proposed principles and processes of social bricolage</b>  | <b>Explanation</b>  |
|---|---|
| Making do with limited resources available and creating something from nothing for a social end                   | Combination of resources/making do with the limited resources at hand. Creating something from nothing such as creating a new market or providing a new service where none existed beforehand; using discarded, disused, or unwanted resources for new purposes; and using “hidden” or untapped local resources that other organizations fail to recognize, value, or make adequate use of. |
| Refusal to be constrained by limitations imposed by pervading environmental constraints in pursuit of social goal | Refusing to be constrained by limitations by trying out solutions as tactical responses to pervading institutional structures/rules; subverting the limitations imposed by available resource environments particularly in their ability to create social value   |
| Improvisation to enable active pursuit of social purpose  | Improvising through “best-fit” approaches within the constraints of the limited resources available. Process of trial and error.  |
| Creation of social value  | Generating employment opportunities, work   |

|   |   |
|---|---|
|   | integration, skills development, training and development, social capital, and community cohesion       |
| Stakeholder participation   | Governance structures and decision making, board membership, strategy determination, and implementation |
| Persuasion of other significant actors to leverage acquisition of new resources and support | Persuading other actors within the resource environment of the business case for social value creation  |

**Table 7. Social Bricolage Framework**

**Source: Di Domenico, Haugh, and Tracey (2010, p. 698)**

### **3.3 Entrepreneurial Capital**

Concepts of capital are not new as such within the social sciences, but their application within the entrepreneurship arena is a more recent development, which has been of significance to the field. The emergence of entrepreneurial capital over the years has to do with the increased acknowledgement that business ownership is built upon the availability of resources, and not only financial resources, but also non-financial resources (Erikson, 2002; Morris, 1998; Firkin, 2003). This concept of entrepreneurial capital is built on the resource-based perspective and suggests that the entrepreneurial process is not only influenced by financial capital, but in addition, is impacted by other types of capital owned or accessed by the entrepreneur (Firkin, 2003). Types of non-financial capital that have been identified within the entrepreneurship field include human capital, social capital, symbolic capital, human capital, physical

capital, organizational capital, and technological capital (Carter et al., 2003; Boden & Nucci, 2000; Shaw, et al., 2005; De Carolis & Saporito, 2006; Cope et al., 2007; Haber & Reichel, 2007; Casson & Giusta, 2007). These different kinds of capital available to an entrepreneur, including the amount of capital possessed, influence the overall performance of the firm (Firkin, 2003; Davidson & Honig, 2003).

While it is commonly cited that the concepts of various capitals originated in the resource-based view of the firm (Brush et al, 2001), researchers such as Gorton (2000) and Firkin (2003) reference the perspective on capital by French theorist, Bourdieu (1986), as contributing immensely to the field of business ownership. Bourdieu classifies individuals as having four forms of capital, which are economic, social, cultural, and symbolic. He argues that the social world consists of both objective and subjective structures, which are created by the subconscious systems of classification, used by individuals as symbolic templates for engaging in practical activities (Bourdieu, 1977; Bourdieu & Wacquant, 1992). A more recent conceptualization of entrepreneurial capital is by Firkin (2003), who suggests that entrepreneurial capital encompasses various forms of tangible and intangible resources, which make up an entrepreneurs total capital stock. By endowing individuals with resources, the focus moves from a resource-based view of the firm to essentially a resource-based view of the entrepreneur. These resource typologies differ within the literature, with for example Ansoff (1965) categorizing resources as physical, human, and monetary, while Barney (1991) categorized resources into physical,

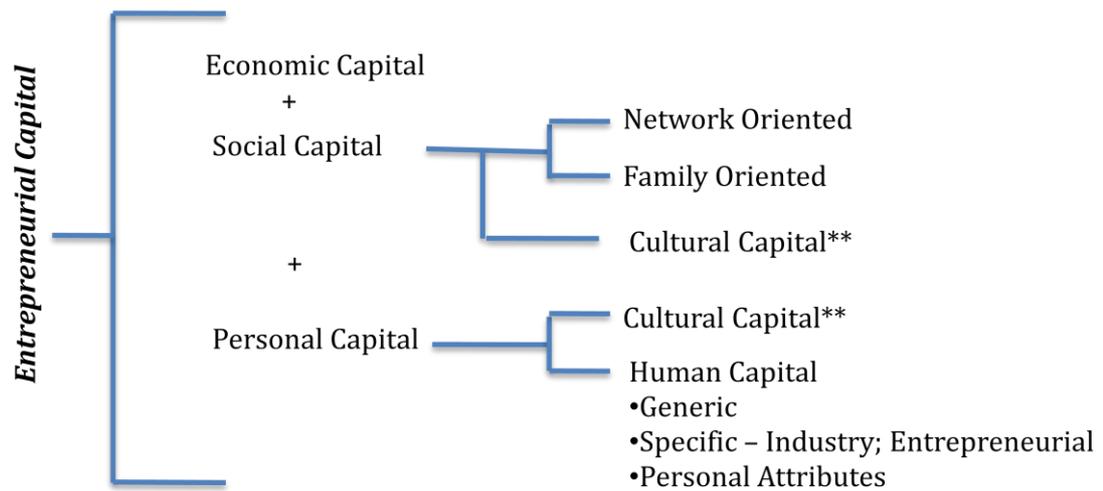
human, and organizational, and later on including a financial category in Barney (1995). It is worth noting however that some researchers extend their definitions to resources beyond the firm, such as Yuchtman and Seashore (1967, p. 900) who define resources as “generalized means, or facilities, that are potentially controllable by social organizations and that are potentially useable – however indirectly – in relationships between the organization and the environment”. Firkin (2003, pp. 59-60) builds upon these existing typologies, briefly describing the capitals as follows:

- Financial capital – Start up and on-going funding
- Human capital – Attributes, skills, education and experience, and reputation of the entrepreneur
- Social capital – Relationships and networks including those within the family, professional settings, ethnic settings, and political settings
- Organizational capital – Organizational relationships, structures, routines, culture, and knowledge
- Physical capital – Tangible assets such as facilities and equipment
- Technological capital – Can be knowledge and process based

Within Firkin’s (2003, p. 65) entrepreneurial capital construct, two key views are seen, first of convertibility, which suggests that “each form of capital can be transformed from, and into, other forms of capital”, and second on value of the capital component, suggesting that entrepreneurs identify and develop their entrepreneurial capital by “extracting the entrepreneurial value from their total

capital or, in other words, converting the various forms of capital they can access to derive entrepreneurial value". In terms of the value of the entrepreneurial capital component, understandably not all will necessarily have value, as entrepreneurship is context dependent (Thornton, 1999). Therefore, considering that whatever combination of capital is drawn upon by an entrepreneur is peculiar to that entrepreneur, it is the "unique capabilities rooted in innovative combinations of resources" that makes the difference (Brush et al., 2001, p. 64). Hence entrepreneurs face the challenge of identifying, specifying, combining, and also transforming such personal resources.

Shaw et al. (2008) look at the impact of entrepreneurial capital on the reputation and performance of the owners of small businesses, viewing reputation as part of symbolic capital, thereby extending Firkin's (2003) concept of entrepreneurial capital. This builds on Bourdieu's (1997) perspective that "individual positions within emerging structures are determined both by the amounts and forms of capital possessed by individuals, and also by the value placed on such capital by others" (Shaw et al., 2008, p. 900). According to Shaw et al. (2008, p. 902), this reputation is "inextricably linked to and influenced by the reputation of their owners", whereby the reputation of the business owner impacts on the business, either positively or negatively, with existing research highlighting that small businesses are dependent on word of mouth and networking when it comes to building reputation (Shaw, 2006; Carson et al., 2004).



**Figure 11. Firkin's Entrepreneurial Capital Model**

**\*\*Aspects of Cultural Capital lie in both the personal and social categories**

**Source: Firkin (2001, p. 14)**

As has been highlighted above, the various forms of capital within the entrepreneurship arena is not new. Nevertheless, variances in how they are employed exists. This research employs in particular Firkin's (2001) model of entrepreneurial capital, which suggests that an individuals capital is the sum of their economic, social, and personal capital (Figure 11). Therefore, rather than this model simply being based on these four forms of capital - human, financial, cultural, and social, it is based around three broad domains of human, social, and personal capital with the four forms of capital being distributed amongst these domains. Firkin (2001) introduces personal capital into this model having considered two key issues. Firstly, personal capital constitutes an extended view of human capital, that is general and specific human capital, and also consists of personal attributes. Secondly, the cultural capital component can fit within both the personal and social dimensions, thereby making the decision to have a separate personal dimension effective in mapping out the concept

entrepreneurial capital. Firkin (2001, p. 11) suggests that “instead of just opting to simply incorporate these features into an expanded form of human capital, an alternative term seemed one way to reinforce the expanded scope of this domain. As well, it nicely contrasts with the social, highlighting that capital in one form resides with the individual and in the other it inheres in the structure of relationships”.

### **3.4 Overview of Theoretical Perspective**

Social enterprises require resources to meet their objectives and employ various strategies in mobilizing these resources, yet they often operate in resource-poor environments. Therefore, using a resource based lens for investigation in understanding these social enterprises, and on a larger scale social entrepreneurship, is fitting. Hence, this section of the literature focused on the resources factor. The resource-based view is introduced, with its relationship to entrepreneurship. This then led to a review of the entrepreneurial capital and bricolage concepts, as part of the resource-based view theory, and how the concept is related to the social entrepreneurship field of study. As research has shown, these concepts are particularly applicable to social entrepreneurship, as it involves resource constrained environments, recombining elements for new purposes, and creating in the face of limited knowledge (Baker & Nelson 2005; Baker, Miner & Eesley 2003), all of which are attributed to social entrepreneurship.

Other known strategies that entrepreneurs use in gathering resources in resource-poor environments include networks (Peterson, 1995), effectuation (Sarasvathy, 2004), and financial bootstrapping (van Auken, 2005; Winborg & Landstrom, 2001; Willoughby, 2008). While to some extent these approaches to gathering resources acknowledge the social element of entrepreneurship, these approaches are arguably limited compared to bricolage, as these other approaches are intended specifically for challenges within the economic for-profit environment. Therefore, as seen in the literature that bricolage is regarded both in conventional entrepreneurship and other social domains confirms it is a more flexible approach within the context of social entrepreneurship, and more so in for-profit social entrepreneurship where social enterprises are faced with both economic and social objectives. In addition, the concept of entrepreneurial capital provides additional support for the analysis and findings of this research.

### **3.5 Chapter Summary**

This chapter, along with the previous chapter, have provided a review of the relevant literature for this study. It linked the existing literature to the theoretical lens of the resource-based view to be employed. The section also discussed social bricolage and entrepreneurial capital as the theoretical frameworks to be employed in this study. Having explored both the theoretical perspective covered in this chapter as well as extant literature on social

entrepreneurship from the previous chapter, the next chapter delves into the methods employed to guide this research.

## CHAPTER 4: METHODOLOGY

Having theorized my research questions in the previous chapter, and now moving from concepts and theorizations to appropriate methods, this chapter focuses on the methodological framework that is used in guiding the study to identify the challenges that arise in social enterprises from blending a social goal with a for-profit mission, and to investigate the competencies that enable them to overcome resource constraints within the bricolage context. As a research design is typically made up of different elements and choices (Blaikie, 2000), the chapter aims to describe the different sets of elements while also justifying the various choices made. Hence, the methodology chapter begins with exploring the two main philosophical traditions of objectivism and subjectivism, with the core assumptions of ontology, epistemology, human nature, and methodology. The choice in ontological and epistemological assumptions both influence the methodological paths to be taken and also help frame the aims of research inquiry, the role of the researcher, and the researcher-respondent relationship (Jean, 1992). Consequently, being aware of a researcher's philosophical orientation is essential (Douglas, 1970). Therefore the chapter briefly introduces my philosophical perspectives to research. After giving careful consideration to the different philosophical traditions, and being fully aware that philosophical orientation guides the methodology used to investigate and examine the phenomenon of social entrepreneurship being studied, I make explicit my 'subjective' philosophical stance. This chosen outlook then guided the following choices, leading to the selection of an

interpretivist research paradigm (social constructionism), with an inductive research approach. The case study approach, which was the selected research strategy, was then described and seen to be a well-suited approach for the purpose of this study. Twelve social enterprise cases were selected for study using a purposive sampling approach, and set by two key bounding criteria. Data gathering tools including interviews, observations, and document analysis were then selected as the most suitable to help answer the research questions and obtain in-depth information for this study, with a manual approach being selected for data analysis. Finally, ethical considerations were discussed, along with the issues of validity, reliability, and generalizability. Figure 12 shows a summary of methodological choices made to aid in meeting the objectives of my research.



**Figure 12. Methodology Summary**

## 4.1 Research Philosophy

The nature of science typically ranges on a continuum of objectivity and subjectivity. These traditional philosophies are on polar opposites of purely objective philosophies and purely subjective philosophies. There are four core assumptions of these two main philosophical traditions - ontology (reality of what the world is like), epistemology (knowledge and how its acquired), human nature (deterministic or free), and methodology. In examining the two philosophical positions of objectivism and subjectivism in relation to the core assumptions, a general overview of the relationships between ontology, human nature, epistemology, and methodology in current social science is seen in figure 13, with the extreme ends of the continuum discussed further below.

|                                       | Subjectivist Approaches to Social Science      |   |  | Objectivist Approaches to Social Science     |                                   |                                   |
|---------------------------------------|--|---|--|--|-----------------------------------|-----------------------------------|
| <b>Core Ontological Assumptions</b>   | Reality as a projection of human imagination   | Reality as a social construction                | Reality as a realm of symbolic discourse     | Reality as a contextual field of information | Reality as a concrete process     | Reality as a concrete structure   |
| <b>Assumptions About Human Nature</b> | Man as pure spirit, consciousness, being       | Man as a social constructor, the symbol creator | Man as an actor, the symbol user             | Man as an information processor              | Man as an adaptor                 | Man as a responder                |
| <b>Basic Epistemological Stance</b>   | To obtain phenomenological insight, revelation | To understand how social reality is created     | To understand patterns of symbolic discourse | To map contexts                              | To study systems, process, change | To construct a positivist science |
| <b>Some Favored Metaphors</b>         | transcendental                                 | Language game, accomplishment, text             | Theater, culture                             | cybernetic                                   | organism                          | machine                           |
| <b>Research Methods</b>               | Exploration of pure subjectivity               | hermeneutics                                    | Symbolic analysis                            | Contextual analysis of Gestalten             | Historical analysis               | Lab experiments, surveys          |

**Figure 13. Network of Basic Assumptions Characterizing the Subjective-Objective Debate within Social Science**

Source: Morgan & Smircich (1980, p.492)

*Ontological Assumption:* Advocates of objectivism are realists, whereby at the extreme end of this perspective, everything is seen as having objective existence independently of how individuals understand and perceive things. Proponents of this view maintain that the world precedes humans, and is made up of hard tangible and relatively unchangeable structures existing independently of the mind (Gill & Johnson, 1997). On the opposite end of the objectivist philosophical tradition is the purely subjective philosophy, which is known as solipsism (Holden & Lynch, 2004). At this end of the continuum, nothing has objective existence, but instead everything is what we perceive it to be, in other words, reality is perception or projection of reality through the human mind (Morgan & Smircich, 1980).

*Epistemological Assumption:* Following the philosophical stance that is taken at the ontological level, both the epistemological and human nature core assumptions are influenced. Hence, as epistemology is concerned with "the nature, validity, and limits of inquiry" (Rosenau 1992, p. 109), under the objectivist philosophical view, knowledge is waiting to be discovered and is gained from an objective understanding of the world. It is believed that this knowledge can be identified through the accumulation of more complete information that can be measured and observed. On the other hand, from the subjective ontological standpoint, the resultant epistemological view is that, as everything is relative, knowledge cannot be discovered. Proponents of this perspective contend that knowledge arises subjectively and is therefore dependent on prior experiences.

*Human Nature Assumption:* The core assumption of human nature assumes whether or not man is perceived as the controller or the controlled (Burrell & Morgan, 1979), and from an objectivist stand point, it is contended that humans exist in a world where there are causal laws which give reason for patterns in human social behavior (Easterby-Smith, Thorpe, & Lowe 1991). Hence, the relationship between man and society is seen as deterministic as opposed to free. This follows that from the subjective end of the scale, human nature is free and voluntaristic as opposed to deterministic, i.e. humans are intentional beings with free will.

On review of these two philosophical traditions of objectivism and subjectivism, it is crucial at this point that attention is drawn to the philosophical stance that would guide this research. After careful consideration of my personal views of reality, and on review of existing literature on philosophical traditions, this research would be taking on a subjective ontological stance. As is the case when conducting research, a researchers ontological view of reality and what the world is like acts as a basis for all other assumptions.

*“The researcher will find that these assumptions are consequential to each other, that is, their view of ontology effects their epistemological persuasion which, in turn, effects their view of human nature, consequently, choice of methodology logically follows the assumptions the researcher has already made”* (Holden & Lynch, 2004, p. 3).

Therefore, my subjectivist view of reality predicates my epistemological subjectivist standpoint, considering the fact that my assumptions are consequential to each other. This follows that from the initial ontological and epistemological subjectivist position, the following methodological choices follow certain resulting paths as seen and discussed in this chapter.

## **4.2 Research Paradigm**

A paradigm is a basic set of beliefs that guide action (Thompson, Locander, & Pollio, 1989; Guba, 1990; Creswell, 1994), and these paradigms can be categorized into positivism, interpretivism, and critical approaches (Myers & Walsham, 1998). The positivist approach believes that there is an independent relationship between social reality and humans, independent of the cause-and-effect type. Examples of case studies taking on a positivist philosophical perspective are seen in Benbasat, Goldstein, and Mead (1987), and Yin (1994). As positivism assumes an objective world, it often "searches for facts conceived in terms of specified correlations and associations among variables" (Gephart, 1999, p. 7). Although the positivistic paradigm has and continues to influence scientific education research, it has faced criticism for its lack of regard for the subjective states of individuals as the proponents of the paradigm tend to look at human behavior as passive, being determined by the external environment. Critics of the perspective argued for more subjectivity in the process of scientific inquiry, bringing rise to anti-positivism paradigms.

In the interpretivist approach, an anti-positivism paradigm, it is assumed that knowledge of reality is achieved only by way of social constructions, for example, through language, shared meanings, documents, and, tools (Walsham, 1993). In such research, instead of predefined dependent and independent variables, the focus is on the complexity of human sense making as circumstances begin to emerge (Kaplan & Maxwell, 1994). Researchers who adopt and support the interpretivist approach argue that social phenomena ought to be understood within the social context where they are formed, whereby the understanding of social action must include what social actors describe their activities as. It is also commonly assumed in the interpretivist perspective that social reality is formed from intentional actions (Burrell & Morgan, 1979). The interpretivist stance sees the social world as consisting of multiple subjective realities, which can differ across time and place, as opposed to a single objective reality.

On the other hand in the critical approach, theorists believe that people can consciously act to change both their social and economic circumstances, and that also social reality is historically constituted, being produced and reproduced by people. In this type of research, studies are classified as emancipative if the study's objective is to help in eradicating the causes of unnecessary division and domination, thereby improving opportunities for the recognition of human potential (Alvesson & Wilmott, 1992; Hirschheim & Klien, 1994).

Critical theory is known to often borrow methods and theory from interpretive research, but it uses them in a context where "theoretical ideas are used to expose problems of capitalism and to support and encourage political action" (Gephart, 1999, p. 21). According to Gephart:

*"Interpretive constructivism offers ways to understand member's own meanings and theories of the world, a fundamental challenge for any scholarly inquiry seeking to have practical relevance. And critical postmodern scholarship challenges the value neutral nature of positivism and even interpretive research. It challenges normal positivist science by displaying that particularistic and elite interests are served by and embedded in positivist knowledge hence positivism serves to reproduce structures of inequality and oppression" (Gephart, 1999, p. 21).*

Table 7 summarizes the three key paradigms of positivism, interpretivism, and critical theory, clearly highlighting differences between the features of the paradigms.

|                                 | <b>Positivism</b>   | <b>Interpretivism</b>   | <b>Critical Theory / Postmodernism</b>   |
|---------------------------------|---|---|--|
| <b>Assumptions</b>              | Objective world which science can 'mirror' with privileged knowledge  | Intersubjective world which science can represent with concepts of concepts of actors; social construction of reality | Material world of structured contradictions and/or exploitation which can be objectively known only by removing tacit ideological biases |
| <b>Key Focus or Ideas</b>       | Search for contextual and organizational variables which cause organizational actions                                 | Search for patterns of meaning  | Search for disguised contradictions hidden by ideology; open spaces for previously silenced voices                                       |
| <b>Key Theories in Paradigm</b> | Contingency theory; systems theory; population ecology; transaction cost economics of organizing; dustbowl empiricism | Symbolic interaction; ethnomethodology; phenomenology; hermeneutics   | Marxism; critical theory; 'radical' perspectives<br>PM: poststructuralism; postmodernism; deconstructionism; semiotics                   |
| <b>Goal of Paradigm</b>         | Uncover truth and facts as quantitatively   | Describe meanings, understand   | Uncover hidden interests; expose contradictions; enable  |

|   |  |   |   |
|---|--|---|---|
|   | specified relations among variables  | members' definitions of the situation, examine how objective realities are produced                   | more informed consciousness; displace ideology with scientific insights; change   |
| <b>Nature of Knowledge or Form of Theory</b>    | Verified hypotheses involving valid, reliable and precisely measured variables | Abstract descriptions of meanings and members= definitions of situations produced in natural contexts | Structural or historical insights revealing contradictions  |
| <b>Criteria for Assessing Research</b>          | Prediction=Explanation<br>Rigor; internal & external validity, reliability     | Trustworthiness<br>Authenticity   | Theoretical consistency<br>Historical insights<br>Transcendent interpretations<br>Basis for action, change potential and mobilization |
| <b>Unit of Analysis</b>                         | The variable   | Meaning; symbolic act   | Contradictions, incidents of exploitation<br>PM: the sign   |
| <b>Research Methods and Type(s) of Analysis</b> | Experiments; questionnaires; secondary data analysis; quantitatively           | Ethnography; participant observation; interviews; conversational                                      | Field research, historical analysis, dialectical analysis<br>PM: deconstruction, textual analysis                                     |

|  |  |   |  |
|--|--|---|--|
|  | coded documents<br>Quantitative:<br>regression; Likert<br>scaling; structural<br>equation modeling<br>Qualitative:<br>grounded theory<br>testing | analysis; grounded<br>theory<br>development<br>Case studies;<br>conversational and<br>textual analysis;<br>expansion analysis |  |
|--|--|---|--|

**Table 8. Management Research Paradigms**

**Source: Gephart (1999, p. 6)**

In reviewing past entrepreneurship and social enterprise research, it is seen that most of the research follows a more positivist approach, thereby leading to a focus on function as opposed to how an approach to social enterprise can be interpreted (Parkinson, 2005; Chell, 2007). As suggested by Steyaert (2007), entrepreneurship researchers have mostly gone with a logo-scientific approach where the research represents in an objective way the entrepreneurial reality out there. A considerable part of the literature, especially North American research, employs large statistical samples, through means such as surveys, in order to study large numbers of entrepreneurs (see Gartner, Shaver, Carter, & Reynolds, 2004). By using such research approaches and methods, along with the resulting conclusions that are drawn from such studies, the researchers are able to learn about strategies and operations, but lose out in fully grasping the thinking and reasoning behind the social enterprises and social entrepreneurs. Hence, such studies fail to benefit from the human element.

Such positivist focus on uncovering truths and facts through the use of experiments and survey methods have been challenged by interpretivists, who argue that such methods impose a view of the world on subjects instead of understanding and describing these world views. In the entrepreneurship arena which is "initiated by human volition" (Bygrave, 1993; p. 255), it is vital to understand actions of the human behind the phenomenon. In essence, understanding of human meanings, intentions, and actions, is "essential to the generation of an adequate interpretation of a given social phenomenon...and thus requires a distinctive epistemological and methodological approach" (Curran & Burrows, 1987, p. 8). Suggesting that the concept of entrepreneurship and social enterprise is not critically questioned by a lot of theorists, Parkinson (2005) highlights that as opposed to critically understanding these concepts, they have instead been embedded in displays aimed at promoting the concepts. Parkinson (2005) observes that while this may be helpful in shaping the sector, commentators are now increasingly seeking for approaches that reflect the complexities and ambiguities that characterize these sectors.

Noted by Steyaert (2007) are the limitations of predictive cause and effect relationships in entrepreneurship, arguing that "by its very nature, success in the field of entrepreneurship reflects changing internal and external environments. It is doubtful, therefore, that a formal predictive scientific theory of entrepreneurship will ever emerge". Also, being a qualitative based research, the researcher needs to "understand the complex interrelationships among all

that exists" (Stake, 1995, p. 37), making sense of settings "that describe routine and problematic moments and meanings in individual lives... [consisting of] a set of interpretive, material practices that make the world visible" (Denzin & Lincoln, 2000, p. 3). Hence, while past researchers are to be highly praised for building up and establishing the field, it is necessary for additional narratives to be developed based on interpretations of entrepreneurs. Such studies conducted over time will help perfect our understanding of the field. Therefore, although the positivist approach has its advantages, it has its limitations in describing the complexities of the entrepreneurial phenomenon. Hence, for that reason, an interpretive approach is both effective and beneficial, and is the approach that will guide this research, as it will help with the identification of inconsistencies between how the phenomenon is interpreted in present-day practice. In particular, the research aligns to a social constructionism interpretive paradigm, which is the epistemological view that "all knowledge, and therefore all meaningful reality as such, is contingent upon human practices, being constructed in and out of interaction between human beings and their world, and developed and transmitted within an essentially social context" (Crotty, 1998, p. 42). In social constructionism, it is assumed that different people attach different meanings to phenomena dependent on their own backgrounds and cultural views (Weick, 1979; Crotty, 1998; Walsh & Clegg, 2004). Employing this perspective is particularly suitable for this study as it is consistent with the broader interpretivist paradigm, and also the research isn't aimed at being self-reflexive, but instead seeks to gain more knowledge about the object being studied. Also, as much of our understanding

of the social world is socially constructed by virtue of our interactions with others (Doherty, 2008), the social constructionist approach can be viewed as central to studying social enterprise (Borch et al., 2007; Schwabenland, 2006). In addition to this, various researchers such as Perrini (2006), Chell (2007), and Borch et al. (2007), argue that social enterprises should be viewed as a cognitive framework, and interpretive, both in theory and in practice. This is also suggested in Paton's (2003) view, who suggests that social enterprises operate in a different world of meaning. As highlighted by Paton (2003, unpaginated):

"The world is not just 'out there', something that imprints on us as passive perceives. This active constructing of the world is a social business, undertaken in and through communities of one sort or another, communities that shade and evolve their common language in responding to the issues they face".

Therefore, the findings of this research are dependent on the experiences and perceptions of the practitioners, and as opposed to beginning with a theory or hypothesis to be tested, I rather "inductively develop a theory or pattern of meanings" as a constructivist researcher (Creswell, 2003). By so doing, social enterprise can be framed as a socially constructed phenomenon, whereby the embedded phenomenon is "integral to understanding organisations and deciding which strategies are likely to succeed" (Stiles, 2004, p. 128).

### **4.3 Research Design**

Some research methods belong strictly to positivist or subjective interpretivist approaches, whereas some research methods can fall under either an objective or subjective approach (Remenyi, Williams, Money, & Swartz, 1998). For example, on one hand, research approaches such as action research and participant-observer are strictly interpretivist, while large-scale surveys and forecasting research is strictly positivistic (with some room for interpretation). On the other hand, case studies and field experiments have the scope to be either positivist, interpretivist, or critical (Walsham, 1995a; Remenyi et al., 1998) though such distribution is often very debatable. That being said, following from the chosen interpretivist approach of this research, a case study research strategy was selected.

#### **4.3.1 Case Study Research Strategy**

To answer my social entrepreneurship research questions, and as a way of exploring the intricacies, perceptions, and dynamics within the for-profit context, I have selected the case study approach as my research strategy.

Eisenhardt (1989, p. 534) defined case study “as a research strategy that focuses on the dynamics present within a single setting”. One of the advocates of the case study strategy is Cutler (2004), who defines the strategy as a way of exploring and conducting in-depth analyses of complex processes "that cannot

be easily separated from the social context" within which they occur (Cutler, 2004, p. 367). Yin (1994, p. 23) describes the case study as an empirical investigation into a contemporary phenomenon within its real-life context, more so when there are no clearly defined boundaries between the phenomenon and context. Eisenhardt (1989) suggests that case studies provide description while testing and/or generating theory. As a research strategy, the case study approach focuses on "understanding the dynamics present within single settings" (Eisenhardt, 1989, p. 534).

The nature of the case study is designed to explore specific cases in an in-depth way (David and Sutton, 2004), and can be either embedded or holistic, whereby in an embedded case study, there is more than one sub-unit, and in a holistic case study, there is only one unit of analysis for each case (Yin, 1994). Researchers such as Brown and Eisenhardt (1997), and Galunic and Eisenhardt (2001), suggest that cases must be treated as a series of independent experiments to validate or nullify emerging conceptual insights. For this research, a holistic case study design will be used.

Yin (1993) categorizes case studies into three groups - exploratory, causal, and descriptive, although highlighting that the boundaries between these categories are not sharply defined. An exploratory case study is usually used in defining research questions and hypothesis. It involves first of all defining the issues to be researched and then gathering data before the specific research questions or theories are formed. This is followed by data analysis, which then leads to more

systematic case studies. This type of case study approach is mostly used for pilot studies, before proceeding to a full-scale investigation. The causal or explanatory case study is described as an approach that will seek the relationship between 'cause and effect', while searching for explanatory theories of the phenomena. It focuses on explaining how and why specific events occur. The descriptive case study on the other hand is one that describes a phenomenon within its context, first requiring the cause and effect hypotheses. As Yin (1993, p. 22) suggests, this type of study requires that a theory guide the data collection process, arguing that "this theory should be openly stated in advance and be the subject of review and debate and later serve as the 'design' for the descriptive case study. The more thoughtful the theory, the better the descriptive case study will be". Based on Yin's (1993) classification of case study strategies, and considering the aims and objectives of this study, the exploratory case study strategy is identified as the most suitable strategy.

The case study research method continues to increase in popularity within academic research, with Kohn (1997) arguing that the dominance in the use of the case study method is as a result of the shortcomings of other research strategies in providing solutions to the questions researchers are seeking to answer. The case study approach has been proven to have various advantages. Firstly, the assessment of the data is frequently conducted within the context of its use, i.e. within the situation the activity occurs (Yin, 1984). Secondly, alternatives in terms of fundamental approaches to case studies allow for not

just qualitative methods, but for both quantitative and qualitative analysis of the data, with Yin (1984) noting that case studies can also be based wholly on quantitative evidence. Thirdly, in depth qualitative reports produced by case study approaches aid in explaining the intricacies of real life situations that may not be identified using experimental research (Zainal, 2007). The case study approach is also known as a triangulated research strategy, with researchers like Towill (2006) arguing that the use of multi-method approaches makes achieving validity easier by triangulating various sources of evidence and theory. Other researchers such as Alvord, Brown, and Letts (2004, p. 264) agree that case studies offer rich sources of information that facilitate identification of unexpected patterns, which could go undetected by more constrained methodologies, but acknowledge that “the cost of such richness is increased difficulty in making systematic comparisons and drawing unambiguous conclusions”.

While the case study approach to research has many advantages, especially within the context of this study, the existing limitations of this approach are also acknowledged. One of the main critiques of the case study approach has been around the area of it not being representative. Burton (2000) suggests that one way of making the research more representative is by using multiple case studies as opposed to the single case study approach, as the multiple case studies allows for comparison to identify similarities and differences between cases. Using a multiple case study approach also aids in gaining more depth into the area being investigated, whereby the explanatory potential of the approach

is improved through the process of endeavouring to understand the distinctiveness of certain cases. Also, for the research to be representative, the researcher should avoid using exceptional cases of the phenomenon being studied, i.e. more typical cases of the phenomenon should be used (although exceptional cases have their own advantages in certain research contexts).

Using a case study design is particularly appropriate in new topic areas (Eisenhardt, 1989; Dutton & Duckerich, 1991), such as social entrepreneurship. This case study approach is well-suited for this research, as Yin (2003) suggests that in general, case studies are the preferred strategy when 'how', 'why', and exploratory-type 'what' questions are being asked, including also when the investigator has little control over events and when the focus is on a contemporary phenomenon within some real life context. Such questions of 'how', 'why', and 'what' deal more with operational links within a study as opposed to sheer focus of frequency or occurrence. This case study approach is highly beneficial in circumstances where the contextual environment that is being investigated is critical and also where the researcher has little control over the events that occur as they take place. As Burton (2000) suggests, when the focus of a study falls within such a context, the case study approach represents a useful process of framing the study and gathering the necessary data. Yin (1994, p. 13) suggests, "the case study allows an investigation to retain the holistic and meaningful characteristics of real-life events such as individual life cycles, organizational and managerial processes, neighborhood change, international relations and the maturation of industries". Therefore, in

my aim of exploring and understanding what challenges for-profit social enterprises face, and what competencies enable them overcome resource constraints, a case study approach proves well suited for my investigation. Also, as social enterprises are diverse in their activities and practices, the case study approach is again well suited for this study as it offers the opportunity to "tease out and disentangle a complex set of factors and relationships albeit in one or small number of instances" (Easton, 2010, p. 119).

There have been arguments about the use of the case study approach to research, one of which is in regards to using either single or multiple case studies for conceiving good theory. A researcher can opt to conduct a single case study or a multiple case study, but continuing debates still exist around the significance and consequence of the use of one approach over the other. A single case study aims at explaining how and why a phenomenon occurs (Thomas et al., 1998) by exploring the relationships existing within internal operations of the case being studied. On the other hand, a multiple case study is useful in exploring new areas that lack theory explaining a phenomenon (Kohn, 1997). This approach allows for replication, whereby the researcher is able to examine themes across various cases. Furthermore, multiple case studies enable cross-case analysis studies (Yin, 2003; Eisenhardt, 1991; Eisenhardt & Graebner, 2007), which creates a stronger foundation for theory building than single cases do. Eisenhardt (1989, p. 545) suggests that "while there is no ideal number of cases, a number between 4 and 10 usually works well". Researchers like Dyer and Wilkins (1991) challenge this notion, arguing that single in-depth cases

studies are usually more sound than those of multiple case studies, stating in their critique that Eisenhardt's method focuses on "surface *data rather than deeper social dynamics*," (Dyer & Wilkins, 1991, p. 615). Although Eisenhardt (1991) accepted some of the critique from Dyer and Wilkin (1991), Eisenhardt still stood by her original argument that multiple cases studies are a good theoretical base for research. Hans-Gerd Ridder et al., (2009) suggests that whether the case study approach is based on a single case or multiple cases, it can still either be exploratory, descriptive or explanatory depending on the aim of the case study, using single, multi, or mixed methods of data collection. For the purpose of this study, the multiple case study was deemed the more appropriate approach to meet the set objectives, allowing for a balanced analysis when considering the diversity that exists in the activities of social enterprises. This method will aid in the comparison of cases to yield a 'replication logic', a method of analyzing themes and patterns across cases for a more in-depth understanding of the area of interest. As Yin (2003) observed, the replication logic observes if the case predicts similar results, or if it predicts contrasting results, but for predictable reasons. By using this case study approach for this study, I will be able to achieve detailed accounts from a holistic point of view.

In summary, undeniably there are some limitations and issues with the case study approach to research, but pros and cons are expected from other research methods also. Overall, the case study approach in itself has been proved to be a

well-suited robust method to analyze research, especially emerging research in a complex area such as social entrepreneurship.

#### **4.3.2 Sampling Strategy and Techniques**

Sampling strategies are usually divided into two broad categories of probabilistic sampling or non-probabilistic sampling (Remenyi et al., 1998; Daermark et al., 2002). Probability sampling is a sampling technique whereby the selection of the sample is based purely on chance, i.e. random selection where any individual can be selected, while non-probability sampling is not based on chance, but instead is a technique whereby samples are gathered in a way that doesn't give all the individuals in a population equal chances of being selected. Probabilistic sampling is typically employed in extensive research designs whereby descriptions of the cases that are studied are intended to represent the population of all of such types of cases.

Non-probabilistic sampling can be further broken down into convenience and purposive sampling. Convenience sampling, which is also referred to as haphazard or accidental sampling, involves selecting sample units based on convenience and ease of access. This type of sampling technique is not normally representative of the target population. The convenience strategy although not highly favored as it is seen as unsatisfactory (Blaikie, 2000; Patton, 2002), is indeed useful in situations where the chance to study cases is rare (Weiss, 1994).

Most commonly used, for qualitative studies with small sample sizes, is the purposive sampling strategy. This strategy is a sampling technique that involves selecting subjects with a purpose in mind, where the sample is based on who the researcher thinks would be appropriate for the study. It involves the deliberate selection of cases that are able to provide important information about the phenomenon being studied, which is not easily obtained through other research choices (Eisenhardt, 1989; Gummesson, 2000; Patton, 2001; Pauwels & Matthyssens, 2004). The purposive sampling aims to select information-rich cases for in-depth study to examine meanings, interpretations, processes and theory (Liamputtong & Ezzy, 2005). According to Stake (2000, p. 446), "the researcher examines various interests in the phenomenon, selecting a case of some typicality, but leaning towards those cases that seem to offer the opportunity to learn. My choice would be to take that case from which we feel we can learn the most...potential for learning is a different and somewhat superior criterion to representativeness". As the goal was "not to represent intrinsically interesting cases or to represent some general population but rather to gain a more detailed picture of the phenomenon" (Berglund, 2007, p. 83), the purposeful sampling strategy which places emphasis on "in-depth understanding" (Patton, 2002, p. 230) was well suited for this study. Considering the research design, the sampling technique used for this research is purposive, rather than random.

Selection Criteria:

Using a criterion-based technique, which is a technique where some criteria is used to select participants when a researcher is especially interested in certain subjects or cases, two critical selection criteria's were set for the choice of social enterprises to be studied. These are discussed below

According to Dees and Anderson (2003, p. 2) definition of for-profit social enterprises, the social enterprise had to be:

1. *Legally incorporated as for-profit entities, with one or more owners who have a formal right to control the firm and who are entitled to its residual earnings and net assets. For-profit forms include proprietorships, partnerships, corporations, limited liability companies, and cooperatives.*
2. *Explicitly designed to serve a social purpose while making a profit. Having a social purpose involves a commitment to creating value for a community or society rather than just wealth for the owners or personal satisfaction for customers.*

Therefore, considering this definition above, the first criterion was set:

*Criterion 1 - Social enterprise legally incorporated as a for-profit entity*

In terms of the performance of the social enterprise, the enterprise has to be successful in creating social value. This would mean that the selected social enterprises must be old enough to be established as successful, which in practice means the social enterprise is typically three years and above. This three year limit also means that infrastructure would have been developed

thereby allowing an in-depth study of its organizing processes. Therefore, the second criteria was as follows

*Criterion 2* - Social enterprise proven to be successful at creating social value based on its age of 3 years or older

*Case selection:*

In choosing cases to be studied, the researcher needs to ensure the process of the selection maximizes knowledge of the area being studied (Tellis, 1997). Falling within Eisenhardt's (1989) recommended guidelines of 4 to 10 for the number of case studies to be conducted, eight cases were initially selected for this study. This number was eventually increased to twelve as the small size of these social enterprises was reconsidered, and also taking into consideration the time available for fieldwork, hence ensuring that in-depth knowledge was gained from each. This allowed for gaining a deeper understanding of the research subject. Also, by making use of multiple case studies categorized into similar business markets, it aided in conducting a cross-case pattern and within-case analysis, which raises the validity of the study.

According to the RBS SE100 2011 reports, London is seeing the fastest growth in social enterprises within the UK, and in the 2010 reports was the highest ranked region in median growth at 20.76%<sup>5</sup>, and second to England in turnover of £367,497,591. Therefore, social enterprises operating in London, UK, were

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<sup>5</sup> Companies operating more than three years and over only

the representative sample for this study as the region has been seen to be one of the more thriving regions of social entrepreneurial activity.

The Social Enterprise London (SEL) Directory was used as an information hub in the selection process. This directory was used as a starting point for first of all sourcing the social enterprises, which was then followed by a Companies House information check, to ensure that the company met the selection criteria outlined above. The Companies House database provided quick access to company details with information such as the status of the social enterprise, the company type, its nature of business, its age, etc. Once it had been confirmed that the social enterprise had met the selection criteria, the companies website was visited for more detailed information on the companies history, activities, and other general information that was helpful for the research. Having vetted the social enterprises, and keeping a note of those that appeared most suitable for the research, I went ahead to negotiate access by sending an introductory email to the contact address provided on their website. I started off by contacting my top eight social enterprises, but not all returned favorable responses, so I continued to select from my list in order of preference those to contact next. When I had reached my desired total of eight cases, I found that the number of interviews conducted in total was less than I had intended to achieve, and saturation had not been reached. So I continued to contact a few more social enterprises, until the point of saturation was reached by the ninth case, but carried on to include four more cases as interviews had already been scheduled. Over the whole process, a total of 54 social enterprises were

contacted, with only 13 of them agreeing to take part in the research. After interviews had been concluded, it was decided to use only 12 of those cases, as there was only one fair trade social enterprise and therefore no other to make a suitable comparison for. Hence, the research was limited to private limited companies so therefore did not include co-operations, corporations, etc, although such organizations fall under the definition of for-profit social enterprise used. Restricting this study to private limited companies is acknowledged as a limitation to this research in Chapter 7 (section 7.4). Brief descriptions of the selected case studies are provided in table 8.

| S/N | Company Name* | Market          | Niche  | Type                          |
|-----|---------------|-----------------|--|-------------------------------|
| 1   | Ascot         | Consultancy     | Services delivered by long-term unemployed           | Private Limited Company       |
| 2   | Southsea      | Retail          | Eco-friendly bottled water                           | Private Limited Company       |
| 3   | Alumniity     | Education       | Providing alumni services to schools                 | Private Limited Company       |
| 4   | Oceana        | Retail          | Selling of bottled water, hygiene & kitchen products | Private Limited Company       |
| 5   | Dream Dance   | Performing Arts | Performing arts dance school for youth               | Private Limited Company       |
| 6   | Rerun         | Social work     | Behavior correction for youth at risk of offending   | Limited Liability Partnership |

|    |            |                |  |                         |
|----|------------|----------------|--|-------------------------|
| 7  | Recreate   | Retail         | Production and sale of card game                   | Private Limited Company |
| 8  | Sport Goal | Sports         | Organizing sports games in local communities       | Private Limited Company |
| 9  | Sociality  | Consultancy    | Management consultancy                             | Private Limited Company |
| 10 | Corville   | Consultancy    | Management consultancy                             | Private Limited Company |
| 11 | Mode       | Communications | Youth deliver services alongside experienced hires | Private Limited Company |
| 12 | Maine      | Technology     | IT and management training                         | Private Limited Company |

**Table 9. Social enterprise cases**

**\*To protect anonymity, pseudonyms are used**

#### **4.4 Data Collection Methods**

Data collection is an iterative process, whereby "one observes, follows themes and trails, identifies patterns, have those patterns disconfirmed or verified by further data, and the process moves on" (Pettigrew, 1990, p. 277). Following from the interpretivist approach to this research, importance is placed on qualitative research techniques. For this study, a combination of three different data collection methods were used to achieve the objectives of the research – interviews, observation, and documents.

#### **4.4.1 Interviews**

Yin (2003) suggests that there are two things that need to be done in an interview process, which are, following a line of inquiry, and asking questions in an unbiased manner, which serves the needs of the line of inquiry. Interviewing is a very resourceful way of collecting rich empirical data (Eisenhardt & Graebner, 2007). Using the interview method for data collection allows the researcher to focus directly on the case study topic while producing useful insights into the area of inquiry. Judd et al. (1999) suggest that open-ended responses can aid in the formulation of new hypotheses and are especially useful in new research areas.

The interview as a data gathering technique is one of the more important and valuable sources of information for this study. This study employed a semi-structured interview format. Robson (2002, p. 271) suggests that the semi-structured interview style is appropriate when "individual historical accounts are required of how a particular phenomenon developed". In particular, multiple stakeholder interviews were used as this integrates multiple perspectives, key in describing processes of change and when learning how participants interpret certain events (Weiss, 1994, p. 9). These interviews allow the researcher to access insights into perceived causal inferences (Yin, 2003). Also, face-to-face interviews were chosen for conducting this study as it provides more accurate information and better quality data than other approaches such as telephone interviews, which tend to be more formal by the

very nature of the approach. Interviewing in person allows for a more natural flow of conversation and narrative discourse.

One of the drawbacks to the interview method is that without well-constructed interview questions, inaccuracies could arise as a result of poor recalls, or possibly due to the individual being interviewed simply providing responses he/she believes the interviewer wants to hear (Cohen, Manion, & Morrison, 2001; Yin, 2003). Using the open-ended interview method helped to minimize interviewer effects by asking each respondent the same questions. This reduced the possibility of bias and also problems of collecting more systematic and comprehensive data from some interviewees than others. Some historical information was also gathered during the interviews as a way of reviewing and affirming the organizations history.

For this research, with a lack of a standard definition of the ideal sample size for interviews in qualitative research, the theoretical saturation paradigm by Guest, Bunce and Johnson (2006) was used as a guideline for the number of interviews that were to be conducted. In 'How Many Interviews are Enough', Guest, Bunce and Johnson (2006) built on Morse's (1995) observation that "saturation is the key to excellent qualitative work", they suggest that theoretical saturation occurs in as few as twelve interviews, and that for "high-level, overarching themes . . . a sample of six interviews may [be] sufficient to enable development of meaningful themes and useful interpretations" (p. 78). Other researchers such as Romney, Weller, and Batchelder (1986) suggest that a sample size as

small as 'four' can be adequate to present reliable results. Taking the findings of these researchers into consideration and the type of study that was being conducted, observations were being made for when no new information or theme was being introduced to the body of data already gathered, i.e. saturation had been reached, thereby aiding in making the decision to begin rounding up the interview phase. It was observed that saturation had been reached by the seventeenth interview (the ninth social enterprise), so rounding up of the interview process began at this stage, with an additional four interviews, which had already been scheduled, conducted to conclude.

### ***Interview Phase***

Structure: A topic guide listing primary areas to be covered during interviews was developed to facilitate the interviews, helping to ensure no important area of inquiry was overlooked. As suggested by Easterby-Smith et al. (1991, p. 79), a topic guide helps "to follow interesting lines of inquiry and to facilitate an unbroken discussion". Weiss (1994, p. 48) highlights that "the best guides list topics or lines for inquiry so they can be grasped at a glance, with just enough detail to make evident what is wanted".

With the topic guide and initial interview questions prepared, the research investigation commenced with first of all conducting a pilot interview. Baker and Aldrich (1994) suggests that pilot studies can be used to 'try out' particular research instruments. In addition to allowing for pre-tests and making adjustments as necessary, conducting a pilot interview allows one to develop

confidence in the research area along with the necessary interviewing skills. Therefore, a pilot interview was conducted to develop and test the interview research instruments. Also, the interview guide was tested and further developed to ensure all key topics were explored.

Negotiating Access: I first of all contacted each social enterprise via email explaining the research, its aims, and how that company fits into the bigger picture. I had provided contact details for them to reach me on should they have any questions. On getting favorable responses back, I was then able to discuss further and answer any of the questions they had, followed by making available a range of dates and times for them to be interviewed at their convenience. Due to the small size of the social enterprises, with most having a core staff of less than seven employees, the founders/managing directors of the social enterprises were reluctant to have me speak to more than one or two people for the research. Therefore, it was necessary for me to be flexible on the number of people I was to interview in each company. Although aiming to interview at least three people in each social enterprise, in most cases I was only given access to conduct two interviews. Also, although the interviews were to take 1 hour, which was determined from the pilot interview initially conducted, in some cases I had to negotiate on interview duration over the phone (and at times in person) due to the limited time of the participants.

Participant Selection: In selecting participants to interview, Stake (1995) suggests using the simple criterion of selecting individuals who offer the best

opportunity of gaining knowledge about the case. Therefore, for the purpose of this study, both individuals with significant influence in the enterprises and long-serving employees were seen as crucial for acquiring information, while also considering their relevance to the questions this study aims to address. Those with significant influence include founders, directors of the board, senior managers, and senior executives. Long-serving employees were targeted for interviews, as through their long periods of involvement with the enterprises, these employees are able to identify key defining events and organizational changes that occurred in the enterprises over a long period. During the interviewing process, some of the initial participants were asked to recommend other participants who are involved in the area of my research and will be able to provide deep insight.

*One-on-one Interview:* On all occasions, the interviews were conducted with a single person at a time thereby aiding the participants to comfortably discuss personal perceptions and beliefs, allowing them share more openly. This also helped in avoiding having interviews where any other participant dominates one participant, or more, as can at times be seen in joint interviews.

Prior to the interviews starting, I briefly introduced the research by going over the aims of the study and the sort of questions they could expect. By explaining the research and what it involves to the participants, it ensured that they were aware of the nature and extent of their participation in the project. After this, two copies of a consent form were presented, one copy to be kept by the

organization, and one copy for my records. The consent form made clear that participation in this research was voluntary, allowing them to stop the interview at any time should they feel uncomfortable to proceed, and also that if confidentiality is requested, no identifying information will be disclosed in any reports or publications emanating from this project, nor to any outside party. Also with the consent of the participants, the interviews were recorded with a digital audio recorder. This was to facilitate record keeping, allowing me to keep a permanent record of the interview, whereby a transcript of the full interview could be made.

In a few cases where face-to-face interviews could not be secured (for two participants this was due to the limited time and availability of the participants, and the remaining five were working from home) phone interviews were conducted as the next best alternative, which is in agreement with Weiss (1994, p. 59), "it's better to be there, but telephone interviews are the next best thing". Overall, only six out of the twenty-one interviews were conducted over the phone. Three of the face-to-face interviews were conducted at restaurants, as they did not have office locations at the time of the interviews.

While quantity of data gathered does not signify its quality, table 9 provides a summary of the interviews conducted to give an idea of the depth of data used for analysis, including the role of each participant and type of interview conducted.

| S/N | Company Name* | Interviewed   | Interview-type           |
|-----|---------------|---|--------------------------|
| 1   | Ascot         | Founder / Executive Director; Head of Program Management                  | Face-to-Face             |
| 2   | Southsea      | Chief Executive Officer   | Telephone                |
| 3   | Alumnnity     | Co-Founder / Director   | Face-to-Face             |
| 4   | Oceana        | Founder / Managing Director   | Face-to-Face             |
| 5   | Dream Dance   | Founder / Managing Director; Manager                                      | Telephone                |
| 6   | Rerun         | Co-Founder / Managing Director; Receptionist                              | Face-to-Face             |
| 7   | Recreate      | Founder / Managing Director   | Face-to-Face             |
| 8   | Sport Goal    | Co-Founder / Director of Operations; Director of Stakeholder Impact       | Face-to-Face & Telephone |
| 9   | Sociality     | Founder / Chief Executive Officer   | Telephone                |
| 10  | Corville      | Both Co-Founders / Managing Directors                                     | Telephone                |
| 11  | Mode          | Co-Founder / Chairman; Head of Human Resources; Volunteer                 | Face-to-Face             |
| 12  | Maine         | Founder / Chief Executive; Customer Service Representative; Administrator | Face-to-Face             |

**Table 10. Interviewed Participants**

**\*To protect anonymity, pseudonyms are used**

#### **4.4.2 Observation**

Observation is a primary method of data collection typically used when seeking to obtain information on settings, activities, non-verbal communication, verbal communication, and physical phenomena. Observations are able to provide insights into interpersonal behaviors and motives, are contextual, and are able to cover reality in real time (Yin, 2003). In addition, as suggested by Pettigrew (1990, p. 277), direct observations “can confront the researcher with discrepancies between what people have said in interview and casual conversations, and what they actually do”. That being said, there are some drawbacks to observations as a data gathering method, which includes selective attention of the observer, selective memory, and also interpersonal factors such as being drawn to more comfortable settings and individuals, and avoiding unpleasant situations (Robson, 2002).

This research employed direct observation methods, which as opposed to participant observation, the observer isn't trying to become a participant in the context although still seeking to be unobtrusive in order not to create any bias. Also this method of observation is more focused and shorter to conduct than participant observation, in that the observer is focused on certain sampled situations or people rather than trying to become immersed in the entire context. One of the main things being observed in this study was the physical setting and environment of the social enterprises, so as to aid in understanding and capturing the context in which they operate, and taking note of some of the resources available to them. Observations were noted and compiled not only to

know about the physical setting of the organizations, but to also compliment and supplement the other two data sources of interviews and documents. Field notes were used to capture this data collected from direct observations. Field notes are considered as both data and analysis, as field notes are the product of the observation process, and also give an accurate description of what is being observed, with DeWalt, DeWalt, and Wayland (1998, p. 63) arguing that observations are not data unless they are recorded into field notes.

#### **4.4.3 Documentation and Archival Evidence**

Archival documents as a source of obtaining information is indeed valuable when studying organizations as it provides glimpses of events and activities in time, which may otherwise have not been immediately accessible to a researcher (Patton, 2002). As suggested by Yin (2003, p. 86), data found in documents are stable, unobtrusive, and exact, including a wide coverage of various events and settings over a long time span. That being said, a researcher needs to be cautious when making use of documents as a data source because documents are subject to the dangers of selective deposit (Robson, 2002). Yin (2003) also highlights the need to acknowledge that the authors of documents have their own agendas and interests, which the document reader may not be able to access or identify. Both secondary and primary type documents will be used. Secondary documents will include case studies on the social enterprises by other researchers and journalists, while primary documents will include the enterprises financial reports, business plans, internal and external reports, internal memoranda, and press releases.

Archival research of company documents would be an ongoing process throughout the data gathering stage, due to the continuous progression of social enterprises, and also to act both as a means of corroborating information obtained from the interviews and providing important context for subsequent interviews. Overall, by making use of this data collection method, I will be able to create a chronological picture of the enterprises' unique histories.

#### **4.5 Data Analysis Methods**

Data analysis techniques are described by Hindle (2004, p. 594) as “*methods for analyzing data irrespective of either the methodical cluster within which the technique is applied or the methods used to collect the data*”. The process of data collection and data analysis is an iterative one, whereby results obtained from initial analysis helps to guide subsequent data gathering. The iterative cycle of data collection and data analysis is repeated and theory is elaborated and validated through the continuous process. The task of this data analysis process is a challenging and demanding one, especially where it comes to interpretive qualitative research due to the share volume and diversity of data that has been accumulated in the data-gathering phase. As such qualitative data is the least codified and well described aspect of a research methodology (Hartley, 1994), being non-standardized and complex in nature, makes it difficult to analyze (Yin, 2003; Saunders, Lewis, & Thornhill, 2009).

For the data analysis of this study, I chose to forego the use of computer aided

qualitative data analysis software (CAQADS) such as Atlas.ti and NUD.IST, and instead used manual techniques for analysis. Although I acknowledge how the use of such software enables the data analysis process in terms of efficiency and transparency in the process of analysis (Richards & Richards, 1994; Morison & Moir, 1998) compared to a seemingly more time consuming manual approach, data analysis software has disadvantages of its own. One of the drawbacks is its inability to deal with research conducted in different methodological domains i.e. different programs are built with a particular analysis in mind or some particular methodologies, hence it can be difficult to apply to a wide range of users, sometimes leading to problems in data management and coding, thereby resulting in wrong analysis. Other downsides include the decontextualizing of data that creates a loss of narrative flow, and also the distancing of the researcher from the data gathered. According to Hinchliffe, Crang, Reimer and Hudson (1997), the increasingly deterministic factor of CAQDAS could serve to lead qualitative data to being analyzed quantitatively. Another consideration is the fact these data analysis software may not capture critical information provided by participants (Catterall & MacLaren, 1997). Considering my enthusiasm to immerse myself in the data and remain close to the information obtained as a way of gaining a hands-on understanding of the phenomenon being studied, and also developing my analysis skills, a manual approach to data analysis seemed favorable. Although manual methods can be cumbersome and time consuming due to the large amounts of data that may have been gathered, it is a low cost method which offers high potential to learn, compared to using analysis software. Concluding that little will be gained from the use of these

software packages, a view shared by Lofland and Lofland (1995), and considering that 'intellectual examination' by the researcher is still necessary even with the use of electronic software (Hair et al., 2007, p. 295), I opted for a manual data analysis approach. This approach used is described in more detail below.

The manual data analysis to be employed for this research is consistent with the works of Kohn (1997), Basit (2003), and Cassell and Symon (2004). In particular, the approach used is that of Miles and Huberman (1994). The analysis of qualitative data is accomplished in three key steps – data reduction, data display, and conclusion drawing/verification (Miles & Huberman, 1994). According to Miles and Huberman (1994), the data reduction phase involves selecting, focusing, simplifying, abstracting etc of the data, while the data display phase involves organizing and compressing the selected data. The final step of drawing conclusions and verification is characterized by noting irregularities, patterns, explanations, possible configurations etc. Hence, after the data for the research had been gathered through interviews and observations as mentioned earlier, the data was coded and then organized and represented in an easily understandable way, after which themes and patterns were identified from the selected data. In summary, the principles of Miles and Huberman (1994) were used as a guide for analyzing the gathered data.

### Document Analysis:

Various archival documents, such as financial reports, newspaper articles, magazines pertaining to the social enterprises being studied, were examined with careful attention, using in particular a content analysis approach. A qualitative content analysis approach is associated with the works of Dougherty and Kunda (1990) and also Chen and Meindl (1991). The approach involves identifying underlying themes that exist within these documents, especially pertaining to statements and quotations identified as relating to research objectives (Turner, 1983; Krippendorf, 2013). The content analysis approach was identified as the most suitable approach for the purpose of this study, compared to other methods such as semiotics and hermeneutics. The semiotics approach focuses on analyzing symbols used by people in their everyday life and making sense of implicit text, while the hermeneutics approach aims to understand text from the perspective of the person who created it by focusing on the broader social and historical context of a text (Bryman & Bell, 2003).

#### **4.6 Validity, Reliability, and Generalisability**

In conducting research, researchers should be concerned about validity and reliability of the study while designing, analyzing, and judging the study (Patton, 2002). One thing observed in using case study as a research design is the lack of clear and universally agreed on criteria on conducting the research to achieve valid and reliable results (Baker & Aldrich, 1996; Smith 1988).

#### **4.6.1 Validity**

According to Gummesson (2000, p. 185), the concept of validity refers to the question of "does the evidence really reflect the reality under examination?", and that of reliability asking "if the investigation had been carried out by someone other than the author, using his methods, would the same results have been obtained?".

Ensuring the validity of data involves making certain that the processes used in gathering data is efficient and that the information retrieved is also reliable (Welman & Kruger, 2001). Validity refers to the correctness of measure whereby an instrument can be assessed for face validity, sampling validity and construct validity (Rosenberg, 1988). In my study, face validity was tested - which is a basic form of validity to determine whether the test appears to measure what it is intended to measure i.e. the validity of a test at face value. This was achieved by reviewing my interview questions and guide notes with academics that have expertise in social enterprises and social entrepreneurship, with their suggested amendments and updates being incorporated as necessary. Also, the earlier pilot case study helped check face validity of the study.

On the other hand, for construct validity, which involves establishing the right operational measures for the concepts that are being studied, there are three ways of increasing validity when employing a case study approach (Yin, 2003).

Yin (2003) suggests (i) using sources of multiple evidence (ii) establishing a chain of evidence (iii) having key informants review the draft case-study report. In this research, construct validity was achieved by using both interviews and archival data as sources of evidence. Using multiple sources of evidence acts as a method of data triangulation, which helps to establish a convergent line of enquiry. This will allow one to compare and validate the consistency in the information retrieved from both interviews and archival documents. From the archival data, data from news articles and public speeches act as external archival data, while business plans and annual reports are internal archival data, thereby ensuring the data collection process was extensive. Interviews will also be conducted to support the archival data that has been gathered. Validity of data was also improved in this study by the emphasis on confidentiality and anonymity as requested by the participants. Different techniques to gather data were employed, ensuring throughout that the data collection process was systematic. Overall I ensured consistency in both the design and use of data gathering instruments to improve validity.

#### **4.6.2 Reliability**

Reliability involves how replicable a study is, i.e. the operations of a study such as data collection procedures being able to be repeated and also achieving the same results. Also, reliability looks at whether the research conducted objectively builds accurate measures of the concepts it describes. Reliability of a study is improved by triangulation, where converging lines of inquiry arise

from employing multiple sources of evidence. This reliability can be indirectly inferred by validity (Oppenheim, 1992), whereby if a measure is valid, it is reliable, and if it is not reliable, it cannot be valid (Merriam, 1988). For this study, as a way of achieving data validity and reliability, multiple data gathering methods were used including interviews and archival documents as highlighted above. In ensuring reliability and accuracy of methods used was achieved, the accounts given by participants are used to provide different perspectives. Data gathered from the participant interviews will be systematically transcribed and stored. Direct quotes and summary tables are presented in the thesis to ensure rigor and depth (Eisenhardt & Graebner, 2007).

Making use of a case study design in research has always brought up issues around the validity and reliability of findings (Kohn, 1997). Soy (1996) suggests that a small number of cases in a study can potentially compromise reliability of the findings. That being said, research using even a few case studies yields rich and robust information, with researchers facing the possibility of data overload. According to Yin (1994), researchers should show convergence of evidence as well as divergence from different sources. Walsham (1993, p. 15) suggests that validity when employing a case study approach from an interpretive epistemological perspective is based on the “plausibility and cogency of the logical reasoning applied in describing and presenting the results from the cases and in drawing conclusions from them”.

### 4.6.3 Generalisability

One of the issues with case study research is in the area of generalisability – the degree to which findings can be generalized from a study sample to the entire population (Polit & Hungler, 1991). Possibly because a case study focuses on a single unit or instance, the issue of generalisability is more highlighted in a case study design than with other types of qualitative research.

Yin (1989, p. 2) acknowledges this issue as being commonly raised, "'How can you generalize from a single case study?' is a frequently heard question...The short answer is that case studies...are generalisable to theoretical propositions". This view is supported by Hartley (1994, p. 225) who argues, "the detailed knowledge of the organization and especially the knowledge about the processes underlying the behavior can be expected to occur. In other words, the generalization is about theoretical propositions not about populations." Hence it is seen that with the case study design, much can be learned from a particular case, as in such narrative qualitative research, readers are able to learn immensely from the narrative description of the researcher (Stake, 2005). Erickson (1986) argues that after all, as the general lies in the particular, what is learned from a particular case can be transferred to similar situations.

A way of increasing the generalisability of this study has been to use a multiple case study approach (Leornard-Barton, 1990). As mentioned earlier, with the multiple case study approach, there is the advantage of being able to replicate

the findings from one case study to another. According to Yin (2003), this replication logic is similar to what is seen in multiple experiments.

#### **4.7 Ethical Considerations**

Pettigrew (1990, p. 286) suggests that ethical considerations on research are "linked to key issues such as free choice of participation for all respondents, respect for all persons and points of view, clear contracting at the front end of research assignments, and an open and reciprocal relationship between the researchers and their host organizations". Key ethical considerations also include how information from the investigations will be disseminated and how the identity of participants will be concealed (McNamara, 1994; Hair, Money, Samuel, and Page 2007). Therefore, discussed below as related to this study are the issues of negotiating access, anonymity of participants, and control of data.

##### *Negotiating Access:*

"Social scientists have no insuperable right to be granted access to any institution or anyone in it" (Pettigrew 1990, p. 286). With no right of access to institutions or anyone in them for the purposes of research, researchers are forced to give careful consideration to methods employed to gain access. Therefore for the purpose of my study, to negotiate access, selected social enterprises are presented with a brief written description of my research, their role in the study, and how the information would be used, in the form of an introductory letter as suggested by (Stake 1995, p. 57). They are adequately

informed about the reasons for the study and why their participation in the research is desirable. Also, as a way of reciprocation, I will be providing the social enterprises with my findings from the conducted studies upon completion.

*Anonymity:*

All participating social enterprises and informants are informed of confidentiality issues. As concealing the identity of participants not only helps to protect participants but also facilitates more open and honest responses, the participating enterprises are provided with the option of complete anonymity if preferable. On the other hand, if they would rather have their information made public, instead of remaining anonymous, to help be a reference point for other social enterprises, therefore such exposure acting as a motivation to participate in the study, then this will be considered. As posed by Robson (2002, p. 67), "Is confidentiality...always appropriate? If people have done something good and worthwhile...why shouldn't they get credit for it?". Hence, the participating social enterprises are all informed that no information from the study will directly identify the participant unless consent to do so is given.

*Control of Data:*

Easterby-Smith et al. (1991, p. 65) argue that researchers in possession of data "must exercise due ethical responsibility by not publicizing or circulating any information that is likely to harm the interests of individual informants, particularly the less powerful ones". Therefore participants are provided with a

verbal commitment that data gathered through the course of the fieldwork will be kept safely with restricted access (Pettigrew, 1990) and will be used to meet the specific objectives presented to them at the onset of the fieldwork.

Another key ethical consideration was in the area of gaining consent for using a tape recorder to record interviews. All interviewees were asked of their consent to record the interview before hand. The participants were asked again to confirm their consent to being recorded at the start of the interview when recording began.

#### **4.8 Chapter Summary**

In summary, this methodology chapter has highlighted the different philosophical traditions of objectivism and subjectivism that influence the overall approach to this study. The chapter has discussed selected research strategies and approaches, as well as provided justification of the methodology for the study of the research questions. The following two chapters now present the findings from the data gathered during the fieldwork.

## **CHAPTER 5: FINDINGS**

### **WITHIN-CASE ANALYSIS**

This chapter is the first of two chapters where I present and discuss my findings. In this chapter, following the coding and analysis methods discussed in the previous chapter, case narratives are employed to introduce and discuss each social enterprise case. These composite narratives of each social enterprise provide rich descriptions of their unique accounts, constructed from the semi-structured interviews, observations, and documents. The chapter focuses on providing a within-case analysis, while the next chapter will be providing a cross-case analysis of the studied social enterprises. The descriptive aspects of the stories that are presented in this chapter can be regarded as 'implicit interpretation' (Wolcott, 1994, p. 16), while the use of explicit interpretation is engaged in the second findings chapter, the cross-analysis chapter, where themes identified from the data analysis are discussed.

As discussed in the previous chapter, all social enterprises that have been studied are located in London and are from different industries including retail, communications, marketing, and consultancy. Each case starts with an introduction to the social enterprise by providing an overview of the organizations's scope, structure, and set-up. Following this, the organizations resources are looked at in more detail with the help of the entrepreneurial bricolage and entrepreneurial capital frameworks discussed in Chapter 3. Finally, the challenges that each individual enterprise faces due to their for-

profit structure are examined. In the case of Corville in relation to entrepreneurial capital, the interconnected and interwoven stories of the co-founders were combined as a single holistic account.

## **5.1 Oceana (Social Enterprise 1)**

*“Our mission is simple, to provide a way in which consumers can create change across the world, simply by replacing their usual water, toilet tissue, eggs, plasters, or hand soaps for ours”<sup>6</sup>*

### **5.1.1 Background**

Oceana is a retail company that runs on a ‘like for like’ mechanism, whereby they sell their products, and then give away 100% of the profits realized to fund related social projects. The company started off with selling bottled water to fund water projects in developing countries, and similarly to follow, they took that into other areas such as profits from the sale of condoms would fund HIV projects, and like wise profits from food related products will fund feeding programs. So the idea was to take a simple concept and replicate it as many times as possible in different categories as well as replicating it around the world. Now their product line includes water, vitamin water, toilet paper, soap, eggs, porridge, and baker foil.

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<sup>6</sup> Mission statement as shared on company website

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## Oceana Snapshot

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Founded: 2004

Location: London

Size: 10 staff (1 part-time, 2 abroad)

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Nature of Business: Retail sales not in stores, stalls, or markets

Niche: Selling of bottled water, hygiene & kitchen products

Legal Status: Private Limited Company

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Founders: David

Start-up Capital: £50k - £100k personal debt

Ownership: Solely owned by David

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| Ratios            | 2013   | 2012     | 2011    | 2010      | 2009      |
|-------------------|--------|----------|---------|-----------|-----------|
| Liquidity: Quick  | 1.19   | 0.75     | 0.80    | 0.81      | 0.92      |
| Solvency: Gearing | 898.86 | -334.811 | -655.75 | 19,351.78 | 20,078.20 |

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*Financial Health (ability to operate):* Although Oceana has improved significantly in terms of raising funds from equity instead of debt, it is still struggling to maintain steady levels of current assets to cover short-term liabilities and obligations. The social enterprise never had enough cash to cover its liabilities during the 4 years from 2009 to 2012. While gearing ratio improved from 20,078% to 898% within 4 years, it is still extremely higher than the required. Overall it can be seen that the social enterprise has struggled financially through the years, and although there have been signs of improvements from year to year, these figures still provide cause for concern.

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- ***Oceana Impact (Angola Clean Water Project and Dini's Story)***<sup>7</sup>

Oceana has been involved in the provision of safe, sustainable water supplies in the municipalities of Baia Farta, Chinguar, Tchindjenje, and Moxico, as well as

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<sup>7</sup> Dini's story shared on Oceana's website

encouraging the construction of toilets, and promotion of good hygiene practices. The project is also helping the provincial authorities to develop improved water policies and assist in replicating the project in other parts of the country, bringing major improvements to the health of thousands of similar vulnerable communities. A water committee group member named Dini (aged 23), shares her story below:

“Before the construction of this well, we used to fetch water from a river. Our children were suffering from diarrhea and fever so we always had to go to hospital. We were not also sure about the main source of this problem. While they came to our village and the water well work was underway, we were taught the importance of clean water and its impact on health. The previous frequent travel to hospital is no more a reality after we have been [given] access to the clean water source in our own village. We had a similar well near to the river but it was not protected like this and did not prevent us from all such sickness. As a Water committee Member, we have been taught how to keep our Village clean and about personal hygiene. It was after that we have managed to mobilize our village members to dig latrines, rubbish pits and to avoid defecating in open air and avoid garbage in the village.”

### **5.1.2 Resource Story**

David possesses human capital in the form of extensive advertising and marketing experience gathered prior to him setting up Oceana. This has been a

key asset in the way resources are creatively acquired and used within Oceana. Such creativity was seen when Oceana was in possession of £1,000 worth of bottled water, which had already been paid for by someone sponsoring an event, but was no longer needed. So considering this as a £1000 worth of free water, David decided to give it away at London Fashion Week for free as an advertising and marketing opportunity knowing that the bottles would be photographed in the hands of celebrities and therefore seen all around the world. In a similar fashion, they used this same strategy when they went through a rebranding stage and had a number of products with the old version of their bottles. In this instance, as they no longer wanted to put out the old version into the market any longer, they decided to sponsor Saracens Rugby Squad who were at the time looking for water for their players on a two-year deal, at no cost to Oceana.

*“So instead of having to write off that stock, we’ve actually now got a sponsorship deal with the highest profile rugby club in the UK... So it’s just about trying to find little opportunities where you can, where it doesn’t cost you anything” – David*

David and his team at Oceana have also been able to access resources by employing good persuasive skills. For example, they were able to leverage resources for the enterprise in the form of celebrity endorsement and advertising, by successfully persuading David Tennant and five other celebrities, along with Chanel 4, of the social value created by Oceana. Hence, they secured fifty spots to air an Oceana commercial that included the celebrities on Channel

4, all for the price of £50. Being able to gain access to such resources is aided by the social enterprise's status, whereby people are more willing to help once they understand what the company does.

In regards to David's personal capital, both hard-work and good morals contribute to this personal capital, with David suggesting that he is bound more by a moral structure rather than a legal structure, thereby helping to maintain focus on and follow-through with his initially set out objectives.

*"It's more about a moral structure. So the legal structure has no bearing on what I do, at all. I say that we give 100% away of the profits because that's why I set up the business, but I'm not legally obligated to do that"*

### **5.1.3 Challenges**

One of the challenges for Oceana is the bad reputation that social enterprises have – that it is run by people who don't understand business. For example, one of the things they struggled with earlier on in the organization was the lack of business credibility in the eyes of retailers, which they were only able to overcome by working with others who had already established credibility.

*"So the last thing they'll want to do is go and put a product on the shelf and then for us to not be able to supply it, as and when they needed it, or to be able to support their marketing, or do something bad or anything else... I think that social enterprises have to work that much harder, to establish themselves in a commercial world" – David*

A similar problem they face as a result of being in the middle of the spectrum of a commercial business and a charity is seen in the area of accessing funding.

*“If you’re a social enterprise...more up this end [commercial], you’re talking to the bank and private equity people, whereas if you’re more down this end [charity], you go for donations. The problem is, donors and grant givers don’t like the fact that you are trying to build a business...[while] private equity people don’t like the fact that you give the money away. So you can really get screwed at both ends of the spectrum” – David*

In addition to these challenges, there also exist problems with retention of staff as a result of not having the resources that would otherwise be available if the company were not giving away large amounts of money to deliver on its social objective.

## **5.2 Mode (Social Enterprise 2)**

*“Mode has a clear core defining value: to benefit the lives of young people by leveraging the power of business, brands, media and marketing”<sup>8</sup>*

### **5.2.1 Background**

Mode is a youth engagement agency, working with youth on a daily basis to co-create campaigns, content, and communities for their clients, so as to enable young people to get training, support, and opportunities for a better future.

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<sup>8</sup> As shared on company website

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## Mode Snapshot

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Founded: 2001

Location: London

Size: 55 staff (45 full-time, 10 part-time)

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Nature of Business: Advertising agencies

Niche: Youth deliver services alongside experienced hires

Legal Status: Private Limited Company

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Founders: Tim and Jessica

Start-up Capital: £25,000 (part personal, part DTI funding)

Ownership: Equally owned by Tim and Jessica

| Ratios             | 2012   | 2011    | 2010    | 2009     | 2008     |
|--------------------|--------|---------|---------|----------|----------|
| Liquidity: Current | 1.08   | 0.98    | 0.94    | 1.08     | 1.10     |
| Solvency: Gearing  | 807.32 | 4716.51 | 5045.69 | -7420.09 | -6461.89 |

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*Financial Health (ability to operate):* Mode has consistently improved its ability to finance its operations through equity, instead of debt. This is evident from the -6461.89% gearing ratio in 2008 to 806.32% in 2012. However, even after this improvement, this ratio is still very high and the social enterprise needs to further reduce its burden on debt and interest expenses by paying off the loans and external debt. The current ratio marginally declined through these 5 years and stayed in the range of 0.94 to 1.10. The ratio declined till 2010 but crossed 1.0 in 2012. Overall, while the social enterprise is doing ok, i.e. able to easily meet short-term expenses, it still needs to further improve its gearing ratio.

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- **Mode Impact**

In the fiscal year 2011/2012, Mode successfully assisted in some way 81 young people into education, employment, or training (EET), of which 43 of those

were not already in EET. These figures show a good increase from previous years, as the number of people assisted into EET in 2010 and 2009 was 36 and 26 respectively, over six month periods. Some recent examples of the opportunities that the young people who came into Mode were able to take up are: 5 young people referred by Mode for Bauer Talent House – a work experience/mentoring program at the international media group; 10 young people starting apprenticeship placements with the Hatch; A young entrepreneur gaining a place on a trading traineeship; A previous Google Digital Expert passing care work training and immediately securing work; and An ex-Live contributor has secured a part time retail job to help him through college after looking for work for several months

### **5.2.2 Resource Story**

Tim is what some would term as a serial entrepreneur, having started various enterprises over the years, thereby giving him entrepreneurial specific human capital. He has a long-standing background in media, and has gained knowledge from a business course at Cranfield University, which all contribute to his human capital that aids him in running Mode successfully. In starting up the business, Tim and his partner Jessica started out with a theory that it would take them three months to win a client and get paid, so they equated that they would need £25,000 to put up three months worth of work. So the co-owners personally put up £10,000 towards this, while the remaining £15,000 was obtained through small loans guarantee from the DTI scheme. In retrospect, the

three months considered in theory was cutting it a bit close, but they were able to win some clients and keep the business running after that. At present, while they do receive some funding for some specific work being done with young offenders, the main source of income is earned income.

As part of Mode's business model which has the organization working with youth by providing them with training within the marketing and communications area, Mode is seen to also involve these youth who are key stakeholders in the business, by providing them the opportunities to work on client facing deliverables. In this way, not only is Mode making do by using such untapped local resources in the form of keen youth with fresh ideas, they are also having these stakeholders participate in the business by leveraging their skills so as to meet the organizations economic objectives.

*"We trade the insight of those young people to sell to our clients to create socially relevant campaigns in return for providing the best experience we can for those young people who come through the door" – Tim*

In addition to this, Mode is also able to make do with limited resources by transferring disused and unwanted resources from one arm of the organization to another so that it can be used for new purposes. This is one of the ways they are able to make resources available to Live Magazine.

*"With Live Magazine, because that is not a profit-making project, we don't spend a lot of money on their technology. So for example, if a new member of staff joins or somebody needs a new computer because theirs is getting slow,*

*because they do tend to after about 5years, then those computers would be donated to Live Magazine and they will use those. So that is another way of not having to spend a lot of money, but them still having the resources they need” – Becca*

### **5.2.3 Challenges**

A key challenge Mode faces is maintaining focus on what the social enterprise was set up to do. This is a challenge that surfaced as the company began to grow, whereby translating the vision through the business became more difficult, staff spending time with the youth on mentoring became less available, etc.

*“When we were smaller I think it was much easier for people to do one on one mentoring with young people...and as we’ve got bigger...that’s been more difficult to sustain because there are so many kids coming in...we are so busy, that I think we felt we lost that a little bit and we were very focused on making sure the company was making profits and was a sustainable business model...it felt like people perhaps weren’t as aligned with the social ethos of Mode as they may have been two years before” – Becca*

The challenges of maintaining a balance between social value creation and economic viability was also seen in the initial years, as they had found themselves being more about the social than the economic side of the business. While having such an unbalanced approach to the business worked without problems at the onset, a time came where they did realize that doing so meant the business was not going to be sustainable.

*“We realized this wasn’t going much further, you’re not going to help any more kids...you’re grinding your staff to a hilt, because they are working here because they love it and they’re not being compensated properly...[so] we put our foot down and said no...we are going to stand up and be profitable proof that life changing solutions to young people can be sustainable and can be born through business based approaches... So we certainly spent a couple of years very focused on economic measures and business measures as always to integrate them” – Tim*

As an external challenge, working as a social enterprise with both economic and social objectives, in essence a social enterprise that falls in the middle of the commercial and charity scale, comes with its biases that can be challenging when attempting to work on either side of that scale.

*“The stereotypical model is the commercial sector view the third and public sector as a bunch of wishy-washy do-gooders, and the wishy-washy do-gooders view the commercial sector as profit hungry, sell your grandmother, Victorian landlords. [So] stereotypes do exist on both sides, and I’m sure lots’ of our colleagues from social enterprise and third sector are a bit sniffy about Mode because we oversee commercial clients and try to make money, and I know that some of my commercial colleagues think oh you know they can’t take us seriously because of all that people in the community subdivisions” – Tim*

### 5.3 Rerun (Social Enterprise 3)

*“Our mission is to deter young people from crime by empowering them to explore, understand, challenge, and change attitudes that may lead to anti-social and/ or offending behavior, whilst aiding ex-offender rehabilitation and resettlement”<sup>9</sup>*

#### 5.3.1 Background

Rerun is a consultancy focused on delivering training, consultation, and behavior modification programs for young offenders and those thought to be at risk of offending or re-offending. Core to their business model is the use of professionally trained reformed ex-offenders/gang leaders to deliver many of their services. Their services also extend to providing training courses for people working with young offenders, as well as providing ex-offenders placements in client organizations after they have been sourced, vetted, trained, and mentored by Rerun.

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#### Rerun Snapshot

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Founded: 2007

Location: London

Size: 8 staff (5 full-time, 3 part-time)

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Nature of Business: Other social work activities without accommodation

Niche: Behavior correction for youth at risk of offending

Legal Status: Limited Liability Partnership

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<sup>9</sup> Mission statement as shared on company website

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Founders: Greg and Charlie

Start-up Capital: £10,000 personal debt

Ownership: Owned equally by Greg and Charlie

| Ratios             | 2011   | 2010  | 2009 | 2008   | 2007 |
|--------------------|--------|-------|------|--------|------|
| Liquidity: Current | 0.60   | 0.91  | 9.61 | 1.01   | na   |
| Solvency: Gearing  | 114.33 | 66.71 | 4.69 | 507.55 | na   |

*Financial Health (ability to operate):* Rerun has been in big upheavals ever since its inception in 2007. The current ratio and gearing ratio both give a confusing picture regarding the operations of this business. High levels of volatility in current ratio from 1.01 in 2008 to 9.61 in 2009 and then back to 0.91 in 2010 was witnessed. Such huge volatility exposes the business to increased risks of bankruptcies and long-term failures as no investor/banker can decide on whether the social enterprise would be operational the next year, hence leading to lack of funds for growth. This is evident from the ratio analysis. Both ratios have an indirect impact upon each other. As the social enterprise falls short of its abilities to cover short-term liabilities, the gearing ratio increases with high levels of volatility. The management clearly needs to consider paying off its debt and gaining enough cash in hand/bank balances to cover short-term obligations or else there are high chances of bankruptcies in the future.

*Update:* Rerun is currently in liquidation

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- ***Rerun Impact (Damola's Story)***<sup>10</sup>

Rerun were drafted in to work with Damola, his pre-con information was in depth and it was stated that this young man was a high risk youth who presented a clear and present danger to others. He was a known active gang

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<sup>10</sup> Damola's story shared on Rerun's website

member; his Youth Offending Team had highlighted a series of risk factors. Rerun arranged to meet this young man in comfortable but familiar surroundings for him so as not to alarm or unnerve him. From all descriptions, we expected a huge snarling disfigured man, but from previous experience knew we were going to meet a young man who was misunderstood, misguided and yearning to be someone.

Rerun appointed one of their leading and most experienced consultants to deal with this young person, who had this to say about Damola:

“On first impressions I was not disappointed as he was confident but respectful of me and what I represent, he was charming and compliant to all I suggested to him. I told him if he continued doing what he was doing he would be dead or in prison very soon, if he still wants to take this path it is still available to him, but I believe him to be of a greater substance, that if correctly harnessed and nurtured he could have a more fruitful and fulfilling existence. I empathized with his current situation and that of the ‘streets’ and shared with him my personal journey as we shook hands to cement this new union, I looked in to his eyes and told him firmly - *believe in yourself and you will not fail.*”

Damola has undergone an intensive 'I-Can' program, which covers all aspects of his offending behavior, unpicking all the issues and dilemmas he had going on around him. He has attended all necessary training sessions. He has successfully graduated as a peer mentor and is now training to become a co-facilitator

working to empower young people in similar situations. He is also currently studying in Brighton furthering his education out of his area to avoid distractions which he felt would be better for him, he has become an active member of his local church and is now a proud son to a doting mother and father.

### **5.3.2 Resource Story**

Greg and his co-founder Charlie had different work experiences prior to coming together to start-up Rerun. Greg with a background in media and telecoms, and Charlie coming from the entertainment industry, have complimented each other well within Rerun whereby Greg applies his human capital in the area of business development overseeing partnerships, fund raising, and overall bringing money into the business, whereas Charlie has more of a role in service delivery and client management. That being said, for both partners, one of their key assets for being able to deliver in youth engagement comes from their personal experiences.

*“If you’re a person who’s lived it, been there, done it, and been through all the experience, you then have the credibility to talk about the issues that face young people at risk, you’re authentic when you’re sharing and obviously engaging with them. And the young people respect you, because they respect people who have been there and done it. And they see you as a positive role model for change” – Greg*

This concept translates through out the business, whereby Rerun is seen to tap the skills of neglected reformed ex-offenders to deliver behavioral programs to those at risk of offending. This is also seen in the partnerships with various prisons that work with ex-offenders coming to the end of their sentence who are placed out on community placements, whereby Rerun leverages this resource for their business by getting labor at a minimal cost, and in some cases expertise from those who had acquired skills prior to their sentence or during their time in prison. From having such a model in terms of human resources, Rerun is able to create additional social value not only from the services these ex-offenders provide, but also in terms of the ex-offenders trying to develop themselves and integrate back into society. By applying the concept of 'making do' in this way, i.e. using ex-offenders to deliver their services, they did experience some push back at the onset of the business, which took a lot of persuasion over the years to convince others that the model was an effective offering.

Greg not only sees himself as a role model and mentor for the youth, but also as a community leader, as both founders of Rerun are quite prominent figures in their local community for various reasons. He has been able to develop and grow deep community links and ties from personal contacts with people in the community, allowing them to set Rerun apart from others.

*"...that ability to get deep in the community is very difficult, it's a high barrier of entry for any organization that wants to come in and do the work that we're doing. Not anyone can come in and get those sort of level of*

*contacts that we've got...Others will posture and pretend that they can do what we're doing but they haven't got those links, those deep-rooted community types" – Greg*

### **5.3.3 Challenges**

The nature of Rerun's business model poses difficulties, considering that a number of the ex-offenders who come in to work here have not worked in a professional environment before. This means that people do often come in with a laid back approach to their work and can become complacent quite easily. Some of the other challenges that Rerun faces as a social enterprise have to do with tight budgets, minimal resources, high overheads etc. These challenges are heightened because of the additional social objective they need to meet, which then affects the growth of the company, and in turn also restricts access to the more lucrative contracts available. This is because such contracts tend to be given to larger organizations that have the infrastructure and financial management sought for.

*"I've worked for myself and ran my own business in the past, we've had a retail shop and other things like that, very very simplified challenges, you know, its just demand and supply and costs and overheads and returns, its very very straight and linear. There are so many independent variable and anomalies that come into being a social enterprise that make it so complex when you compare it with a traditional enterprise business that you may well have" – Greg*

## **5.4 Alumny (Social Enterprise 4)**

*“Alumny’s vision is that every state secondary school and college should be supported by a thriving, engaged alumni community that helps each one to do more for its students”<sup>11</sup>*

### **5.4.1 Background**

Alumny is a social enterprise that seeks to establish thriving and engaged alumni communities within schools so as to allow these schools harness the experiences and skills of their former students. They work with the schools in getting connected with their alumni to have them provide support in various ways to their Alma-Ata, including support as career and educational role models, mentors, work experience providers, donors, volunteers etc. The company generates income through two main streams, the first of which is by selling their service to schools, although at a subsidized rate, while the second income stream is from the different services offered to corporations such as recruitment, brand building, and human resources support. This profit from the corporations allows Alumny to provide their services to schools at a subsidized rate.

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<sup>11</sup> Vision statement as shared on company website

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## Alumni Snapshot

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Founded: 2009

Location: London

Size: 5 staff

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Nature of Business: Educational Support Services

Niche: Providing alumni services to school

Legal Status: Private Limited Company

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Founders: Team of state school graduates, including Dan

Start-up Capital: Restricted (angel investment & personal debt)

Ownership: Not available

| Ratios             | 2013    | 2012    | 2011    | 2010    | 2009 |
|--------------------|---------|---------|---------|---------|------|
| Liquidity: Current | 0.45    | 0.96    | 0.68    | 0.58    | na   |
| Solvency: Gearing  | -141.55 | -238.16 | -237.38 | -252.87 | na   |

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*Financial Health (ability to operate):* Every year, even though the situation has improved in terms of gearing ratio, Alumnity has never managed to turn it in a positive figure. Moreover, the social enterprise never had enough cash on hand/bank balances to pay off its short-term debts and obligations. It improved from 2010 to 2012 but again dropped sharply to 0.45. The management needs to seriously rethink their strategies on improving cash flows and maintaining steady amount of cash to keep the ratio to 1 or above. Overall, the social enterprise is not performing well as it is losing sales revenue, which could be due to low demand for their business services.

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- ***Alumnity Impact (William Ellis School Impact Case)***<sup>12</sup>

Aluminty has been working with William Ellis school since 2009 where they first piloted their work to raise aspirations and educate students about their

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<sup>12</sup> William Ellis School case study shared on Alumnity's website

future options. Since this time, Alumnity has worked with approximately 1000 William Ellis students aged 14 to 18. Some of these students have now graduated from the school and will soon join the alumni community Alumnity has established so that they in turn can support current pupils.

In school, Alumnity has provided a curriculum for over 1000 students in Years 9 to 13 involving over 50 William Ellis alumni since 2009. Alumnity has engaged alumni with hugely varying skills and career paths, monitoring the educational qualifications of, and industries in which, alumni work in order to maintain and promote a diversity of role models for students. To date, Alumnity has run over 35 alumni events in school, focusing on promoting employability and transferable skills to pupils through relatable role models.

Through William Ellis connections, Alumnity has created a range of work placements for William Ellis pupils, including over 20 days of work-shadowing opportunities with leading barristers. In addition, Alumnity has offered insight days to students at William Ellis through their network of corporate partners. These opportunities have included a facilitated work-shadowing day at media law firm Finers Stephens Innocent for pupils in Year 10. For all of these students it was their first experience of work-shadowing and all students said the day improved their confidence as well as giving them valuable experience. William Ellis pupils have also been able to access sessions and work placements at RBS, the Bank of England and Taylor Wessing thanks to Alumnity.

Following their successes at William Ellis School, Alumnity's work has expanded now to serve six schools across the borough of Camden. In 2011- 12, two thirds of all secondary pupils in Camden will work with Alumnity and they will have over 250 school alumni volunteering at their old schools.

#### **5.4.2 Resource Story**

Dan, who studied Social Enterprise in Columbia Business School and has experience starting-up various ventures over the years, possesses both industry specific and entrepreneur specific human capital which have been key assets in running Alumnity. Along with his skills and experience, Dan is certainly no stranger to hard work, as he considers the '*sweat*' put into the enterprise a key factor that has helped maintain good double-bottom line performance. He has drawn on his social capital over the years, making use of existing connections with schools in London who provided insight that prompted the further development of Alumnity's business model, and also using his network from the consulting social enterprise he is a part of from where Alumnity was able to gain support, both in terms of housing staff and in terms of finding finance.

In order to support the work that they were doing in the early days, it was deemed useful to be able to access some grant capital, so a charity arm of the business was set up, which received grants and grant financing as the business arm was getting off the ground. Not long down the line, following some opposition to them running a private limited company in a typically non-profit

arena, Alumnity made the choice to alter their existing arrangement as was necessary, by switching from operating as a private limited company to becoming a full charity organization instead, so as to be able to continue creating social value, thereby showing a level of bricolage being applied within the company.

### 5.4.3 Challenges

Alumnity has faced external challenges in regards to their business setup, whereby as the business started to grow, they began to get some resistance as to them being a private company, to the point where they were being accused of looking to make money out of schools. Therefore as the company has grown, they have now made the decision to change the organization into a solely charitable structure as *“the reputational risk of being seen in any way as a private company outweighed the potential commercial opportunity of being able to sell the services commercially”* – Dan. That being said, where the company is right now, it has been seen that the social half of the organization has been more successful than the commercial half, which means there is more to lose on the social side reputation wise.

*“The reputation of a commercial organization is enhanced by any sort of social association, whereas the reputation of a social organization can be, and has been in this case challenged by the connection with commercial opportunities...There have been a lot of challenges, but I think that is what I would draw out specifically, that’s one of the main ones, specific for the structure”* – Dan

Currently, the company is yet to attain a legal solely charity status, and is therefore still running both a business arm and a charity arm, but choosing to go for a charity setup as opposed to a CIC is based on their outlook of CICs.

*“I think [the CIC] is the worst of both worlds to be honest...because you can’t get any money, you cant make any money out of it as an investor, and you can’t get proper charitable tax relief as a donor, so it is the worst of both worlds” – Dan*

## **5.5 Dream Dance (Social Enterprise 5)**

*“Dream Dance aims to provide subsidized or free access to performing arts training and performance opportunities for young people who are at risk and those who would otherwise not be able to take part through financial hardship, lack of positive role models, or lack of opportunity”<sup>13</sup>*

### **5.5.1 Background**

Dream Dance is a performing arts company run by young people for young people. The company is made up of three arms: a dance company; a school; and a foundation. Dream Dance aims to provide a new platform that champions the talents of youth to promote a more positive image of them through performing arts.

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<sup>13</sup> As shared on company website

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## Dream Dance Snapshot

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Founded: 2011 (started in 2006 according to Sarah)

Location: London

Size: 3 staff (1 full-time, 2 part-time)

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Nature of Business: Performing Arts

Niche: Performing arts dance school for youth

Legal Status: Private Limited Company

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Founders: Sarah

Start-up Capital: a few £100s in sponsorship from family & friends

Ownership: Solely owned by Sarah

| Ratios             | 2013   | 2012   | 2011 | 2010 | 2009 |
|--------------------|--------|--------|------|------|------|
| Liquidity: Current | 1.26   | 0.53   | na   | na   | na   |
| Solvency: Gearing  | 235.26 | 150.01 | na   | na   | na   |

*Financial Health (ability to operate):* Currently it is difficult to provide an accurate forecast of Dream Dance as the financial data available is only for a 2-year period as compared to 4-5 years for the other social enterprises. However, based upon limited information, we can predict that the social enterprise may incur heavy debt in the long run as is evident from the gearing ratio. The current ratio is over 1, however this may change relatively quickly as sustaining this figure in the long run may prove difficult.

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### 5.5.2 Resource Story

Having founded Dream Dance at the young age of sixteen, Sarah chose to run her organization for young people, by young people, thereby in essence applying the concept of 'making do' by employing untapped local human resources to work within the organization. Sarah was able to leverage her

experience and skills gained from her course at the national youth theatre to start up this social enterprise. The social enterprise initially started off as only a dance company with funding from the local council to operate, but following the government cut on arts funding, Sarah decided to set up the school so that the dance company could create something without having to be supported through funding. Not long after this, the foundation arm was set up, resulting in the organization now currently running three arms, all with different income generating models; the professional dance company is the profit making company; the dream foundation is the registered charity; and the school is operating as a sole trader.

Over the years, Sarah has gained valuable experience and knowledge from working with other successful entrepreneurs such as Richard Branson and James Caan, all contributing to her human capital. Having such networks also acts as social capital by providing opportunities and links that otherwise may not have been obtainable without the network.

### **5.5.3 Challenges**

One of the challenges seen at Dream Dance is in working with young people, including the young teachers and choreographers, which although is part and parcel of the organizations business model, it does have its benefits and drawbacks. In dealing with the challenges that come with working with young people, Sarah focuses on empowering them so that they own and have a sense

of connection to whatever task they are given. Along with this, Sarah also tries to ensure that those who work at Dream Dance have a similar passion and understand the vision of the company.

*“So making them feel empowered to give their ideas a go and taking ownership of them, so that’s kind of really where the people in our company start to excel and grow themselves, by having their own platform to explore their own ideas and things like that” – Sarah*

Another challenge that Dream Dance faces is in gaining access to funding. This is seen to be difficult in this particular arts industry because of the limited government funding to the area.

## **5.6 Recreate (Social Enterprise 6)**

*“Recreate aims to help people think - or rethink - how to make everyday objects and services more socially and environmentally friendly. We believe that creativity can change the world”<sup>14</sup>*

### **5.6.1 Background**

Recreate is a social enterprise selling an innovative brainstorming board/card game that aids in the creative thinking process within teams. The game is used

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<sup>14</sup> As shared on company website

by office teams, at workshops, and at various types of events to increase social interaction in generating ideas around sustainable products and services.

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### Recreate Snapshot

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Founded: 2007

Location: London

Size: 1 staff

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Nature of Business: Other education

Niche: Production and sale of card game

Legal Status: Limited Liability Partnership

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Founders: Emma

Start-up Capital: £5,000 from family friend

Ownership: Equally owned by Emma and a silent partner

| Ratios            | 2012   | 2011    | 2010    | 2009    | 2008 |
|-------------------|--------|---------|---------|---------|------|
| Liquidity: Quick  | 0.00   | 0.00    | 0.02    | na      | na   |
| Solvency: Gearing | -104.3 | -108.11 | -114.19 | -109.45 | na   |

*Financial Health (ability to operate):* Looking at Recreate's figures indicates that the social enterprise has not been doing well. The social enterprise has not had cash in hand, as evident from the quick ratio, to cover their short-term debt and liabilities. Moreover, the gearing ratio has always been negative, even though it shows marginal improvement. Overall, the social enterprise is currently unable to cover its short-term debt and will not be able to effectively handle any unexpected expenses.

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## 5.6.2 Resource Story

In the retail industry, being able to get the product out there is paramount for success, but considering the resource scarce environment that Recreate operates in as a social enterprise, finding creative ways of doing so has been necessary to keep costs low. Therefore, to be able to sell the card game, the social enterprise took part in a number of pre-events as a way of working around financial resource limitations. Also, in seeking out creative ways to advertise and market Recreate's card game, the organization improvised once again by offering to go into a conference during the break times to get people to play the Recreate card game as their break time activity. This allowed Recreate to gain free entry into the conference, as well as promote their product on a grand scale at a key conference they were keen to attend but may have missed out on due to financial constraints should they have opted to attend via the usual route.

*"That was with the economist conference, which you know, it costs a lot to attend, so it was a good outcome" – Emma*

Such marketing and business skills were not readily part of the founders capital, but rather than run her business without these skills and know-how, Emma went ahead to attend various seminars focusing on starting small businesses so as to acquire the missing skills. In addition to these seminars, Emma was also able to acquire new skills through small grants where they offered free programs and trainings. These were things she actively sought out in the early

days for the development of the business. Another area Emma considered as important for the growth and promotion of Recreate was in networking, so she ensured she attended relevant networking events over the years, considering networking to be one of the key factors behind the success of her company.

From an economic standpoint, Emma is yet to take on her business full-time as she still works full-time for another organization, therefore keeping her social enterprise as a project she does on the side. At the start of the venture, she received £5000 from her family friend, who then became a silent 50-50 partner. Emma went ahead to put this money towards setting up a website, getting units made, and then launching the product. In the way she has set up the business, although a few small grants were received in the early stages, ultimately the business is set up to generate income itself. So the way the company generates income is mainly through the sales of the product and the workshop that she provides.

### **5.6.3 Challenges**

As Recreate is a small business being run part-time solely by the founder, the company lacks diversity of skills usually found in a business with access to human resources. Therefore, not having people with skills such as marketing, sales, accounting etc, the founder sought to acquire knowledge in these different business areas. Such multi-tasking eventually led Emma to lose focus.

*“You sit down and think I have to do marketing, but I don’t know marketing, so ok I have to learn marketing, so you think you have to learn marketing, and then the next day you have to learn accountancy, and then the next day, at the end you get lost and all this, well I did... I did so much networking and I went to so many networking events, and did a lot of promotion and stuff...I almost burnt out” – Emma*

There also existed the easily overlooked pressures of feeling obligated to “do something good” without necessarily taking the time to consider other factors such as passion and drive for the business itself, which eventually led Emma to lose focus of the initial objectives, till she sought to rectify this.

*“I had to stop and rethink everything, and really try to find out what’s my strength and what’s my passion. I think that was very important, because before I felt like I had to do something because it was a good thing” – Emma*

## **5.7 Sport Goal (Social Enterprise 7)**

*“Sport Goal’s mission is to boost activity levels, confidence and life skills of young people across the UK and Ireland, whilst helping businesses to connect to their communities and inspire their people”<sup>15</sup>*

### **5.7.1 Background**

Sport Goal is a sport-based company helping children to become more actively involved with sports as a way of tackling obesity, apathy, and antisocial

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<sup>15</sup> Mission statement as shared on company website

behavior. They achieve this through their community festival games they organize, done in partnership with businesses seeking to deliver their community and staff development goals.

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### Sport Goal Snapshot

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Founded: 2008

Location: London

Size: 3 staff (2 full-time, 1 part-time)

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Nature of Business: Other sport activities

Niche: Organizing sports games in local communities

Legal Status: Private Limited Company

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Founders: Zack and Bobby

Start-up Capital: None (only company registration costs)

Ownership: Equally owned by Zack and Bobby

| Ratios             | 2013   | 2012     | 2011     | 2010     | 2009   |
|--------------------|--------|----------|----------|----------|--------|
| Liquidity: Current | 1.05   | 0.87     | 1.02     | 1.02     | 1.34   |
| Solvency: Gearing  | 835.98 | 2,047.91 | 4,296.91 | 4,129.03 | 297.69 |

*Financial Health (ability to operate):* Sport Goal's current ratios are favorable, as the social enterprise has always managed to sustain it at or near 1 except in 2012 when it was at 0.87. On the other hand, the gearing ratio values indicate high volatility. The gearing ratio increased from 297% in 2009 to over 4000% in 2010 and decreased to 835.98% in 2013. However, even with that being said, the social enterprise still has a long way to go in terms of removing its long-term debt or it may incur bankruptcy in the near future if it fails to pay off increasing interest expenses and long-term debt such as bank loans. Overall, the social enterprise needs to improve its operations.

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- ***Sport Goal Impact (Impact Case)***<sup>16</sup>

Business in the Community (BITC) first commissioned Sport Goal in 2010, as a local delivery partner across London. In 2012, BITC opened its national network of clients to Community Games, as part of its Give and Gain Day Campaign. Sport Goal helped BITC to increase the impact of its campaign and together they helped 1000+ business volunteers, from some of the UK's best-known firms, to inspire 5000+ young people across the nation.

“My favorite moment was watching my colleagues relax when we saw our Chief Exec rolling around the judo mats – a great way to inspire kids and to bond with colleagues” – Steve, Manager, Visa

### **5.7.2 Resource Story**

Zack always had a passion for sports, having been actively involved in sports from a young age. This passion is something that he carried into university with him, where while studying an International Business and French Degree, he was also chairman of the university's canoe club. Over the years he has had experience working in sales, fund-raising, recruitment, and teaching as a secondary school teacher. Before starting up his social enterprise, he had helped to start up and run a kids rugby club in Hackney for six years, giving him industry-specific experience of providing local community sport. The

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<sup>16</sup> Impact case shared on Sport Goals's website

experience he had from working on this rugby project made him even more passionate about community sports. At the onset of the business, Sport Goal had resolved to the fact that they didn't have many clients, but that instead, they just needed to start making the business model work, and work really well, thereby allowing them to influence and attract more clients by virtue of the efficient social value creating business model. This persuasion strategy indeed worked in their favor, allowing them to grow and bring people into the business to help in organizing the community games. At that point, as they were still a small organization, they sought to take on the cheapest possible resource in the form of interns. Eventually, as the organization grew even more, they recognized that they needed to alter the existing arrangement and improve in terms of human resource capabilities to keep delivering on social value creation.

*“So we’ve recognized that a real hole in our business as we went forward was that we didn’t have enough experience. The profile that we had of the team wasn’t capable of looking after clients effectively, and so we had to do something about that... [So] we very much acted to the need we had, and balanced it with what we could afford as we went along, and then what that means is that we have grown the business until now with very inexperienced people to keep our costs down, but as we’ve grown, we have started to hire more expensive and more experienced people because we recognized that our business needs it” – Zack*

On the economic side, Zack and his co-founder Bobby equally own the business. In starting up the business, there was effectively no real capital that went into it, although in organizing the initial pilot community games Zack paid for it personally, recuperating all the money through funding he later on received. So

as time has gone on, in terms of funding, Zack has kept a business model whereby they do not have any other funding sources apart from what comes in from partners and commercial clients who request their services. Therefore, they have been able to operate as a financially sustainable venture. Part of this success of maintaining a sustainable social enterprise is also aided by the integrity of both founders in running the organization.

*“If you don’t have integrity, just forget it, you are never going to make a success of a social enterprise, because so many times you have to really ask yourself what are you trying to do, why are you trying to do it, and how do you make some of these tough choices” – Zack*

### **5.7.3 Challenges**

Sport Goal’s priority has always been to run a financially sustainable business, as delivering on the social objectives is dependent on financial success.

*“Not every action we take around community building is because our clients say yes we are willing to pay for that. In fact we are clear that quite a lot of what we do isn’t paid for by clients, but we are committed to what we are doing and how we are doing it, and as such we do make a choice to use the financial resource that we generate to make as much impact as possible, as long as we are being financially sustainable in the long term” – Zack*

This stance creates a challenge for Sport Goal, whereby because the softer social side has not been given the same attention as the economic side, they find that people do not relate emotionally with the social enterprise.

*“People would say to us but why, what is the story behind it, I don’t get a feeling for it, you know you need to give us more emotion” – Linda*

This shows that a healthy balance needs to be maintained between the two sides of the scale, as without the social message being passed across successfully, it becomes even more difficult to persuade potential commercial clients to sponsor the festival games, thereby becoming even more difficult to run the business model.

## **5.8 Sociality**

*“We are committed to the vision that every organization – whether it be primarily commercial or charitable – can integrate social enterprise approaches into their work, and that social-purpose businesses can be both profitable and constructive. We exist to disrupt the boundaries between and within sectors and to create more effective programmes for the societies they can change for the better”<sup>17</sup>*

### **5.8.1 Background**

Sociality is an international consultancy firm working with charities, social enterprises, corporations, and philanthropists to help them maximize their impact by providing services such as impact assessments, growth and expansion strategies, and fundraising & investment readiness assessments.

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<sup>17</sup> Vision and mission statement as shared on company website

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## Sociality Snapshot

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Founded: 2008

Location: London

Size: 15 staff

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Nature of Business: Consultancy activities

Niche: Management consultancy

Legal Status: Private Limited Company

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Founders: 3 social entrepreneurs, including Justin

Start-up Capital: None (only company registration costs)

Ownership: Solely owned by Justin

| Ratios             | 2013  | 2012  | 2011    | 2010     | 2009   |
|--------------------|-------|-------|---------|----------|--------|
| Liquidity: Current | 2.20  | 2.28  | 2.18    | 3.29     | 1.67   |
| Solvency: Gearing  | 81.04 | 75.66 | -671.04 | 1,874.07 | 594.43 |

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*Financial Health (ability to operate):* Given the fact that there was no start-up capital involved, the social enterprise still managed to improve its current ratio consistently, apart from the decline from 3.29 in 2010 to 2.18 in 2011. Although the first three years of business operations were very rough with high levels of gearing ratio, however it was 2012 that saw the social enterprise witnessing tremendous improvements in terms of gearing ratio. This shows the dedication of Sociality to maintaining high levels of equity. This is a good sign of long-term growth because it is better to rely on equity rather than bearing a large amount of debt, which is compounded by interest on loans. A very strong future outlook of the social enterprise can be predicted if it continues this way.

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### 5.8.2 Resource Story

Justin is a co-founder of his social enterprise. In starting up the business, rather than opting to get a loan from a bank, Justin chose to make money from playing poker to float the organization during its first year (he was able to retire from cards once the company was able to employ its first full-time staff). He came into Sociality with industry-specific human capital gained from his four-year role working with the foundation arm of Peaceworks, as well as gaining knowledge from an executive education program from Columbia Business School.

For Justin's social enterprise, they have been able to apply bricolage within Sociality in the area of creating social value by altering existing arrangements as necessary. Therefore, the organization has been flexible in the past, and still keeps a flexible mindset on what the business does as this allows them flexibility with how social value is created.

*"The nature of the service has changed, to be one that is more about consulting, to building flagship consultancy programs, to about how corporations and individuals can use their unique skills and assets to make social change" – Justin*

## 5.9 Ascot (Social Enterprise 9)

*“Our vision - making use of unused resources to create a more integrated, cohesive and healthy society”<sup>18</sup>*

### 5.9.1 Background

Ascot is a social enterprise that delivers social projects for the benefit of local communities, by harnessing the spare resources in the community, including the unemployed, retired, disabled, and non-working mothers. This is done as a way for Ascot to provide training and mentoring to these stakeholders. In addition to the social projects, Ascot also provides business support to the third sector, local authorities, NHS, and businesses.

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#### Ascot Snapshot

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Founded: 2001

Location: London

Size: 20+ staff (all volunteers)

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Nature of Business: Business Support Services

Niche: Services delivered by long-term unemployed

Legal Status: Private Limited Company

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Founders: James

Start-up Capital: None (only company registration costs)

Ownership: Solely owned by James

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<sup>18</sup> Vision statement as shared on website

| Ratios             | 2013  | 2012  | 2011  | 2010  | 2009   |
|--------------------|-------|-------|-------|-------|--------|
| Liquidity: Current | 3.03  | 3.74  | 3.58  | 2.50  | na     |
| Solvency: Gearing  | 47.84 | 34.94 | 36.25 | 58.77 | 101.62 |

*Financial Health (ability to operate):* Over the past 4 years, Ascot has improved its current ratio significantly making sure that it has enough assets to cover its short-term obligations. Although there had been a straight increase from 2010 till 2012, the drop from 3.74 in 2012 to 3.03 in 2013 could be primarily due to the reason of a decline in services provided by the Ascot. However, it is still sufficient enough to cover short-term obligations and liabilities. The social enterprise has significantly improved its gearing ratio whereby it relies on equity and shareholder's funds instead of borrowing loans from financial institutions. This is highly beneficial in terms of lower costs of borrowing, i.e. interest rates and lower burden of debt on the company. It seemed as if year 2013 was a troubled one for the Ascot, as current ratio and gearing ratio both showed a downward trend instead of improvements. To cover up expenses, in 2013 Ascot might have relied on external debt, raising its costs of borrowing higher than average. Overall Ascot has profound management tactics that has enabled the business operations to run smoothly without relying too much on long term debt as well as maintaining enough cash on hand to cover short-term liabilities.

- ***Ascot Impact (Sahil's Story)<sup>19</sup>***

Sahil is a teenager who had gained average results at GSCE, then completely lost direction, moved in with the 'wrong crowd', and experienced the sort of street life that is influenced by peer pressure. Aware he was going nowhere, he approached James via his website and convinced him to offer him a shot at

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<sup>19</sup> Sahil's story shared on Ascots's website

'redemption'. Sahil took an unpaid work placement, and made a big impression. Within weeks, he changed his dressing and dropped his gang-affiliated earrings, opting for suits with shirts and ties. He pleased managers sufficiently to be offered paid work, with comments on his attitude ranging from 'a huge breath of fresh air to the team' to 'a really helpful and friendly member of the team'.

According to Sahil, his thoughts on the scheme were – "it was the second chance that I needed. I lost my way in the past, knew I had to get a job, but wasn't sure what I wanted to do. The main problem was motivation, although now I have plenty of that. I want to study harder and take on more at work. It has been good to see how the engineers and other members of the team work here, and there is no reason, if I work hard, that I can't be a senior manager one day. That's what I'm aiming for".

### **5.9.2 Resource Story**

James has a background in highway and transportation as well as 25 years of experience working within local government and consultancy. Possessing such industry-specific human capital and general human capital aid in being able to successfully deliver projects, train local people, and offer business support to the third sector, NHS, local authorities etc. When it comes to trying to deliver these services in a cost effective manner, James has managed to keep expenses at a negligible level by having people work remotely with the help of the internet, thereby impacting positively on his economic capital. Not only this, but

by improvising and applying creativity to the way the business is run, having the those seeking work experience actively work together with the core Ascot team, he is able to reduce costs further while creating both economic and social value, which is realized through profits from client work and the development of those on the e-work program respectively.

*“We haven’t spent a penny as far as I remember in running the entire program so far” – James*

In regards to stakeholders, Ascot considers one of their key stakeholders to be those people who are seeking work experience, i.e. long-term unemployed, disabled, non-working mothers etc. With this set of stakeholders, not only is Ascot using these untapped local resources to work on social projects as a way of making do, they are also gaining access to the existing expertise and skills of some of these people as part of stakeholder participation. With their other stakeholders, who include the local authorities, partner organizations, universities, and consulting organizations, they have also used those networks to gain new contacts, as well as gotten access to students for their e-work program.

### **5.9.3 Challenges**

Ascot is faced with the challenge of being able to able to attract appropriately skilled human resources for the area, which is in part due to people not understanding what a social enterprise is, and/or the difference between a

social enterprise and a charity. In addition to this, there also exists the challenge of retaining HR considering the financial resources of the business. For this reason, Ascot is looking to turn everything they do into a commercial entity. This is a step they have already taken with regards to the e-work experience which used to be offered for free, but has now been turned into an income generating source. This was changed also due to the challenge of getting would-be participants to take the program seriously enough to join, and also for the ones who were participating to give their best as opposed to the laid back attitude initially noticed.

*“People do not have an understanding of what social enterprise is, and they want to work with us without even knowing that this doesn’t sync in with their personal goals” – Head of Program Management*

Another challenge seen is within the area of funding, whereby the size of the social enterprise creates challenges with accessing funding. This challenge was experienced when they approached the DWP for funding, which resulted in Ascot needing to partner with a bigger organization that would be able to lead the bid and have Ascot support the lead.

## 5.10 Corville (Social Enterprise 10)

*“Corville works with organisations to support them in achieving ‘win win’ strategies; improving their positive impact (social win) and at the same time achieving business benefits (business win)”<sup>20</sup>*

### 5.10.1 Background

Corville is a strategic consultancy with a social focus working with their clients to provide various strategy services including social marketing campaigns, research & evaluation, strategy design & innovation, behavior change, and collaborative engagement.

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#### Corville Snapshot

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Founded: 2006

Location: London

Size: 9 staff

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Nature of Business: Professional, scientific, and technical activities

Niche: Management consultancy

Legal Status: Private Limited Company

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Founders: Amy and Christie

Start-up Capital: £35,000 from NESTA

Ownership: Equally owned by Amy and Christie

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<sup>20</sup> As shared on the company website

| Ratios             | 2013   | 2012   | 2011   | 2010   | 2009   |
|--------------------|--------|--------|--------|--------|--------|
| Liquidity: Current | 1.32   | 1.64   | 1.73   | 1.74   | 1.34   |
| Solvency: Gearing  | 144.58 | 144.43 | 124.76 | 121.47 | 230.53 |

*Financial Health (ability to operate):* Corville has managed to operate maintaining sufficient current ratio and gearing ratio. The social enterprise managed to pay off its debts and/or cover its interest expenses, as well as raised funds through equity instead of debt, which improved its gearing ratio from 230% in 2009 to 121% 2010. Although the ratio increased to 144% in 2012, it stayed there for 2013 as well. This shows the dedication of its management toward maintaining a low-debt burdened organization and maintaining adequate assets in covering up short-term obligations.

- ***Corville Impact (Impact Case)<sup>21</sup>***

Corville was commissioned by a client to explore how to engage and empower adolescent girls to change their lives and lives of their peers. So Corville developed a girl-led research programme to engage and empower girls and ultimately tackle poverty. We evaluated the impact of a peer-led approach on girls' lives and gathered, analysed, and fed back learning through the girls' cultural and social norms. Our evaluation was used to create guidance and benchmark criteria for future work with girls. Our findings fed into a global strategy currently being implemented by a large brand foundation.

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<sup>21</sup> Impact case shared on Corville's website

### 5.10.2 Resource Story

Both Amy and Christie studied design together at Goldsmiths College, after which they came together to start up a business. Christie considers the partnership between the two co-founders to be potentially the biggest factor to the success of the business.

*“We work together well, we support each other, and we support each other so we can run the business in a supportive way which makes up both happy and fulfilled at work and out of work” – Christie*

In starting up their business, the initial investment was £35,000 funding received from NESTA, and since that initial grant from NESTA, the company has solely depended on earned income. In the early months of Corville, both Amy and Christie were able to use their good networks to get their first few projects, doing some on a pro-bono basis to get the business moving. The social enterprise is constantly responding to opportunities as well as trying out new things to find better approaches to meeting their objectives. Taking this approach to running the enterprise has therefore seen them applying bricolage in different ways. For example, on two different occasions, Corville decided to hand over their office for two weeks to other small businesses and social enterprises, while the team worked from remote locations, so as to see what it was like running the organization without a permanent office location. In doing so, when the time came for them to move offices, they were able to reduce costs

by working remotely again, having learnt from reviews of the two initial experiences.

*“Yeah we do have to use resources creatively...I guess it is every day really. So even just our workspace, so we are moving offices at the moment, we are having our offices done out, and the moment everyone is working remotely, and we are making do and using technology and using our experience of trying to work remotely, because it will cost us double to have another office while this one is being done up” – Christie*

With such creative approaches to using resources, it is no surprise that Corville is also keen on responding to opportunities.

*“I think a key thing is that, and again its Amy and I, like if there is an opportunity, we’ll go for it always, and if we’re not very good at it we’ll not say lets not do that because we’ve not got the time or resource, we’ll always go I think there’s a way we can go for that, we can definitely do that, and that’s opened doors for us that, never not pursuing something has meant that we’ve gone down lots of routes” – Christie*

### **5.10.2 Challenges**

Corville work a lot with the public sector, and that has been quite challenging in the last couple of years as the public sector have been going through a number of changes and restructuring in their budgets as well as trying to prove the benefits of commissioning external agencies to work on their projects. So this

has been one of the main external challenges Corville has been facing as a consulting social enterprise working within the third sector space.

In terms of internal challenges, one of the main problems has been with human resources. This challenge arises as getting a good mix of business oriented individuals and socially driven individuals is difficult to come by, something which is paramount for a social enterprise seeking to successfully balance the dual-bottom line.

*“People who are attracted to work for a social enterprise and for social issues...have a real passion to help and work on social challenges, [but] that can also bring with it challenges because it is still a business, and you have to have your passionate social hat on at some point, and then you have to put your business hat on at some point...[and] in terms of the people we employ, it is much more difficult for them to think in a business sense about the work that we do...and we need a good mixture, so recruiting a good team is quite a challenge” – Amy*

## **511 Southsea (Social Enterprise 11)**

*“Success for Southsea is based on reducing our overall environmental impact and increasing our total contribution to our exclusive charity partner. Put simply, our aim is to generate profits through good business and to pass these on to our charity partner”<sup>22</sup>*

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<sup>22</sup> As shared on company website

### 5.11.1 Background

Southsea is a 100% carbon neutral bottled water company, selling their bottled water using the highest level of recycled materials possible. Their business model involves using their profits from the sale of bottled water to fund clean water projects. This is achieved through their charity partner who receives all the profits from Southsea to deliver on their social objectives.

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#### Southsea Snapshot

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Founded: 2002

Location: London

Size: 7 staff (5 full-time, 2 part-time)

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Nature of Business: Manufacture of soft drinks

Niche: Eco-friendly bottled water

Legal Status: Private Limited Company

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Founders: Amanda

Start-up Capital: Not available (from angel funders)

Ownership: 3 shareholders (profit share owned by foundation)

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| Ratios            | 2013   | 2012    | 2011    | 2010    | 2009    |
|-------------------|--------|---------|---------|---------|---------|
| Liquidity: Quick  | 1.11   | 0.78    | 0.72    | 0.62    | 0.38    |
| Solvency: Gearing | 796.63 | -289.75 | -236.46 | -131.37 | -137.94 |

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*Financial Health (ability to operate):* Southsea has been in cold waters since 2009, however it finally managed to improve its current ratio marginally in 2013 crossing 1.0. This shows that the social enterprise is struggling to maintain its ability to meet short-term obligations and expenses. Unfortunately, during the same time period, the Southsea registered negative gearing ratio from 2009 to 2012. This could primarily be because of the inability of the social enterprise to pay interest expenses and the debt borrowed. However, in order to improve its cash flow positions, Southsea significantly increased its gearing ratio to nearly 800% in 2013. This could increase the social enterprise's chances of getting bankrupt in the near future if interest payments and long term debt are not paid off. The social enterprise needs to increase its profitability by paying off its debt, and/or speeding up cash collection process.

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- ***Southsea Impact***

Southsea, since 2011, have donated all their profits to their charity partner WaterAid, which according to Amanda, is where they can make the biggest difference. From their partnership with WaterAid, which runs from 2011 to 2020, they have currently donated a total of £365k to WaterAid, stemming from £149k, £181k, and £51k in 2011, 2012, and 2013 respectively. Before the change in business model was put in place, Southsea had undertaken several clean water projects alongside Oxfam, WaterAid, and Fresh 20 to install wells, hand pumps, and rainwater harvesting technology in Bangladesh, Madagascar, and Mali. Their largest project has been the rebuilding of the 400 year old Korseena Dam in Jaipur, India. This helped create a reservoir to recharge wells

and pumps across 20 villages, and with good maintenance, the dam should last for over 50 years, transforming the lives of 13m 874 people.

### **5.11.2 Resource Story**

Amanda joined Southsea as a marketing director but quickly rose to become the CEO thanks to her general human capital in the form of business and marketing skills gained over many years in the private sector. This human capital has been a key asset to the turnaround of Southsea, allowing Amanda to successfully revamp the enterprise's model into a sustainable one. Contributing to Amanda's personal capital is her ethics and risk averseness, both of which influence how decisions are taken within the company. Being able to maintain such positions while running the company is aided by the desire not to put the social objectives and the impact that the social enterprise aims to create at risk. This risk adverse position impacts on the organization economically, and is a reason why interest-bearing debt such as bank loans is avoided (also considering the high cost of servicing such debt). Hence, the cost of such positions means that the growth of the company may be slower than otherwise possible and also they may not be able to invest and do other things, but not jeopardizing potential social impact is more key to the decision makers.

*“For us the hierarchy is always the ethics, then the profit first, and then what we throw in with that is just a sense of reality... Most of what we don't do is because of ethics, all of what we do do is because of our ethics” – Amanda*

Considering creativity in employing available resources, Amanda believes that such creativity thrives in environments facing resource scarcity – *“I think some of the best ideas and partnerships actually come out of not being cash rich”*. This truth is evident within the organization, whereby Southsea employs bricolage by using the legitimacy of the business case to persuade various stakeholders, thereby aiding them in working around resource scarcity by approaching business situations in novel ways.

*“So when we went to Sainsbury’s for example, we didn’t say how much is it going to cost us to get our products listed and lets have loads of big marketing...we actually went and talked about the nature of our business and what we do, and what we hope to achieve and how we can work as partners. So what might normally cost you £50k if you did it, you know, if that was in my magazine days and I was launching a new magazine and I had talked to Sainsbury’s about the £50k I will spend with them to launch this magazine, you know, we achieved exactly the same with Southsea just without the fee because the approach is different. But some of the best ideas, particularly in marketing, and in partnership, in distribution, approaches come when you don’t have money, and then you need to sign a little bit to go and execute sometimes, but it is not about money, this is about the opportunity to do business differently”* – Amanda

### **5.11.3 Challenges**

The biggest challenge Southsea has faced has been in improving the viability in the business model, because as part of their triple bottom line, the social impact is directly delivered by the result of profit. In trying to improve on the initial business model that was not self-sustaining but instead was dependent on

ongoing funding to function, as a result of the founder being overly focused on two parts of the triple bottom line that weren't the financial one, Amanda came up with a new business model to address the economic side of the bottom-lines.

*"If you haven't gotten that balance right, then actually you can understand why it heads in that direction...because without the profit, you cant do the people impact on our model, so it was about saying how can we take an improved ethical and environmental position in this market and make it work. We didn't know it was going to work, logic said it should do, but we knew we had to reinvent the model to do that" – Amanda*

In being able to address the challenges that they face from time to time, Southsea has maintained focus on being clear on what they are trying to achieve, and then identifying the appropriate route to getting there. With this in mind, they have sought to be really clear on what Southsea should do, and also clear on what their partnerships should do.

## **5.12 Maine (Social Enterprise 12)**

*"Making a difference in the world – this is the oldest and perhaps the most important of Maine's core values, and one we take very seriously. At Maine we seek to make learning an enjoyable and involving experience"<sup>23</sup>*

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<sup>23</sup> As shared on company website

### 5.12.1 Background

Maine is a training company that sets out to help create more effective organizations through its three core services of IT training, e-learning, and management and personal development training. The social enterprise aims to make a difference in the world by not only creating happier work places for their clients they train, but also by committing to various social objectives for themselves, which include donating 20% of all profits to the community, offering free training and consultancy to charities, and refusing to work with unethical organizations.

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#### Maine Snapshot

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Founded: 1987

Location: London

Size: 22 staff

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Nature of Business: Other software publishing; technical education

Niche: IT and management training

Legal Status: Private Limited Company

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Founders: Jerry

Start-up Capital: £5,000 overdraft

Ownership: 75% Jerry & wife, 23% angel investor, 2% others

| Ratios             | 2013   | 2012   | 2011   | 2010   | 2009   |
|--------------------|--------|--------|--------|--------|--------|
| Liquidity: Current | 1.64   | 1.39   | 1.24   | 1.44   | 1.47   |
| Solvency: Gearing  | 145.06 | 209.71 | 292.80 | 182.72 | 179.15 |

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*Financial Health (ability to operate):* Since 2009, Maine has showed improvements in current as well as gearing ratios. It shows the dedication of management to improving its cash flow position. Although the current ratio dropped marginally from 1.47 in 2009 to 1.24 in 2011, it managed to climb back and reach 1.64 by 2013. In the same time, gearing ratio stayed somewhat the same in 2009 and 2010, but increased sharply in 2011 292.80%. This could have been to generate enough current assets to cover current liabilities. The gearing ratio improved from 292.80% in 2011 to 145.06% in 2013, which could have been due to the long-term debt and interest expenses paid off by the social enterprise. Overall, Maine is in a good financial position, however it needs to bring down its gearing ratio and become less dependent on debt for external financing.

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### **5.12.2 Resource Story**

Jerry has entrepreneurial specific human capital having set up a newspaper business in the past. Although this newspaper company failed within a few weeks of being set up and going through £6.5M, from that initial experience, he was able to learn what to do and what not to do in his existing enterprise. From his personal attributes, Jerry believes greatly in morals and ethics, and keeps this at the forefront of his mind when taking decisions. So although it may be possible to make more money in the short term by taking certain decisions that go against morals and ethics, he does not believe it would create an effective company in the long term. One area where his morals and ethics are seen throughout the company is in dealing with customers.

*“I think a happy workforce, and a total dedication to service for our customers [are the key factors that contribute to the success of the company]. We haven’t talked about that at all, but that is a key part of the whole ethics and morality of the company, that we deliver great service, and if we don’t deliver great service, we don’t want to be paid” – Jerry*

In seeking to generate additional income for the organization, Maine uses bricolage, by ‘making do’ through creating a new service where none previously existed beforehand. They did this by hiring out rooms that were not being used within their office building.

*“In terms of resource management...we’ll hire rooms out. So we’ve got a lot of space that we don’t use, so what we do is try and be creative with the way we use our space, so we’ve got, all round there, we’ve now got sub-tenants coming in and hiring it, and they tend to be social enterprises. And then over there where all of our training rooms are, we’ve very seldom ever had where we are at capacity, so we do a lot of room hire... Well it’s pure profit because we are not using it, apart from the fact that they might use the café area, and also our rent, this building, is our biggest cost. So anything that we can do to reduce that, either share it with other people, or get some money back from room hire, that kind of stuff, that’s kind of one of our main goals” – Isaac*

In addition to this, Maine also makes use of disused vouchers that clients have failed to claim, putting these vouchers into other use by putting it towards the organizations Charity Day ‘Timebank’ Scheme, which is a free training and consultancy service Maine provides to charities.

*“We sell vouchers for advance training, and some people don’t use them, and most companies sell vouchers for one year, and after one year they just take it to profit. We sell them for five years, and after five years, we don’t want to take them to profit because that doesn’t feel right... Well we had a great debate about it. What we have ended up doing is putting it into a fund-to-fund work for charities (Timebank)” – Jerry*

### **5.12.3 Challenges**

As part of Maine’s approaches to delivering on their social objectives, Maine actively does not work with organizations they consider to be unethical, which in turn has an impact on them financially, and being able to easily deliver on the double-bottom line.

*“It is tough when you know...say you’re in recession, you’ve made a loss, British American Tobacco rings up and says we’ve got a fifty grand contract for you, yeah it would be very easy to say yeah we would take that, but you know, I mean that’s a very clear one where I would never work for them” – Jerry*

With financial resources being limited, it has become more difficult to deliver on their social objectives such as free training/consultancy to charities and giving 20% of their profits to the community.

*“Do you turn down work from organizations that you might disagree with in order to keep hold of your policy about that when it can impact or not whether you carry on as a business, so that has become more of an issue” – Isaac*

Such financial pressures are not helped either by the fact that a lot of the organizations Maine works with are in the public sector, where inevitably discounts are given to such clients thereby pushing down margins. Therefore, keeping such policies in place as part of Maine's social output becomes more challenging to do, especially in times when the economy isn't doing so well, knowing that this impacts greatly on the business as a whole.

### **5.13 Chapter Summary**

This chapter has presented a within-case analysis of all the studied social enterprise cases. By applying the entrepreneurial capital and social bricolage frameworks, the chapter has captured the resource story of each case, i.e. exploring the resources available to each social enterprise and how they creatively recombine and deploy these resources to create social value. In addition, the challenges experienced in each social enterprise were investigated.

Built on the empirical findings of the within-case analysis discussed here, the next chapter aims to provide a cross-case analysis, with the empirical findings here being linked to and supported by existing literature and theories discussed in chapters 2 and 3.

## CHAPTER 6: FINDINGS

### CROSS-CASE ANALYSIS AND DISCUSSION

The previous chapter described the unique accounts of the individual social enterprise cases. Now using explicit interpretation, this chapter aims to integrate the individual cases that were studied to yield more generalizable propositions. The chapter is structured in a way to present answers to the research questions, whereby following a cross-case analysis, a number of themes identified from the data (see table 11) are grouped to yield answers to the challenges that for-profit social enterprises face, as well as themes to shed light on the competencies that enable them to overcome resource constraints. The chapter aims to link empirical findings from this study with extant literature discussed in chapters 2 and 3, therefore, the themes are discussed vis-à-vis relevant existing literature. The identified concepts are extended using the social entrepreneurship literature, along with the entrepreneurial capital and entrepreneurial bricolage constructs to aid and support the development of ideas and propositions arising from this study.

|                   | <b>Theme</b> | <b>Description</b>  | <b>Resulting Proposition</b>  |
|-------------------|--------------|---|---|
| <i>Challenges</i> | Position     | Challenges arising from the positioning of the FPSE along the enterprise spectrum | The positioning of the organization along the social enterprise spectrum impacts on accessing financial and human resources |
|                   | Focus        | Difficulties in simultaneously focusing on both social and economic objectives    | Long-term imbalance of social and economic objectives impact negatively on the social enterprise                            |

|                        |                           |  |  |
|------------------------|---------------------------|--|--|
|                        | Pressures                 | Internal and external pressures to compromise on either the social or economic objective (or both) | Blending social and economic objectives can raise pressures to compromise on one of the objectives   |
| <i>Competencies</i>    | Creativity                | Application creative thinking to resource issues   | Creativity drives and enables social bricolage activity, especially when 'making do' and 'improvising'   |
|                        | Social Skills             | Employing necessary social skills to acquire resources and access new opportunities                | Leveraging social skills facilitate stakeholder engagement as a part of the social bricolage process   |
|                        | Resilience & Adaptability | Demonstrating resilience and an ability to adapt to new and changing situations                    | Characteristics of resilience and adaptability enable social bricolage, especially the social bricolage constructs of 'refusal to be constrained by limitations' and 'social value creation' |
| <i>Key Ingredients</i> | Vision & Mission          | Having a well defined mission and vision for the social enterprise                                 | N/A  |
|                        | Team                      | Working with a good mix of people from both social and commercial backgrounds                      |  |
|                        | Morals & Integrity        | Operating with sound morals and integrity  |  |
|                        | Social Brand Image        | Leveraging the social story to achieve objectives  |  |
|                        | Networks                  | Making use of networks and working in collaboration/partnership with others                        |  |

**Table 11. Themes from Research Data**

## **6.1 For-Profit Social Enterprise Challenges**

### **6.1.1 Positioning of For-Profit Social Enterprises**

The study revealed that the concept of for-profit social enterprise is still relatively new to people, as most individuals are more familiar with social purpose organizations operating strictly within the public sector, where even the general scope of social entrepreneurship is still viewed as a poorly understood concept (Martin and Osberg, 2007). These for-profit social enterprises are setup to create social value using a for-profit vehicle, and hence their position along the enterprise spectrum is a unique one. It was found that the lack of understanding of their position within the enterprise space impacts on areas such as receiving external support, gaining credibility as a business and as a social purpose venture, attracting appropriate human resources, and alleviating inaccurate biases to what they do. In particular, when it comes to social enterprises being able to access and acquire essential resources, financial resources and human resources were discussed the most by the interviewees as being key but challenging to obtain, which is made more difficult by virtue of their position as for-profit social enterprises. These two areas of financial resources and human resources are discussed in more detail below.

#### **Funding Availability and Access:**

Weerawardena and Mort (2006) suggest that social entrepreneurs operating in the non-profit social enterprise context are mostly constrained in raising funds,

but the studied for-profit social enterprises also mentioned this as one of the challenges they faced as well. This is why social purpose organizations are increasingly turning to additional sources of accessing finances, such as generated income, philanthropic donations, grant funding, private sector funding and so on. In particular, accessing any type of external funding for any social enterprise has its challenges, but from the responses of the interviewees operating for-profit social enterprises, they experienced additional challenges stemming from their position in the social enterprise space.

These challenges with accessing external funding are experienced at both ends of the scale, as funders on both sides of the scale do not fully understand what a for-profit social enterprise is, and for those who do, their funding system is yet to accommodate for such structures. For example, when some of the for-profit social enterprises studied tried to access funding on the social end of the scale, such as from local authorities and charitable trusts, they found that a number of the funding pots available were only accessible by fully-fledged charities, as having any other type of legal structure, i.e. private limited company, or community interest company limited by shares, disqualified them from being eligible for such funding. This, for some, has resulted in the setup of partnerships with charities so as to be eligible to apply for a wider number of funding opportunities and thereby increase their chances of obtaining funding. Therefore, similar to non-profit social enterprises who form collaborations to finance and carry out projects to meet social goals (Pearce and Doh, 2005; Foster and Bradach, 2005; Chell, 2007), these for-profit social enterprises also

formed collaborative relationships, although with charities, to access funds and overall achieve their social mission. However, it is important to note that over the years more social enterprise funders have been established, including those who seek to work specifically with social enterprises such as UnLtd. This therefore qualifies more and more social enterprises for funding grants, albeit more favorable for community interest companies than private limited companies.

*“We always had to team up with a charity. The charity played the role of the lead partner, and then we were the delivery partner. So what we would then do is build in our cost of delivering our part of the funding, but they will apply for the funding and the management of it, and through their name, they would then acquire the funding”* – Greg, Co-Founder of Rerun

When seeking to access funding on the other end of the scale, i.e. the commercial end with funding such as bank loans and private equity, this also was not so straightforward. According to a 2001 Social Enterprise London conference report, only a small percentage of social enterprises consider private sector funding as an option, and when they do, it also comes with its own challenges, including those challenges resulting from the unique positioning of for-profit social enterprises as alluded to by two of the interviewees below.

*“A lot of the traditional institutes around companies such as banks and people like that, fully still don’t understand how it works, and therefore aren’t able to support you in the right way”* – Greg, Co-Founder of Rerun

*“In the commercial business, if you want investment, you go to a bank, or a private equity. If you are a charity, it tends to be donations and grants. And if you are a social enterprise, if you’re more up this end [commercial end], you’re talking to the bank and private equity people, whereas if you’re more down this end [charity end], you go for donations. The problem is, donors and grant givers don’t like the fact that you are trying to build a business. And private equity people don’t like the fact that you give the money away. So you can really get screwed at both ends of the spectrum, which is what we’ve kind of found” – David, Founder of Oceana*

These findings are consistent with extant literature, with researchers such as Shaw et al. (2002, p. 41) describing the funding of social enterprises as a significant challenge, suggesting that “issues relating to the funding of social entrepreneurship are complex, challenging and merit detailed and careful consideration by all relevant stakeholders”. In addition to these things, social enterprises should consider that many of the times, a lot of external funding is only short term, and therefore applying for funding tends to be an ongoing process where even more time needs to be dedicated to administration of accessing these funds (Shaw et al., 2002). That is, time being spent on applying for new funding, or extending funding, or re-applying for the same funding every time it runs out. Also, such type of funding is not only time consuming, but can divert the social enterprise from its primary mission as there becomes more stakeholders involved in deciding how the funding is used (Brown & Moore, 2001).

Overall, while the social entrepreneurs may be able to set up and finance their enterprise at the onset with their personal funds (Aldrich, 1999), it is seen that being able to access ongoing funds, be it through generated income or external sources, is important, as a number of entrepreneurs lack the necessary finances, materials, or expertise to exploit an entrepreneurial opportunity fully (Shane, 2003).

**Attracting and Retaining Human Resources:**

As social enterprises are organizations that pull on commercial skills and strategies in creating social value, it goes without saying that people working within the social sector require a range of business skills. These business skills aid with running a more efficient and effective social enterprise, and should therefore not be limited to the social entrepreneur/founder of the social enterprise alone. The presence of these business skills within a social enterprise is indeed even more vital in a for-profit social enterprise, as there is an economic bottom-line that needs to be managed for overall success of the organization. That being said, it was observed from the data that attracting human resources with these business skills, as well as retaining them over a long period can be challenging.

Dearth in knowledge of what a social enterprise is, amongst the people in the commercial world that are sought after by social enterprises, was mentioned as one of the reasons why attracting these people is sometimes a challenge for them. They find that most people tend to think of organizations that create

social value as the traditional charities and non-governmental organizations, and suggest that for those who are aware of the social enterprise sector, many still consider them to be no different from charities. It has been found that having such notions at times deters those who would not want to work for these types of organizations from considering a for-profit social enterprise as a possible employer. On the other hand, attracting those with the necessary social sector skills also proves difficult, as due to a lack of understanding of for-profit social enterprises from people within the public and non-profit environment leading to inaccurate preconceptions, they too may not consider for-profit social enterprises as potential employers. For those who do know and understand what for-profit social enterprises are, some may stay away due to their skepticism of the profit motives.

Another highlighted area of challenge by the research participants, when it comes to attracting people with business skills from the commercial world, was around compensation (Dees, 1998b; Akingbola, 2006; Austin, Stevenson, & Weiskillern, 2006), as unlike purely commercial organizations, social enterprises are usually limited by financial resources needed to recruit and retain the necessary talent (Oster, 1995). Some of the comments from the interviewees around this challenge of attracting and retaining skilled staff due to compensation offerings are below.

*“I think we are still quite a small company, small to medium I suppose, and don’t have the budget to pay large salaries, so if that’s what interests*

*somebody, then they might go somewhere else*” – Becca, Head of Human Resources at Mode

*“[If staff were offered more money elsewhere, they would leave] it is brutally hard to work in this environment because you just don’t have the money or resource that you would if you weren’t giving away a million and a half pounds a year...So people tend to stay for a few years, and then they’ll go off and do something. So they kind of come out of the commercial world, and come into ours, and then go back out again”* – David, Founder of Oceana

Offering lower compensation, along with hardly any incentives, can make working within the social enterprise sector less attractive to adequately skilled human resources, as people who possess such human capital typically demand higher wages commensurate to the commercial world, which for any social purpose organization can be difficult to match. Even when a social enterprise desires to offer compensation close to what these hires would receive in the commercial world, doing so may not always be so straightforward. This can be seen in an example cited by Dees (1998b) of a former Wall Street banker who was now heading a major international economic-development organization, whereby convincing the board to agree to him offering salaries at less than what those candidates could obtain in mainstream financial institutions was a challenge, as even those salaries were well above existing wages in the organization. An additional concern was around pay equity with current staff, as “raising everyone’s salary could be extremely costly, [while] not doing so could undermine morale” (Dees 1998b, pp. 66-67).

The costs associated with attracting a high caliber of human resources is one of the main reasons social purpose organizations tend to work with more volunteers where possible, relying on them to make up a substantial part of their human resources, including having them on the board to help with fundraising or provide professional services, and also as staff for ground work (Austin, 2006). That being said, as was highlighted in discussions with Zack from Sport Goal, making use of free or what may appear to be cheaper labor may have been adequate in the early years of the social enterprise, but becoming more evident as the enterprise grows is that more skilled hires is increasingly what the organization needs.

*“We have grown the business until now with very inexperienced people to keep our costs down, but as we’ve grown, we have started to hire more expensive and more experienced people because we recognized that our business needs it” – Zack, Co-Founder of Sport Goal*

Having established that the studied for-profit social enterprises required the presence of business skills to run the organization successfully, because of the presence of the economic bottom line by virtue of their for-profit legal structure, another challenge source was highlighted – culture integration. This challenge was seen to arise when some of the social enterprises worked with people from either purely commercial backgrounds or purely social backgrounds, who were therefore coming from different organizational cultures. In some cases, it was the founder who needed to adjust culturally, as was highlighted by Greg from Rerun.

*“I’ve worked for media telecoms, highly competitive, highly efficient, very creative, very quick movement, ever changing, always looking at the latest product, innovative, that’s what you get with the private sector. Now we’ve transferred that into an industry which is traditional statutory, very political, very slow and cumbersome in the way that it moves and it evolves and takes on new ideas” – Greg, Co-Founder of Rerun*

For-profit social enterprises tend to build up their teams this way, i.e. with a combination of people from both ends of the spectrum because finding people who are skilled in both the commercial and social environments is in-itself challenging, as such combinations are rare (Dees & Anderson, 2003). Not addressing cultural conflict can cause problems not only for the smooth functioning of the team, but also for the way work is approached within the organization. Therefore, being integrated into a new culture is a process that needs to be managed with care, as although the process is not as complicated as going from a purely commercial system to a purely philanthropic one, it is still a change that needs to be approached with care as the new staff need to intermingle both commercial values with philanthropic principles (Dees, 1998b). To summarize, Amy, Co-Founder of Corville aptly captured the challenge of putting together a good team in her comment below:

*“People who are attracted to work for a social enterprise and for social issues are very passionate people, and that’s exactly what you need, you need someone who has a real passion to help and work on social challenges. The money isn’t like working in banking, or in law or something like that, so you do attract a certain type of person, and I do think that can also bring with it it’s challenges because it is still a business, and you have to have your*

*passionate social hat on at some point, and then you have to put your business hat on at some point... I think in terms of the people we employ, it is much more difficult for them to think in a business sense about the work that we do... We need a good mixture, so recruiting a good team is quite a challenge” – Amy, Co-Founder of Corville*

Overall, having investigated this challenge, it is not surprising that despite increasing interest in the area of social entrepreneurship (Hemingway, 2005), this relative newness of the field means that there is still a lack of understanding of for-profit social enterprises, even within academic literature. This in turn, as would be expected, was seen to impact on the development of the studied social enterprises, whereby such social enterprises suffer from the ‘liability of newness’ (Stinchcombe, 1965).

**Proposition 1:** The positioning of the organization along the social enterprise spectrum impacts on accessing financial and human resources.

### **6.1.2 Focusing on Differing Objectives**

Social entrepreneurship raises innovative solutions to addressing social issues by employing traditional business and market oriented models (Mair & Noboa, 2006; Pearce & Doh, 2005; Dorado, 2006). In particular, for-profit social enterprises are known for their dual-bottom lines, the economic and social, while some operate with the triple-bottom line, i.e. economic, social, and ethical bottom lines, such as in the case of Southsea. In essence, these social enterprises “share the pursuit of revenue generation with organizations in the private

sector as well as the achievement of social (and environmental) goals of nonprofit organizations” (Di Domenico, Haugh, & Tracey, 2010, p. 682). Due to the nature of these bottom lines being very different, especially in the case of economic versus social, interviewees discussed the challenges in maintaining focus on the key objectives that spring from having the different bottom-lines. Because maintaining a good balance can be difficult, the challenge of keeping focus on the differing objectives simultaneously saw some social enterprises drifting their attention from one bottom-line to another, at times for months or years at a time. Working in this way, intentionally or unintentionally, was seen to have a negative impact on some of the social enterprises. Below, the challenges that arose when some of the for-profit social enterprise focused on one objective more than the other are discussed further.

**Overly Focused on the Social Objective:**

As these for-profit social enterprises are setup to meet a social need, some times the social entrepreneurs found themselves emotionally tied to the social value they aimed to deliver, sometimes to the detriment of the social enterprise itself. Hence, the social entrepreneurs would tend to get carried away with their passion for the social issue being addressed, and quickly find themselves giving more attention to the social aspect of the organization and unintentionally neglecting the economic side. Having this happen, especially over prolonged periods of time, can lead to the organization no longer being a sustainable business, and eventually lead to the failure of the organization. This situation was all too real in the case of Southsea, whereby it led to the founder of the

organization being replaced as the CEO of the social enterprise. Amanda, the new CEO of Southsea, comments on this.

*“Southsea was delivering too many negatives in terms of the financial bottom line...and to be honest the reason why it had got to that point is the leader of the business and the vision was overly focused on the two parts of the triple bottom line that aren't the financial one... They call it look-in syndrome don't they, where the original founder who is motivated by the emotional or charitable or social cause kind of go 'oops'. It was a difficult time to say the founder and the champion of the idea is no longer the right person to take this ahead and make it work. I mean it is difficult...in a category which is very much dominated by wanting to hear the story of the founder” – Amanda, CEO of Southsea*

In the case of Mode, it was found that while operating with most of its focus on the social objective appeared to work well for sometime, in the long run, the strain on the organization as a whole became more obvious, and the practice unsustainable.

*“The first few years of our company, we were all about the social and we didn't really have the economic procedures and measures in place, and a lot of passion and a lot of drive pushed forward an organization that wasn't always fit for purpose or business worthy, and we got away with it, you know, with some nice ideas and charm. Then a time came we realized this wasn't going much further, you're not going to help any more kids, you're not going to track more talent, you're grinding your staff to a hilt...and they're not being compensated properly” – Tim, Co-Founder of Mode*

*“Within the early days, we were so focused on the social side of things that we weren’t sort of operating business-like enough” – Becca, Head of Human Resources at Mode*

**Overly focused on the Economic Objective:**

It was observed that running a for-profit social enterprise increases the pressure to maintain a financially sustainable organization, as the interviewees expressed that this is because failing to sustain a healthy economic bottom-line, as a social enterprise with a for-profit legal set up, can easily lead to the overall failure of the organization. Also, it can be difficult to deliver on social objectives if financial objectives are not being met. This is because the social entrepreneurs set out with a primary objective of creating social value, whereby the creation of economic value is necessary to ensure financial viability (Mair & Martí, 2006). Therefore, as this structure necessitates a healthy economic bottom-line to stay running, maintaining focus on both the economic and social aspects of the organization was seen as a necessity in all the cases studied for them to achieve overall success. This task in reality was not a simple one for them, as the social enterprises found that it was actually easy to get carried away with achieving and maintaining financial sustainability, whereby unintentionally, their attention would slowly begin to drift away from the social objective. Similar observations were made by Battilana et al. (2012) and Fritsch, Rossi, and Hebb (2013). As suggested by some of the interviewees, this in turn can lead to a social enterprise losing its sense of purpose.

*“It’s hard actually, and you have to stay conscious of it, because I think it is very easy just to sort of get a bit blinkered, its like oh my God we’re not making enough profit so we have to do x, y, and z to make sure we are doing that, and then you kind of forget a little bit the reason why you’re there” – Becca, Head of Human Resources at Mode*

*“We are sort of the other extreme, we go too strong on we are a viable business, we are really strong commercially, and even sort of booted and suited finance people would say to us but why, what is the story behind it, I don’t get a feeling for it, you know you need to give us more emotion, so we are almost kind of going the other way” – Linda, Director of Stakeholder Impact at Sport Goal*

This type of scenario can become more likely as the social enterprise grows, as with growth comes more financial pressures (Hirzel, 2013). Also, expressed by some of the interviewees was the increased difficulty in keeping the vision flowing throughout the enterprise as the organization grew.

*“I think the key challenge for any business is maintaining focus... Then as you get a bit bigger, as you get more than ten fifteen people over a couple of years, you lose the sense that everyone has a shared story and your articulation of your vision into action. So translating the vision through the business is the biggest growth challenge I think, but the overall challenge is always maintaining focus and managing energy” – Tim, Co-Founder of Mode*

*“When we were smaller I think it was much easier for people to do one-on-one mentoring with young people that were coming in...it was very easy I suppose for individuals to have an impact on a young person in a certain way, and as we’ve got bigger and bigger, that’s been more difficult to sustain*

*because there are so many kids coming in, there are so many staff here, we are so busy, that I think we felt we lost that a little bit and we were very focused on increasing our profit and making sure the company was a sustainable business model, but then we found, again...it felt like people perhaps weren't as aligned with the social ethos of Mode as they may have been two years before, because we were so focused on making profit and being very efficient in how we deliver our work" – Becca, Head of Human Resources at Mode*

Overall, these findings showed that having differing objectives because of their for-profit social enterprise set-up, and especially as those objectives are dissimilar in some fundamental ways, can make decision-making and overall establishing a successful social enterprise more complicated (Battilana et al., 2012; Dees & Anderson, 2003). As suggested by Zahra, Gedajlovic, Neubaum, and Shulman (2009, p. 520), "balancing social wealth with the desire to make profits and maintain economic efficiency is no simple matter".

**Proposition 2:** Long-term imbalance of social and economic objectives impact negatively on the social enterprise.

### **6.1.3 Pressure to Compromise on Objectives**

As the studied for-profit social enterprises worked towards creating and delivering both economic and social value, it was observed that they sometimes faced pressures to compromise on one or both of their objectives, i.e. pressures to compromise on their social objective and (or) pressures to compromise on

their economic objective.

**Pressures to Compromise on Financial Objectives:**

The research data showed that some of the social entrepreneurs and social enterprises discussed that they at times found themselves trying to deliver social value at the detriment of economic returns, where their commitment to certain social objectives and activities could indeed weaken their financial position substantially. For example, this was highlighted by interviewees in the social enterprise cases that work with individuals who are at a disadvantage, i.e. ex-offenders, long-term unemployed, and youth, as part and parcel of their business model, whereby these individuals work within the organization delivering services to the social enterprises' clients. As highlighted by Dees and Anderson (2003, p. 12), "serving those in the greatest need and doing it well can lead to decisions that have business costs". In addition, as a result of some of the social enterprises seeking to be as inclusive as possible when operating with this type of business model, they found that a lot of time and effort is exhausted as they seek to create opportunities for as many people as they can. The interviewees suggested that this tends to be problematic because these individuals are at times limited in the appropriate skills and therefore cannot deliver to clients at a level that would demand greater profits. Therefore, a large amount of the time is spent on training these employees who often do not have the necessary skills at the onset. One of the interviewees who discussed this was Greg from Rerun who works with reformed ex-offenders to deliver their behavioral workshops.

*“Obviously when you’ve got a team like that, you then get issues over reliability, different levels of punctuality, consistency, and professionalism. And you’ve also got to make sure they can all deliver to the same quality and standards so that they don’t dilute your proposition... So those are the sort of every day challenges that we have with our team, that is kind of unique to this type of model” – Greg, Co-Founder of Rerun*

*“The difficulty is that some of the people you work with, they haven’t had a job before, they’ve never worked in a professional organization...it’s difficult with the nature of the people that you work with sometimes, managing them and working with them” – Tasha, Receptionist at Rerun*

Another element that impacted on some of the for-profit social enterprises, potentially leading them to compromise on their financial objectives, was the cultural biases that they faced against profiting from a social cause. Such bias was experienced at Alumnity, where following an influx of government support for their organization, the social enterprise began to experience a lot of resistance to what they were setup to do, as people believed they were out to profit from schools.

*“We started to get some resistance around being accused of being a private company that was looking to make money out of schools and when we really grew to scale in the last year, growing into about 500 schools and 25,000 alumni, we made the decision that the reputational risk of being seen in any way as a private company outweighed the potential commercial opportunity of being able to sell the services commercially, and so we went through the process of changing the organization into a solely charitable structure” – Dan, Co-Founder of Alumnity*

In another comment he states:

*“The reputation of a commercial organization is enhanced by any sort of social association, whereas the reputation of a social organization can be, and has been in this case challenged by the connection with commercial opportunities” – Dan, Co-Founder of Alumnity*

The studied social enterprises, as a result of them operating with for-profit structures, also expressed that they are commonly faced with cultural biases that believe social ventures should not take profits, or if at all they do take profits, it ought to be very limited. This comes as no surprise as it is even common to see the public often criticizing those who work in social purpose organizations for taking out profits or earning, what appears to them, unacceptable wages, when such money could be reinvested back into the organization to create more social value. This belief stems from the thought that profits should go back into the business to create further social value as opposed to being used to reward the social entrepreneur or employees. As Dees and Anderson (2003, p. 13) pointed out, "our society seems to find something repulsive in the idea of someone profiting from doing good". Alumnity's experience above is similar to that of a case study of Education Alternatives, Inc. by Dees and Elias (1995) where public opposition derailed efforts by the organization to secure contracts for the management of some public schools in Washington, despite having received initial support from the school superintendent. A woman from a community forum was quoted by The Washington Post as saying, "Why, Dr. Smith, did we give you the job of running

our schools if you decided to give up 15 schools to people who not only don't look like us but are just in it for the money?" (Horwitz, 1994, cited from Dees & Anderson, 2003). This goes to show that public biases and opinions can have a great impact on a social enterprise, particularly more so when a substantial amount of funding is coming from the government. Unlike the case of Education Alternatives Inc whereby these public skepticisms played a large role in the eventual failure of the enterprise, for Alumnity, they made the decision to switch from a for-profit structure to a full charity as highlighted in Dan's comments above.

**Pressures to Compromise on Social Objectives:**

Some of the studied for-profit social enterprise cases were sometimes faced with conflicts between their economic and social objectives, and when such conflicts arose, the economic would tend to dominate; otherwise the social enterprise could find itself out of business (Dees & Anderson, 2003). As the social enterprises all aimed to remain in operation, there was an impetus to maintain a healthy economic bottom line, but when this was not being achieved, there was increased pressure to compromise on the social objective by, for example, reducing their social impact targets. In some of the cases, this was done as way of reducing some of the financial pressures that were placed on the organization from delivering on their social objectives. The potential for this occurring was suggested to be higher in times such as economic recessions, such that when times are tough, the social activities of the organization may be cut down and put on the back burner to ease financial pressures as they work

towards building back a healthy financial bottom-line, so they are not put completely out of business. In deed when the social enterprise needs greater resources to achieve their goals including their social objectives, it can create pressures to cut ethical corners (Barendsen & Gardner, 2004). As seen in the comments below, when some of these social enterprises experienced this sort of pressure, they at times found themselves having to rethink their strategy, social objective, or even ethical positions, due to the financial pressures on the organization.

*“It is interesting because like one of those things when things get tough, principles go out the window.... I think when we were a bit more flush, we were able to focus on things like the social side of things...Recently, as money has become tighter, and as there has become less people, it has become more challenging to do [TimeBanks and free training for Charities]... Jerry [CEO] has always been quite clear in terms of policies about the kinds of people we will and we won't deal with. Do you turn down work from organizations that you might disagree with in order to keep hold of your policy about that, when it can impact or not on whether you carry on as a business, so that has become more of an issue” – Isaac, Administrator at Maine*

*“We definitely have an objective of having a positive impact on the world...so it is tough when say you're in recession, you've made a loss, British American Tobacco rings up and says we've got a fifty grand contract for you. It would be very easy to say yeah we would take that, but you know, I mean that's a very clear one where I would never work for them [on ethical grounds], I suppose there are other ones which are less clear” – Jerry, Founder of Maine*

These findings above are indeed consistent with existing literature as when it comes to ethical concerns, entrepreneurial activities are regularly associated with trying to cut ethical corners (Kuratko & Goldsby, 2004; Barendsen & Gardner, 2004). In the case of social entrepreneurship, the practice of the concept is also known to raise ethical concerns (Fowler, 2000), especially in the face of resource scarcity, where social entrepreneurs at times find themselves resorting to unethical practices and approaches when they feel extreme pressure to obtain the necessary resources to sustain their organization (Zahra et al., 2009), with their own personal values as well being put into question. As suggested by Chau & Siu, 2000; De Clercq, and Dakhli (2009), scarcity of resources, especially financial resources impact on making ethical decisions of entrepreneurs.

**Proposition 3:** Blending social and economic objectives can raise pressures to compromise on one of the objectives.

| Challenge  | Description  |
|--|--|
| Positioning of For-Profit Social Enterprises<br><br><i>Proposition: The positioning of the organization along the social</i> | <i>Funding Availability &amp; Access</i> <ul style="list-style-type: none"> <li>• Limited and inadequate support from funders due to their unfamiliarity with FPSE as a social purpose vehicle</li> <li>• Ineligibility to apply for many grants due to for-profit legal structure i.e. private limited company status</li> <li>• Opposition to running a business by potential social sector funders</li> </ul> |

|   |   |
|---|---|
| <p><i>enterprise spectrum impacts on accessing financial and human resources</i></p>    | <ul style="list-style-type: none"> <li>• Limitations on amount of funds accessible through investments, i.e. from banks and private equity, due to opposition to the extent of charitable giving carried out by FPSEs</li> <li>• Difficulty managing time consuming funding application process alongside running the business</li> </ul> <p><i>Attracting &amp; Retaining HR</i></p> <ul style="list-style-type: none"> <li>• Common misconceptions, i.e. that a FPSE is no different from a charity, due to underdeveloped understanding of the concept, which can deter potential employees who would otherwise seek employment in such organizations</li> <li>• Difficulty attracting human resources from social sector backgrounds (i.e. having the necessary social skills) due to their skepticisms of the for-profit motives of the social enterprise</li> <li>• Difficulty attracting and retaining commercial talent as a result of lower compensation rates compared to what they are used to in purely commercial settings</li> <li>• Cultural integration challenges when integrating those with purely commercial backgrounds into a social context, and those with purely social backgrounds into a business context</li> </ul> |
| <p>Focusing on Differing Objectives</p> <p><u>Proposition:</u><br/><i>Long-term</i></p> | <p><i>Overly focused on social or economic objectives</i></p> <ul style="list-style-type: none"> <li>• Attachment to a social cause can lead to social objectives being addressed at the detriment of economic objectives, which can lead to the overall failure of the FPSE</li> <li>• Difficulty in maintaining social vision and translating</li> </ul>  |

|   |  |
|---|--|
| <p><i>imbalance of social and economic objectives impact negatively on the organization</i></p>   | <p>it through the organization as the social enterprise grows due to increased financial responsibility</p> <ul style="list-style-type: none"> <li>• Failure to maintain focus on the social objectives while also attending to economic needs can over time cause the FPSE to lose its social sense of purpose. Also, such a situation can make it more challenging to attract future investors and funding as the essence of the social enterprise is lost</li> </ul>  |
| <p>Pressure to Compromise on Objectives</p> <p>Proposition:<br/><i>Blending social and economic objectives can raise pressures to compromise on one of the objectives</i></p> | <p><i>Pressures to compromise on financial and social objectives</i></p> <ul style="list-style-type: none"> <li>• Particular social interests and attachments to certain social projects and activities, such as working mainly with those from disadvantaged groups can cause FPSEs to compromise on financial objectives</li> <li>• External cultural biases to profiting from a social cause create pressures to compromise on economic objectives</li> <li>• Added pressure to compromise on social objectives when under financial strain, i.e. in times of economic recession, which can create ethical and social dilemmas</li> </ul> |

**Table 12. Summary of For-Profit Social Enterprise Challenges**

## **6.2 Competencies Enabling Social Bricolage in For-Profit Social Enterprises**

### **6.2.1 Creativity**

The theme of creativity, which refers to the ability of the social enterprises to devise novel approaches to using resources and solving problems, was highlighted as one of the key competencies that played a large role when the concept of bricolage was applied within their social enterprises. Such creative responses to challenges were observed as aiding in the application of bricolage, especially within the ‘making do’ and ‘improvisation’ constructs of social bricolage. The informants expressed taking a creative attitude to overcoming resource limitations and problems, whereby improvisation actively involved the application of creative thinking so as to counteract such limitations (Miner, Bassoff, and Moorman, 2001; Weick, 1993b), as social enterprises in particular are encouraged to be innovative (Austin et al., 2006). For example, in the case of Oceana, David discusses different scenarios where thinking creatively about how to use unwanted and discarded resources allowed them to, not only come up with solutions to the resource challenge, but also enabled them to access free marketing for their products thereby being a beneficial strategy to their financial efficiency.

*“Yes, absolutely. I mean every day is a fight. It’s just about trying to find creative solutions. So this water here (pointing to a stack of bottled water), which actually was about two or three times as much as that, was paid for*

*by somebody who was sponsoring an event. So it was probably about a £1000 worth of water or something like that. And then they didn't need it, so they said 'you hang on to it'. So for us, we are going 'ok we have a thousand pounds of free water, what should we do with it?' So we used it for London Fashion Week. We gave them a load of stuff, so immediately that gets into the hands of celebrities, and photographed as part of Fashion Week and all the rest of it. I think there's another load going off to a fund raising event up in the north. So they're doing a big fund raising thing. So we can try to sell this water, but because it's already been sold once, its much better to use it for marketing purposes. So things like that. We sponsor Saracens rugby squad, which is the premiership rugby team in the UK, on a team two-year deal. It didn't cost us anything. They just wanted water for their players, and as it happened, we changed the branding on the bottles last year. We had quite a lot of branding that was the old version, so we didn't want to put that out into the market anymore. So we used that for them. So instead of having to write off that stock, we've actually now got a sponsorship deal with the highest profile rugby club in the UK. So it's just about trying to find little opportunities where you can, where it doesn't cost you anything" – David, Founder of Oceana*

Mode is another social enterprise who, in their bid to 'make do' by using unwanted resources for new purposes, chose to employ original approaches to resource challenges, to ensure that they would be able to continue to deliver on their social objectives while being economically efficient. For example, this application of creative thinking is seen in how they approach the Live Magazine project, a non-profit generating project as described by Becca below.

*"I think as we are a creative company, we do default to thinking creatively...with Live Magazine for example, because that is not a profit-making project, we don't spend a lot of money on their technology. So for*

*example, if a new member of staff joins or somebody needs a new computer because theirs is getting slow, because they do tend to after about 5 years, then those computers would be donated to Live Magazine and they will use those, so that is another way of not having to spend a lot of money, but them still having the resources they need” – Becca, Head of Human Resources at Mode*

As mentioned above, creativity was not only drawn upon when the studied social enterprises sought to ‘make do’ with their available resources, but like in the case of Corville, creativity was pulled upon in scenarios where improvisation, as part of social bricolage, was adapted in the way resources were used and as a way of generating social value. For example, with Corville, they were always trying out new things, such as testing to see how it would be operating without a central office. As described by Amy, taking this trial and error approach is stemmed from thinking creatively about how to approach certain issues to improve the overall efficiency of the organization.

*“In terms of just our general everyday structure, I suppose we are always trying to think creatively around different problems or different issues that arise. So last year we decided to close our office for over two weeks and hand it over to other small businesses, other small social enterprises, because we wanted to see what it was like to not have an office, did we need it, was having an office relevant in the 21<sup>st</sup> century. And so we did a two-week prototype where we just sent everybody out with a budget...and people could work from wherever they wanted, and we reviewed that at the end of the two-week period. So we are always trying things like that to make sure our systems are the best ones in place” – Amy, Co-Founder and Managing Director of Corville*

As the informants of this study attested to the active use of creativity within their social enterprises as part of the bricolage process, leveraging of this competency was not solely restricted to the social entrepreneurs alone, but was equally employed by the organization as a whole.

*“I think that is what challenges you as an employee of a social enterprise as well, it is the constant sort of need for creativity, and everything is about ideas and making stuff happen and starting with a blank sheet of paper and creating something”* – Linda, Director of Stakeholder Impact at Sport Goal

In these cases above, it is seen that their creative ability aided in them being able to achieve effective and efficient use of the limited resources they had available to them, and in some cases allowed them to gain access to additional resources at reduced costs and sometimes for nothing. This corresponds with extant literature, as entrepreneurial ventures are commonly known to face substantial resource constraints (Desa & Basu, 2013; Shepherd, Douglas, and Shanley, 2000), with such constraints being more significant in social ventures (Desa & Basu, 2013; Peredo & Chrisman, 2006). As highlighted by Aldrich (1999, p. 41), most firms “can’t always get what they want, and certainly don’t always get what they need”. Hence, social entrepreneurs are seen to make use of creative resource strategies in reaction to perceived resource scarcity (Alvord, Brown, & Letts, 2004), with Di Domenico et al. (2010) arguing that the ability to make use of available resources and recombine them for new purposes is vital in creating social value and attaining financial sustainability. So consistent with social entrepreneurship literature, which suggests that social

entrepreneurs refuse to be confined by a lack of resources when pursuing their goals and therefore find creative ways to tackle such obstacles, this concept of creativity was also highlighted in this study.

**Proposition 4:** Creativity drives and enables social bricolage activity, especially when ‘making do’ and ‘improvising’.

### **6.2.2 Social skills**

Drawing upon various social skills and building collaborative relationships are elements that were observed in the studied for-profit social enterprise cases. These different social skills, including persuasion, networking, and negotiation skills, were abilities that interviewees mentioned as aiding in facilitating interaction and communication, which were necessary to create and maintain good relationships. These skills were leveraged as they sought to engage stakeholders and persuade people of the enterprise’s social legitimacy in a bid to access and acquire resources. The social enterprises believe in being able to deliver communications that have an impact and can successfully persuade existing and potential stakeholders. By being able to influence others using these different social skills, they have been able to gain support to aid the enterprise in different ways, including support of their ideas and support for specific projects. As observed in the study by Di Domenico et al. (2010, p. 696), “persuasion was used to convince stakeholders of the potential usefulness of resources and assets and of the business case for social value creation”. For

example, in the case of Recreate, the social enterprise was able to acquire new resources from stakeholders by the use of good negotiation skills involving offering trade-offs and exchanges, which thereby helped them financially to reduce costs for the business.

*“[For] the production of the games, I had a sponsorship from the printing company and the paper company, so I negotiated the paper for free, and I had a discount from the printers in exchange for putting their logo on the box” – Emma, Founder of Recreate*

In addition to this, Recreate has been able to access expertise and new contacts by being able to successfully influence and persuade stakeholders of the social legitimacy of the product that the social enterprise sells.

*“I’ve met people that are really good at strategy, these kind of things, and they actually helped me...as soon as I say, this is my new business plan, lets make this happen, they would want to be part of it...I have met people like directors of companies, and they would be like, ‘why am I here’, and then by the end of the meeting they would be like this is really good, and really excited, and that tends to happen many times” – Emma, Founder of Recreate*

Influencing and persuading stakeholders to leverage resources for their social enterprise through effective communication and interpersonal skills was also highlighted by Sport Goal in the way they engaged their stakeholders, which enabled the social enterprise to gain the support from their stakeholders that they were after.

*“So our key stakeholders are schools, sports clubs, and businesses...and how we interact with them is, with the businesses, they are our client...we look to understand their needs, and how we can help meet their needs, and then we take them on a bit of a journey as far as we can...get them on board with the whole journey, community games and Sport Goal journey. With businesses, it is basically trying to get their buy-in to everything that we are doing, not just the one piece they are most interested in, and get them emotionally connected to what we are about and how they can help to be a critical part of that. And then with schools and sports clubs, it is not significantly different, because ultimately we are still going to them, we still need to understand what they need and how we can help fulfill on that. So we have those conversations with them, and then once we are clear on that, then again, we are just trying to take them on the journey, so that they get that they are a critical part of Sport Goal, and the journey that we are on. So everybody is brought into the same vision, and therefore, is willing to go an extra yard, above and beyond their own individual interest” – Zack, Co-Founder of Sport Goal*

In regards to maintaining good networks, similar to commercial entrepreneurs, social entrepreneurs rely on good relationships with a good network of contacts to be able to garner a number of different resources including financial and human resources. As suggested by Greve and Salaff (2003), some of the processes involved with resource acquisition include social network building, whereby building collaborative relationships to carry out social missions is often fundamental to its success (Pearce & Doh, 2005). For many of the studied social enterprises, focusing on building and maintaining collaborative relationships was seen to be a key competence employed by them within the area of stakeholder participation, as being able to persuade these stakeholders to leverage resources for the enterprise was one of the avenues of accessing

additional resources and overall support in times of need. As acknowledged by Di Domenico et al. (2010, p. 687), the relationships between individuals, their interactions, and networks are “an endemic feature of the bricoleurial toolkit”. For example, in the case of Oceana, who consider their customers to be their biggest stakeholders, maintaining a good relationship with them through social networking activities allows Oceana to also maintain a beneficial link that provides financial resources to the social enterprise. According to David, Oceana’s founder, maintaining this good relationship is achieved by involving the stakeholders in experiencing and being a part of the change that Oceana creates.

*“So I sell you a thousand pounds worth of water, I say that I’ll donate a £100 to charity, then I’m obligated to do that. And also, I want to make sure that you know where that £100 is gone and what it’s being used for. So we produce reports for people, we take people to Africa to go and see projects first hand” – David, Founder of Oceana*

Like Oceana, Rerun takes a similar approach to their stakeholders, aiming to develop and maintain good relationships with them so as to aid in getting them to leverage resources for the enterprise, which has included expertise, financial resources, and material resources over the years.

*“For us, its about forming relationships with them, its important for us that even though they are our customers or they are our clients, that we kind of position it more like it is a partnership, and that way we kind of work together” – Greg, Founder of Rerun*

The findings here are in agreement with Alvord et al. (2004) who suggest that social skills in social entrepreneurs are essential for building and managing relationships with stakeholders who are a big part of the social enterprise environment. This is similarly observed by Sharir and Lerner (2006) who propose that long-term co-operation contributes to the success of social enterprises. In addition, they argue networking skills are necessary for the success of a social venture, with Haugh (2007) suggesting that the creation of networks precede the formal creation of the venture itself.

**Proposition 5:** Leveraging social skills facilitate stakeholder engagement as a part of the social bricolage process.

### **6.2.3 Resilience and Adaptability**

Di Domenico et al. (2010) argue that the bricoleur is prepared to employ whatever strategies are necessary under different circumstances, whereby changing and adapting can occur in response to unexpected situations (Ciborra, 1996) and misfortunes (Johannisson & Olaison, 2007). From the data gathered of the for-profit social enterprise cases, it was alluded to on numerous occasions that the social enterprises had to be resilient and demonstrate tolerance in changing environments and situations, as well as adapt effectively to the changes. In addition, the social enterprises aimed to remain optimistic and persistent in attaining their economic and social goals in the face of various obstacles and under different circumstances, in addition to recovering quickly

from setbacks experienced. This was observed multiple times when the social enterprises employed bricolage, especially when altering existing arrangements as necessary to be able to deliver on the creation of social value, and also when removing limitations imposed by available resource environments in their bid to create social value. Hence, bricolage can be seen as an active process of ongoing reconfigurations and transformations (Lanzara & Patriotta, 2001) as resource combinations often change when bricoleurs try out different scenarios (Lanzara, 1999). For example, in the case of Dream Dance, when the social enterprise needed to adapt and make changes to their revenue streams due to the limitations imposed by government funding of the arts, Dream Dance did not give up, but instead remained determined to achieve their goals and showed persistence by just ‘carrying on’ albeit with a different strategy. Traces of these competencies are seen in the comments below.

*“There is no funding from the government for the arts, as the government has totally ignored the arts to the point that Michael Gove, the education secretary is now thinking in terms of cutting the arts, and I mean all of the arts, music, dance, drama, from secondary education....It’s very tough because I mean we have written letters to hundreds of charitable trusts and organizations, funding bodies, corporate social responsibility bodies and so on, asking for donations and we have had limited success...the arts has just been forgotten by this government...that’s why we are not getting all the resources that we need...[now] our resources come from private individuals...[and] more of our success comes from our own fund raising efforts to be honest...it really is just sort of carrying on and getting the word out there” – Sarah, Founder of Dream Dance*

This was similarly experienced by the Ascot team, where in their bid to create social value they had to alter existing arrangements as necessary rather than remain resolute to their original plans, and in doing so, they were determined to just ‘marching on’ when the obstacle was encountered.

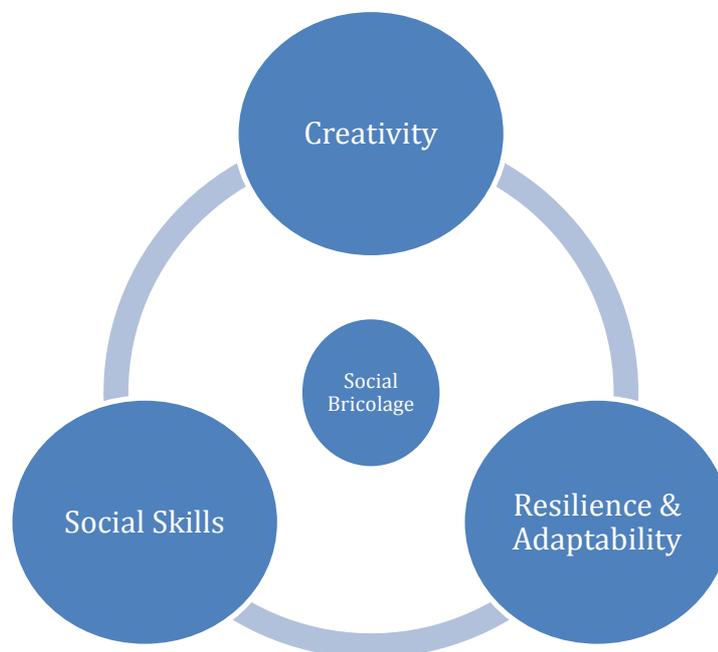
*“So we went into partnership with a company called Ixion...[in] February 2010, we jointly put in the bid to DWP. Had we done it in January, a month earlier, we would have got the funding, but because we had done it in February 2010, the new election was just starting to take place, everything was on hold, the new government is coming, and they said, labor, you are not having nothing to do with it. So again we had lost out, so we have got no funding. So again we said ok no problem, we would just march on. So now what we are doing is something called the share and support campaign, which is in partnership with the surveyor magazine, we are calling local authorities, we are calling round the table discussions, and now we are going into partnership with London borough of Islington, and jointly we are going to be going into consultancy work, supporting other local authorities”*

– James, Founder of Ascot

These organizations were able to remain optimistic and recover from the opposition they faced to what their social enterprises sought to do. They were willing to alter existing arrangements and adapt where necessary to create social value (Weick, 1993b; Miner et al., 2001), and they also chose to remain persistent in maintaining their project focus with strong determination to make it happen by being open to changes where necessary. The presence of these abilities within the social enterprises as they sought to create social value and refused to be constrained by limitations can also be seen in the case of Alumnity who was willing to alter its legal structure as necessary.

*“What happened beyond that is that we started to get some resistance around being accused of being a private company that was looking to make money out of schools and when we really grew to scale in the last year, growing into about 500 schools and 25,000 alumni, we made the decision that the reputational risk of being seen in any way as a private company outweighed the potential commercial opportunity of being able to sell the services commercially, and so we went through the process of changing the organization into a solely charitable structure” – Dan, Co-Founder and Director of Alumnity*

**Proposition 6:** Characteristics of resilience and adaptability enable social bricolage, especially the social bricolage constructs of ‘refusal to be constrained by limitations’ and ‘social value creation’.



**Figure 14. Competencies Enabling Social Bricolage**

### **6.3 Facilitating Ingredients in For-Profit Social Enterprises**

While exploring factors that facilitate the operation of for-profit social enterprises was not one of the objectives identified at the start of this study, the interviewees did in fact reveal some interesting ingredients that they have found aid for-profit social enterprises. These are presented below.

#### **6.3.1 Clear Vision and Mission**

According to Bornstein (1996, p. 36), a social entrepreneur is someone “who is totally possessed by his or her vision for change”. Social enterprises, just like other forms of organizations, usually outline their goals and objectives in the form of mission and vision statements. Having these goals and objectives clearly defined at the onset of setting up an organization is valuable for any company, and in for-profit social enterprises where they are faced with two differing bottom lines, a clear vision and mission was found to especially help with keeping on track with initially set out objectives as expressed by a number of interviewees.

*“Having a really clear purpose and plan is absolutely key”* – Amanda, CEO at Southsea

*“Having clarity of vision, clarity of model, about how to fulfill on that vision [is a key factor for success]”* – Zack, Co-Founder & Director of Operations at Sport Goal

*“I think the number one [factor of success] is the vision of the directors, and I’m not just saying that from ourselves, because one thing is that we were tempted to diversify in so many different directions, we already chatted over the years cause so much has happened in terms of our market, but we’ve kept true to the cause, and we’ve always said this is what we wanted to do, and we’ve maintained that” – Greg, Co-Founder of Rerun*

This element was seen as key by the interviewees because, with the day-to-day operations of running a social enterprise and the need to effectively balance a dual-bottom line, they’ve found that the organization can begin to feel lost, with the founders losing their sense of direction and ultimately losing sight of what the bigger picture they set up for was (Battilana et al., 2012; Austin et al., 2006). This therefore meant that it was important for the social enterprises to have a continued sense of what it is they are looking to achieve, know why they are doing what they are doing, and also identify what success will look like (Seedco, 2007; Cohen, Manion, & Morrison, 2001).

The interviewees also suggested that not only does the clarity in the vision and mission of the social enterprise aid in keeping the organization on track as they seek to balance their social and economic objectives, but it also aids in effectively communicating the organizations goals and objectives to others, including clients, funders, and members of staff. It has been essential for them to be able to effectively communicate what it is that they do and the potential social value that can be created, as that has aided them in being able to gain access to additional resources, as well as valuable external support. As Austin (2006, p. 12) points out, it is critical to develop the “ability to communicate the

impact of the venture's work to leverage resources outside organizational boundaries that can enable them to achieve their goals". According to Dees and Anderson (2003, p. 14), this effective communication in the organizations objectives also "helps screen prospective investors, employees, and customers". When it comes to members of staff, Emma from Recreate has found that having a clear vision and mission helps motivate the team and aids in maintaining a common vision throughout the organization.

*"Know your vision, because if you are clear about your vision and you get people on board, they share it with you"* – Emma, Founder of Recreate

### **6.3.2 High Performance Team**

Human resources in any organization is a key element that can impact on the overall success or failure of the business. In the studied for-profit social enterprises, this was confirmed, as having the right balance of business and social sector skills was seen as being paramount to the organization if it was to have the potential of long-term success. The studied social enterprises have found that the team within the social enterprise works best when they have skills that compliment each other, as it allows them to address both business and social related problems. According to Pfeffer (1998), having the organization invest adequately in the development of members of the team through regular training aids in the creation of a high performance team, who are not only able to deliver quality products and services, but are also able to build the credibility of the business by the use of their well developed skills.

This would mean that they are not only able to attract clients by their social purpose story, but are able to attract and retain clients by the quality of the services they deliver.

*“Managing your people resources is just as important [as managing cash resources]...I think one of the most successful arts of management is managing energy, and so we do invest a lot in training, and we do invest a lot in people development” – Tim, Co-Founder of Mode*

*“I think we have developed quite a good selection of processes that allow our staff to develop, and client work to be successful” – Becca, Head of Human Resources at Mode*

*“Developing a product with the right looks, feel, quality, the right price that they [stakeholders] would buy into, that was really important, because without that, nothing else matters... The measure of success is if you can sell this product because the brand works and the brand is about ethics, not about explaining the complexities of social enterprise” – Amanda, CEO of Southsea*

In addition, while these business skills and relevant experiences are important, cultural fit has also been found to be very crucial within the studied social enterprises, which corroborates Dees and Anderson (2003, p. 12) who suggest that "ultimately selection should be based primarily on cultural fit, shared values, and a commitment to pursuing social impact via business methods". This shared culture and passion facilitates an understanding environment, which keeps everyone actively working towards achieving a common goal,

including managing resources as a team. The importance of these shared goals and values were highlighted by many of the interviewees as seen below.

*“Anyone that gets involved has an extreme passion for working with young people and inspiring them...and then it is down to me to make sure that they know the ethos of the company and how that affects the way that they should be working, and also in terms of the long term vision”* – Sarah, Founder of Dream Dance

*“We have a really strong team and every one feels really passionate about what they do in here so that definitely helps”* – Becca, Head of Human Resources at Mode

*“All of us volunteer to Ascot, and I think that is one of the very plus side for Ascot because everybody who has joined is very strongly convinced of the basic premise of the organization...so I think there is a lot of connection, which is family-like, we are working together, and we are trying to work towards our common goals”* – Stella, Head of Program Management at Ascot

### **6.3.3 Sound Morals and Integrity**

It was expressed by some of the interviewees that for-profit social enterprises mostly operate on a moral structure in fulfilling their social commitments rather than on a legal structure, i.e. they are not legally obligated to give a certain amount of their profits towards their social cause. This means that, although the organization is set up to create social value, their legal structure actually has no bearing on what they do concerning their social commitments.

Instead, it is their morals and ethics that keeps them fulfilling on their social obligations. David, the Founder of Oceana, in his comment below, succinctly expresses this concept.

*“It’s more about a moral structure...I say that we give 100% away of the profits because that’s why I set up the business, but I’m not legally obligated to do that. I could make, at the end of the year, I could say actually I’m going to pay my directors dividends of half a million pounds and there’s no money to go to the foundation. I’m now legally entitled to do that. But morally, that’s not what I’ve set up to do” – David, Founder of Oceana*

This scenario within the social enterprises means that having sound morals and integrity can be the difference between ensuring that social value is delivered, and compromising on social objectives. As suggested by Drayton (2002, p. 130), “because financial measures seem less clear and are less monochromatically in command in the social sector, values are more important. In business, where the financials have perhaps been too dominant, values may interestingly be even more urgently needed”. Therefore, as these social enterprises found, having strong values aided in fighting off pressures to compromise on objectives at times where balancing the social and economic bottom-lines proves difficult.

*“Complete integrity [is a key factor for success]. If you don’t have integrity, just forget it, you are never going to make a success of a social enterprise, because so many times you have to really ask yourself what are you trying to do, why are you trying to do it, and how do you make some of these tough choices... Integrity has you stick to what it is all about, the vision, it has you*

*clear on what you are trying to do and why” – Zack, Co-Founder of Sport Goal*

*“It is about morality affecting every decision you take, it’s about having ethics in everything you do... It would be possible to make more money in the short term taking certain decisions that I don’t feel comfortable with, but in the long term, I don’t think it creates such an effective company” – Jerry, Founder of Maine*

*“I think [the for-profit social enterprise sector] needs more good business people with really strong ethics, because you cant just take anybody from a corporate background and get them to get it, it is very different...and it is not for everybody. We do need more business people definitely in social enterprise but the right kind of people, because if they have not got the ethics, they would not be able to balance those triple bottom line decisions” – Amanda, CEO of Southsea*

#### **6.3.4 Strong Social Brand Image**

The for-profit social enterprises, by virtue of their income-generating model, often find themselves competing with purely commercial organizations to attract customers and clients to buy into their services and purchase their products. To differentiate themselves from such competitors, they respond by leveraging their social enterprise status, i.e. leverage their social mission attached to their products and services. Some of the comments that referred to the positive impact of their organizations social story are below.

*“I think having a social mission at your core is absolutely the bit that differentiates you from somebody else. So if you go to a customer and you are selling a bottle of water, the customer would go, ‘your bottle of water, how much is it?’. If you go with a social mission attached to it, and it doesn’t cost them more, ideally, then they’ll go it’s effectively the same product but I know by buying this one, something good is going to happen on top of that, either for me or for somebody else. So by having that social bit embedded in it is what helps you succeed” – David, Founder of Oceana*

*“I think Southsea is a great story in some parts...just getting a great branding and marketing story to be able to tell. So there is a thing called CoolBrands, it is an initiative led by big marketers...so they define what cool is and what brands people like. So Southsea was voted this year as a ‘Cool Brand’. We were blown away...and it was like hang on a minute here, water in the UK cant be sexy enough, cool enough, to actually wipe the floor with the overseas competitors, [but] a social enterprise can. That’s interesting, because people buy the story, because of the definition of course, it is a good thing to do” – Amanda, CEO of Southsea*

*“I think a lot of it [what makes us successful] is to do with our social aims and social impact, and working directly with young people. I think that attracts people to work here, and it attracts clients to engage us to deliver work for them, and the fact that they [young people] are actually based in the middle of our office is quite a unique selling point” – Becca, Head of Human Resources at Mode*

Therefore, having a well-developed and effective social brand image was seen as an important element to the social enterprises as it not only differentiates them from their commercial competitors, but the social story also aids in attracting much needed support for the organization on both the economic and

social sides of the scale. For example, on the economic side, a strong social brand image can positively influence sales figures, client numbers, and investment and funding opportunities, while on the social end, the organization can see an influx of things such as highly skilled volunteers and community support as a result of an effective brand image communicated successfully. Hence, while other factors such as quality of service and good economic performance are all important, the social story is equally as important as was highlighted by Linda from Sport Goal.

*“Interestingly enough, something that we’ve been challenged on is that we need to add almost more emotion to it...we are a viable business, we are really strong commercially, but, sort of booted and suited finance people would say to us but why, what is the story behind it, I don’t get a feeling for it, you know you need to give us more emotion”* – Linda, Director of Stakeholder Impact at Sport Goal

### **6.3.5 Good Networks**

Social enterprises are known to benefit from developing a good network of supporters, as having a large network of strong supporters enables collaborative work with other organizations, including non-profits, co-ops, and commercial businesses (Austin, 2006). Such collaborative works and partnerships aid in accessing a wider pool of resources, as well as enabling the social enterprise develop capabilities they wouldn’t have been able to do on their own (Meyskens & Carsrud, 2013). For the studied for-profit social enterprises, this includes investing in systems such as information technology,

delivering programs and services in collaboration with other organizations, and working with others who are able to make available additional resources while creating mutual benefit for the partner. The account shared below by Greg from Rerun alludes to this.

*“We’ve looked at working with other partner organizations in terms of bringing in their expertise... We look at finding partners that have got specialism’s that we don’t do, and forming partnerships, that’s how we are then able to offer our services” – Greg, Co-Founder of Rerun*

In the case of Rerun, by being open to working in collaboration with other organizations including charities, they have also been able to access more funds and decent long-term contracts that would have otherwise not been accessible to them. In addition, having a good network was seen to aid in building deep community ties, which in the social enterprise sector can be very beneficial.

*“We’ve got very deep community links and ties, and a lot of it stems from our personal contacts that we’ve got with people in the community...our network on the floor, deep in the community, our contacts, means that, we’re at a point where we don’t even advertise for jobs, or we just post them on our website, we never place a job out there... Also, that ability to get deep in the community is very difficult, it’s a high barrier of entry for any organization that wants to come in and do the work that we’re doing” – Greg, Co-Founder of Rerun*

Not only does having a good network of organizations to collaborate with aid in accessing resources, in some cases, it has been found that it can also help them

to deliver on their social commitments more efficiently. This is seen in the case of Southsea, where by having a formal contract with their charity partner WaterAid, they are able to deliver on their social objectives through their partnership. They achieve this by committing all of their profits to WaterAid, an organization with similar ethics to theirs, as well as a global reach, thereby enabling Southsea to have a greater social impact and effective operations.

#### **6.4 Discussion of Findings**

Overall, the findings of this research facilitate better understanding of social entrepreneurship within the for-profit context, particularly around resources and challenges. The research sought to identify the challenges faced by for-profit social enterprises, and also the competencies employed to overcome resource constraints using bricolage.

In addressing the first research question, it was clear from the findings of the study that social enterprises that take up this form, i.e. social entrepreneurship activity with a for-profit set-up, can be challenged by three things: the positioning of for-profit social enterprises along the enterprise spectrum; maintaining focus on differing objectives; and pressures to compromise on objectives. These findings support the conceptual work of Dees and Anderson (2003) who suggest that the challenges that arise from having a for-profit social venture structure are the complexities of combining two different kinds of objectives; the market pressures to compromise on the creation of social values;

and also the social and political pressures to compromise on financial performance. My data revealed first of all that due to the unique position of the for-profit social enterprises, gaining access to financial resources, and attracting appropriate human resources was all the more difficult. This is because the for-profit social enterprise form, i.e. social enterprises purposely set out to create social value within a for-profit organizational structure, is only now gaining ground as an accepted form through which social value is created. Therefore, understanding of this form of social enterprise is still limited, thereby impacting on how they are perceived and externally supported. Furthermore, the analysis found that as a result of having two bottom lines that are so dissimilar, i.e. economic and social, it can be a challenge to maintain focus on both social and economic objectives, whereby there is the potential to become overly focused on one objective at the expense of the other. Austin, Stevenson, and Wei-Skillern (2006) capture part of this challenge as they argue that social enterprises are faced with difficulties of maintaining focus on their social objectives, while generating a competitive return for investors. It was expressed by the interviewees that this difficulty in maintaining a balanced focus on both the social and economic objective can lead to the overall failure of the company, as on one end, the social enterprise can become financially unsustainable, or on the other end, it can lose its sense of social purpose. This is important if you bear in mind the work of Massetti (2008, p. 7) who distinguishes between social businesses, traditional not-for-profits, and traditional profit-based businesses, by arguing that "social businesses differ from traditional not-for-profit institutions in that social businesses must have profits to successfully function".

In addition to this difficulty in maintaining focus, the pressure to compromise on objectives, similar to the findings of Dees and Anderson (2003), was also identified here as a key challenge. It was found that there are pressures to compromise on the economic objective, as well as pressures to compromise on the social objective. For example, it was observed that the social enterprises would at times seek to deliver social value at the detriment of economic returns, because they are resolute on creating social impact, or as a result of external cultural biases experienced against profiting from a social cause, leading to pressures to forgoing needed profits to avoid external conflicts. On the other end of the spectrum, it was seen that the pressure is to compromise on social objectives due to dire financial constraints, such as in times of economic recessions. Indeed as Zahra et al. (2009) argue that trying to meet financial objectives at the detriment of the social objective is not wise, which this thesis agrees with, it can also be argued further that in for-profit social enterprises, trying to meet social objectives at the detriment of the economic objective is also not advisable.

On initial observations, these findings around challenges appear to support the work of those scholars who are skeptics of the concept of blending profit making with a social purpose, such as Adam Smith (1976), who argues that business people although may have the intentions of working towards a social goal, they are easily dissuaded from it. Dees and Anderson (2003) also acknowledge the risks of conflicts between having both a social objective and wealth creation objective, admitting that successful examples of such setups are

rare in practice. That being said, it is evident from the research that although these challenges do exist, it is possible to successfully operate with both social and economic goals. Also, while these challenges and additional complexities identified in this study stem from combining these two goals, it is not to say that one form of social enterprise is better (or worse) than another. Admittedly, depending on the social enterprises main activity, it may be easier and more efficient to deliver the same or greater social value as a non-profit than it would be as a for-profit, which according to Dees and Anderson (2003) is the case in many situations. Hence, those looking to setup a social enterprise should carefully consider which organizational form is best suited to achieve their purpose.

In regards to the second research question of the thesis, this sought to explore the competencies that enabled the social enterprises to overcome resource constraints when engaging in social bricolage. The findings revealed that engaging in bricolage called on various competencies, similar to the work of Baker and Nelson (2005) who observed that the bricolage process draws out and provides opportunities for the exercise of various behaviors and capacities such as creativity, combinational capabilities, and network skills. Although their research only 'suggests' the connection due to limited evidence to develop a full understanding of the relationships between bricolage and the suggested capacities, Baker and Nelson (2005, p. 354) suggest that "bricolage appears to create a context in which such behaviours are encouraged, in part because it relies heavily on trial and error and tolerance for setbacks". This study was able

to go further empirically, looking more specifically at how the for-profit social enterprises engaged in social bricolage. In doing so, my findings somewhat oppose the observation of Baker and Nelson (2005), as while they suggest that it is bricolage that evokes these behaviors, rather my findings suggest that these behaviors are purposely drawn on to aid in the practice of social bricolage. Further investigation therefore identified three key competencies that the social enterprises drew upon as they engaged in social bricolage: Creativity, Social Skills, and Resilience & Adaptability.

Firstly, the findings identify the important role of creativity within the social bricolage process in the studied social enterprises, as they expressed that it was their creative nature that allowed them to identify opportunities to employ bricolage, and develop those ideas to efficiently use resources to minimize costs and access additional resources. This supports the works of Mair and Marti (2009) and Ardichvili, Cardozo, and Ray (2003) who suggest that creativity is not only for opportunity identification, but also for development and evaluation of the opportunity. As discussed in chapter 2, social enterprises typically operate in resource scarce environments, and are faced with various challenges in acquiring and utilizing resources to attain success. From the analysis of the empirical data, it was found that these for-profit social enterprises had to be creative in their approaches to obtaining resources, which supports the findings of Alvord, Brown and Letts (2004) who suggest that social entrepreneurs make use of creative resource strategies in reaction to the perceived resource

scarcity. This application of creativity in *making do* to minimize cost is illustrated in the example below shared by David, the Founder of Oceana.

*“I mean every day is a fight. It’s just about trying to find creative solutions. So this water here (pointing to a stack of bottled water), which actually was about two or three times as much as that, was paid for by somebody who was sponsoring an event. So it was probably about a £1000 worth of water or something like that. And then they didn’t need it, so they said ‘you hang on to it’. So for us, we are going ‘ok we have a thousand pounds of free water, what should we do with it?’ So we used it for London Fashion Week. We gave them a load of stuff, so immediately that gets into the hands of celebrities, and photographed as part of Fashion Week and all the rest of it. I think there’s another load going off to a fund raising event up in the north. So they’re doing a big fund raising thing. So we can try to sell this water, but because it’s already been sold once, its much better to use it for marketing purposes. So things like that... It’s just about trying to find little opportunities where you can, where it doesn’t cost you anything”.*

Rogers (2012), who suggests that the foundation of bricolage comes from a French expression that “denotes crafts-people who *creatively* use materials left over from other projects to construct new artefacts”, also acknowledges ‘aptness of creativity’ as part of the characteristics of bricoleurs, which was evident in this study. This finding also concurs with Desa and Basu (2013) who suggest that firms that practice bricolage are usually creative in their “bundling processes” as they effectively recombine cheap resources to generate differential value. Creativity is acknowledged as one of the ways bricolage firms are able to initiate new capabilities from their existing resource set and adequately serve their target markets (Kumar, Talton, Ahmad, & Klemmer,

2011; Duymedjian & Ruling, 2004), whereby by tinkering, using, and recombining resources in different ways, these for-profit social enterprises are seen to be involved in what can be considered as acts of 'creative reinvention' (Rice & Rogers, 1980). In particular, these social enterprises mostly drew on their creative abilities when *making do* and *improvising* within the social bricolage framework.

The second identified competency was social skills, which was drawn on mostly when the social enterprises sought to involve stakeholders in the creation and management of the enterprise, and also when seeking to convince stakeholders of their business case and the usefulness of resources, i.e. within the *stakeholder participation* and *persuasion* constructs of the social bricolage framework. The research revealed that the for-profit social enterprises hold in high regard the ability to build and develop relationships with various stakeholders, whereby they pulled on networking skills, persuasion skills, negotiation (and renegotiation) skills, and other social skills, leveraging these skill sets to engage stakeholders and persuade them as part of their social bricolage goals. This finding validates the observation of Baker and Nelson (2005), who suggests that the process of testing and counteracting limitations exercises social and network skills. As the social enterprises engaged in stakeholder participation, they in effect operated a social networking strategy (Johannisson & Olaison, 2007). It can be seen that social and network skills are key skills not only for being able to operate a social enterprise (Alvord, Brown, & Letts, 2004; Sharir & Lerner, 2006), but also as part of the bricolage process itself, which is in

agreement with Starr and Macmillan (1990) who acknowledge the role of social assets such as friendship and trust in attracting resources into an entrepreneurial business. According to Alvord et al. (2004), such networking skills in social entrepreneurs are essential for building and managing relationships with stakeholders, who are a big part of the social enterprise environment. It can be argued that in essence, this is what these bricoleurs studied here are aiming to achieve as they employ social bricolage.

The final competency identified in this study was resilience and adaptability, with these two being grouped together as they were mostly observed leveraged in the same situations, particularly within the 'social value creation' construct and 'refusal to enact or be constrained by limitations' construct of the social bricolage framework as described by Di Domenico et al. (2010). As discussed in the literature review of this thesis, social entrepreneurs usually operate in resource-scarce environments, and just like the commercial entrepreneurs, they also refuse to enact to limitations. This is corroborated in the social entrepreneurship literature with Dees (1998b, p. 4) suggesting that "social entrepreneurs act boldly without being limited by resources currently in hand", and Peredo and McLean (2006, p. 56) suggesting also that "social entrepreneurs decline to accept limitations in available resource". From this study it was found that these for-profit social enterprises indeed faced a lot of resistance to their novel ways of doing things and unconventional business models, but they were able to recover quickly from setbacks and adapt effectively in changing environments or whenever the need arose. This notion of adaptation was also

noted by Mair and Marti (2009, p. 433), who suggest that an alternative to institutional entrepreneurs counter-reacting or mobilizing support from resistant constituencies, in response to resistance experienced, is to “accept the potential resistance as given and adapt to it”. This echoes Dees (1998) argument that social entrepreneurs act as change agents in the social sector by engaging in a process of continuous adaptation. This third competency of resilience and adaptability is demonstrated in the case of Alumnity as they sought to create social value.

*“What happened beyond that is that we started to get some resistance around being accused of being a private company that was looking to make money out of schools and when we really grew to scale in the last year, growing into about 500 schools and 25,000 alumni, we made the decision that the reputational risk of being seen in any way as a private company outweighed the potential commercial opportunity of being able to sell the services commercially, and so we went through the process of changing the organization into a solely charitable structure” – Dan, Co-Founder and Director of Alumnity*

Having addressed the two research questions, the data additionally revealed five positive key ingredients, consistent with existing literature, that are seen to aid for-profit social enterprises. Firstly, it was observed that the for-profit social enterprises benefit from having a clear vision and mission, which is in agreement with Roberts and Woods (2005), who suggest that social entrepreneurship is carried out by visionary and passionately dedicated individuals. This also supports the argument of Dixon and Clifford (2007, p. 341), who emphasize the significance of an organization’s mission, whereby the

mission “acts a lodestar for determining the company’s overall direction and its culture”. The second key ingredient identified by the interviewees for those operating a for-profit social enterprise is a high performance team, consisting of individuals who have skills that compliment each other so that they are able to address both business and social related problems, and also comprising of individuals who are a good cultural fit in the social enterprise. This echoes the findings of Dees and Anderson (2003, p. 12) who suggest that team selection ultimately “should be based primarily on cultural fit, shared values, and a commitment to pursuing social impact via business methods”. Sound morals and integrity was another key ingredient highlighted that can aid the running of for-profit social enterprises, which concurs with the work of Drayton (2002) who lists strong ethical fiber as one of four necessary ingredients of social entrepreneurs, with the others being creativity, widespread impact, and entrepreneurial quality. Additionally, it was observed that despite the success that some of the social enterprises enjoy albeit with limited marketing and advertising activities, it is clear that having a strong social brand image plays an important role in the for-profit social enterprise, hence, the fourth key ingredient. This is because by virtue of their income-generating model and also their position along the enterprise spectrum (see figure 10), they compete with purely commercial organizations for business. Therefore, having a well-developed and effective social brand image not only works to differentiate them from purely commercial organizations, but the social story also aids in attracting much needed support for the social enterprise on both the economic and social sides of the scale. Finally, one of the more widely acknowledged

elements beneficial for any organization, including social enterprises, is the importance of good networks. For example, using content analysis, Sharir and Lerner (2006) studied 33 non-profit social ventures founded in Israel and started by individuals acting independently of their organizations. From the study, they suggested that eight variables are found to contribute to the success of social ventures, with social network being of highest value. The identification of this ingredient is also in agreement with Alvord et al (2004) who suggest that such networking skills in social entrepreneurs are essential for building and managing relationships with stakeholders, while Sharir and Lerner (2006) highlight networking skills as necessary conditions for the success of a social venture.

Overall, the findings of this study suggest that although success of for-profit social enterprises is rare (Dees & Anderson, 2003) in comparison to non-profits, as the ability to manage the conflicts between pursuing profits and creating social value can be challenging, it is indeed feasible to have both a social objective and profit motive, but it is not easy. Therefore, it can be argued that the findings of this thesis provides evidence for those who criticize combining social goals with a for-profit mission, as the for-profit social enterprise cases studied here, despite the challenges experienced, were still able to create social value as illustrated in chapter 5. In agreement with Dees and Anderson (2003), it is encouraged that social entrepreneurs should consider deeply both the benefits and challenges of a for-profit setup, and to

overall analyze which approach is best for them, bearing in mind these challenges and how it may affect their organizations.

## **6.5 Chapter Summary**

This chapter has presented the themes that arose from the data, answering the research questions set out in chapter 1 as well as also developing relevant propositions. The chapter has discussed the identified for-profit social enterprise challenges (i.e. the positioning of for-profit social enterprises along the enterprise spectrum; maintaining focus on differing objectives; and pressures to compromise on objectives), and also the observed competencies employed in overcoming resource constraints (i.e. creativity, social skills, and resilience & adaptability). Stemming from these findings, the following propositions were developed.

*Proposition 1: The positioning of an organization along the social enterprise spectrum impacts on accessing financial and human resources.*

*Proposition 2: Long-term imbalance of social and economic objectives impact negatively on the social enterprise.*

*Proposition 3: Blending social and economic objectives can raise pressures to compromise on one of the objectives.*

Proposition 4: *Creativity drives and enables social bricolage activity, especially when 'making do' and 'improvising'.*

Proposition 5: *Leveraging social skills facilitate stakeholder engagement as a part of the social bricolage process.*

Proposition 6: *Characteristics of resilience and adaptability enable social bricolage, especially the social bricolage constructs of 'refusal to be constrained by limitations' and 'social value creation'.*

Finally, having addressed the main research questions the study set out to answer, the data in addition to this revealed some ingredients that facilitate the operation of for-profit social enterprises (i.e. clear vision and mission, high performance team, sound morals and integrity, strong social brand image, and good networks). Up next is the final chapter of this thesis, concluding the research that has been carried out.

## CHAPTER 7: CONCLUSION

This chapter concludes the present study. It starts with a summary of the research, and then discusses the research contributions made by the study and resulting implications. Following this, limitations of the research and future research directions are considered.

### 7.1 Research Summary

The term 'social entrepreneurship' has only become popular in recent years, but the practice itself is far from new. One can even say social entrepreneurship practice is ahead from theory, whereby although it has been observed in practice for many years, the term 'social entrepreneur', according to Nicholls (2006), was only introduced in 1972 by Banks. Banks (1972) argued that managerial practices could be employed to solve social problems. Interest in the phenomenon within academia and government was only realized in the 1990s, with a growth in media interest in 2000s. Also, with the increase in the economic strength of social entrepreneurial activities, there has been a resultant increase in research to understand the phenomenon (Drayton, 2002; Dorado, 2006). That being said, the social entrepreneurship field is still in an embryonic phase, facing the challenge of moving from an embryonic phase, where the domain is still fragmented, to a place where advancements can be built upon a solid foundation. Hence, following a robust review of existing literature in the field, certain gaps were identified which gradually helped shape

this study. In particular, it was observed that research has largely focused on non-profit social value creation, while the for-profit context of social entrepreneurship has received less attention (Dees, 1998). Therefore, the focus of my study was determined to be on for-profit social enterprises, i.e. those social enterprises that purposely set out to create social value within a for-profit organizational structure. Overall, the aim of this thesis was to develop an understanding of 'for-profit social entrepreneurship', with a particular focus on resources, challenges, and competencies. The two research questions addressed here are: What challenges arise from blending a social goal with a for-profit mission? Considering the resource scarce environments of most for-profit social enterprises, what competencies enable them to overcome resource constraints? To support this investigation, the following research objectives were set out:

- To critically review the social entrepreneurship literature, and examine how the extant literature captures social entrepreneurship within the for-profit context. This investigation will enable the development of a conceptual model to categorize the different forms of social entrepreneurship.
- To critically review the resource-based view (RBV) and examine its relationship with social entrepreneurship, in order to identify an appropriate framework(s) for the investigation of the selected for-profit social enterprises.
- To carry out an original investigation to identify challenges particular to for-profit social enterprises in order to develop new insights into this form of social entrepreneurship

- To identify key competencies that enable for-profit social enterprises to overcome resource constraints

The first two research objectives were addressed in chapter 2 and chapter 3, which led to the development of a social entrepreneurship categorization conceptual model and also enabled in selecting the social bricolage and entrepreneurial capital frameworks as a suitable theoretical framework to guide the research analysis. The next chapter, chapter 4, then examined the research methodology, followed by the selection and explanation of the selected research design. In this chapter, it was noted that a subjective philosophical stance would be taken in this study, employing an interpretivist research paradigm and an inductive research approach. The case study approach was employed as the research strategy, with twelve for-profit social enterprise cases selected for this study using a purposive sampling approach. Data was gathered through semi-structured interviews with founders and CEOs of the social enterprises, along with observations and document analysis. The data analysis was conducted manually, using the technique suggested by Miles & Huberman as a guide. The next two chapters presented the main findings of this study, with chapter 5 capturing the realities and actions of the twelve social enterprises through narratives allowing me to draw on the stories of the interviewees to be able to attribute meaning to experiences as a within case analysis, while chapter 6 presented the cross-case analysis. The findings of the research can be summarized in figure 15.

**Box 1: For-Profit Social Enterprise Challenges**

1. Positioning of For-Profit Social Enterprises
2. Focusing on Differing Objectives
3. Pressure to Compromise on

**Box 2: Competencies Enabling Social Bricolage in For-Profit Social Enterprises**

1. Creativity
2. Social Skills
3. Resilience and Adaptability

**Proposition 1:** The positioning of the organization along the social enterprise spectrum impacts on accessing financial and human resources.

**Proposition 2:** Long-term imbalance of social and economic objectives impact negatively on the social enterprise.

**Proposition 3:** Blending social and economic objectives can raise pressures to compromise on one of the objectives.

**Proposition 4:** Creativity drives and enables social bricolage activity, especially when ‘making do’ and ‘improvising’.

**Proposition 5:** Leveraging social skills facilitate stakeholder engagement as a part of the social bricolage process.

**Proposition 6:** Characteristics of resilience and adaptability enable social bricolage, especially the social bricolage constructs of ‘refusal to be constrained by limitations’ and ‘social value creation’.

**Box 3: Facilitating Ingredients in For-Profit Social Enterprises**

Clear Vision and Mission; High Performance Team; Sound Morals and Integrity; Strong Social Brand Image; Good Networks

**Figure 15. Summary of Findings**

The findings from my analysis have been summarized in figure 15. First of all, the research sought to identify the challenges experienced by for-profit social enterprises. As summarised in box 1 of figure 15, the interviews revealed three key challenge areas: the positioning of for-profit social enterprises along the enterprise spectrum; maintaining focus on differing objectives; and pressures to compromise on objectives. Having investigated the challenges faced by the for-profit social enterprises, the study went further to explore in addition to this, the competencies that enable these social enterprises to overcome resource constraints when engaging in bricolage. By applying the social bricolage theoretical framework by Di Domenico, Haugh, and Tracey (2010), analysis of the data gathered revealed that the for-profit social enterprises draw on certain competencies when engaging in social bricolage. Three key competencies were identified: Creativity, Social Skills, and Resilience & Adaptability. It was found that these competencies were present to some extent in each social bricolage construct, but that creativity as an enabler of social bricolage was more prevalent within 'making do' and 'improvisation', while social skills were more prevalent within 'stakeholder participation' and 'persuasion', and finally resilience & adaptability more dominant within 'social value creation' and 'the refusal to enact or be constrained by limitations'. The data revealed that these competencies directly impacted their ability to engage in social bricolage successfully, which according to Desa and Basu (2013), bricolage is employed to achieve cost minimization. Also, by employing Firkin's (2003) entrepreneurial capital framework to the analysis of the for-profit social enterprises, it illustrated how the social enterprises made do with their initial

resources. It was revealed the key role that the initial human capital, as well as social capital, played in the practice of bricolage. The prior knowledge that the social entrepreneur brings into the social venture was seen to be a crucial element, as both industry knowledge and experience were vital resources, as this allowed them to spot opportunities to employ bricolage. In terms of social capital, which includes family ties, community ties, and professional networks, it was found that this capital resource was an important initial resource as it accounted for the entrepreneurs ability to make do by using these social relations for their own benefit to exploit opportunities. Through their social capital, the social entrepreneurs were able to access both human and financial capital to aid the development of their various ventures.

In addition to the above, while exploring factors that facilitate the operation of for-profit social enterprises was not one of the objectives identified at the start of this study, the data did in fact reveal some interesting ingredients that aid for-profit social enterprises as presented in box 3 of the figure 15. These were Clear Vision and Mission, High Performance Team, Sound Morals and Integrity, Solid Social Brand, and Good Networks.

## **7.2 Research Contribution**

This thesis is one of the few detailed academic investigations into the concept of social entrepreneurship within the for-profit context. The findings of this

research contribute to entrepreneurship, social entrepreneurship, entrepreneurial capital, and bricolage literatures.

In contributing to the advancement of the social entrepreneurship field, the identified gaps in the literature presented in section 1.2 were addressed. Firstly, from the review of extant social entrepreneurship literature, it was found that academic literature in the field has only started to gain ground, with a large amount of the past research being conceptual. Only more recently have there been strides to move towards more empirical research approaches, and this empirical study conducted in this thesis contributes to this move. Secondly, review of existing literature revealed that most of the focus to date on social entrepreneurship has been around the non-profit perspective and actions of social entrepreneurs, but less work on the for-profit context (Dees, 1998). By deciding to focus this social entrepreneurship study within the for-profit context, i.e. studying for-profit social enterprises, which are entrepreneurial organizations that are legally incorporated as for-profit entities, and also explicitly designed to serve a social purpose while making a profit (Dees & Anderson, 2003), this research develops understanding within a largely overlooked form of the concept. In particular, original contributions that are made in this area include the identification of the negative impact that long-term imbalance of objectives can have on the social enterprise, i.e. due to the difficulty in maintaining focus on both social and economic objectives, whereby there is the potential to become overly focused on one objective at the expense of the other, the social enterprise can become financially unsustainable, or on

the other end, it can lose its sense of social purpose. Also contributing to the body of work was the identification of the benefits of having a strong social brand image in a for-profit social enterprise, whereby having a good social brand image allows them to differentiate themselves from their commercial competitors, while also being able to attract support from both the economic and social sides of the scale, i.e. on the economic side, a strong social brand image can positively influence sales figures, client numbers, and investment and funding opportunities, while on the social end, the organization can see an influx of things such as highly skilled volunteers and community support as a result of an effective brand image communicated successfully.

Other contributions include the development of the social entrepreneurship model (see section 2.5), distinguishes for-profit social entrepreneurship from the other forms of social entrepreneurship, by clearly defining and highlighting the key differences between them based on the different definitions in the relevant literature.

The third gap identified in the extant literature was the fact that, while social entrepreneurs and social enterprises are usually faced with resource constraints and rely greatly on the ability to successfully mobilize resources, not enough resource based theoretical lenses have been applied to the study of this field. This resource scarcity experienced in this sector impacts on the social enterprise and how they are able to respond to challenges that arise from it, therefore making studies employing a resource-based lens an avenue for

gaining a more in-depth understanding of the field. Therefore, a resource-based perspective was applied to this study to contribute to filling this gap. In particular, a social bricolage framework was employed, which first led to the thesis validating the findings of Di Domenico, Haugh, & Tracey (2010) who suggest that bricolage within the social entrepreneurship arena consists of six constructs – making do, a refusal to be constrained by limitations, improvisation, social value creation, stakeholder participation, and persuasion. By applying this concept to the for-profit social enterprise cases, this research built on this social bricolage theory, whereby the key theoretical contribution of this research was the identification of three competencies that enable social bricolage activity: Creativity, Social Skills, and Resilience & Adaptability. In particular, original contributions to the field were made through the identification of creativity as an underlying asset that enabled the social enterprises to ‘make do’ and improvise, as well as the recognition of resilience and adaptability as characteristics that enabled the process of social value creation and the refusal to be constrained by limitations.

### **7.3 Implications for Practitioners**

Some social entrepreneurs attempt to overcome some of the barriers faced in the non-profit arena, such as access to funding difficulties and limited access to key talent due to low compensation rates, by taking up a for-profit form. But in doing so, and as corroborated by Austin, Stevenson, and Wei-Skillern (2006), not all challenges are avoided as the for-profit social enterprise is now faced

with the difficulties that come with attending to a dual bottom line, i.e. the economic and social bottom lines. This is because, unlike the commercial entrepreneurs who mainly operate by a single bottom line whereby profits are the main goal, social entrepreneurs in the for-profit context are driven by a double bottom line that blends both financial and social returns, i.e. a bottom line to meet economic profit, and another to meet the social mission. Therefore the challenges for-profit social enterprises face is significant (Dees & Anderson, 2003), and the difficulty of meeting these two objectives simultaneously should not be underestimated (Johnson, 2000). Dacin, Dacin, and Matear (2010, p. 45) also highlight this fact, that it is an “increasingly important concern that all forms of business face: how to weave social and economic concerns into the fabric of organization management, to the mutual satisfaction of stakeholders”. Considering all this, it is clear to see that understanding the unique challenges that come with being a social enterprise operating with a for-profit legal structure is pertinent. From the findings of this research, three key challenges need to be taken into consideration for those considering setting up a social enterprise with a for-profit structure, or are already running such. These challenges involve positioning of for-profit social enterprises along the enterprise spectrum; maintaining focus on differing objectives; and pressures to compromise on objectives. In addition to the importance of social enterprises being aware of the challenges that come with running a social business with a for-profit structure, it is also of significance to understand those factors that can facilitate success within this context. In particular, considering that social entrepreneurs and social enterprises tend to operate in resource scarce

environments, running a social enterprise with a healthy level of creativity, good social skills, a resilient nature, and the ability and willingness to adapt as necessary, are all vital elements that aid in overcoming resource constraints as was evident in this study. For those who are already running a social enterprise, probably more pertinent for them is, understanding some factors that aid in the running of for-profit social enterprises. This study identified the following key ingredients – Clear Vision and Mission, High Performance Team, Sound Morals and Integrity, Solid Social Brand, and Good Networks.

Indeed, in agreement with Massetti (2010), for-profit social enterprises hold the most promise for economic transformation, as if their 'double-bottom line' way to doing business reaches critical mass in the marketplace, they may tip the scale for how all business performance is measured (Gladwell, 2002). Massetti (2010, pp. 12-13) suggests that for-profit social enterprises "can provide the needed stability as well as a new perspective, as they are committed to correcting the fundamental problems that stem from both the not-for-profit and profit sides of our economic system". That being said, the social entrepreneurs choice for a not-for-profit or a for-profit form of organization depends on the specific business model, and also the social issue being responded to. What drives social entrepreneurship is the social issue that is being addressed. Therefore the choice of the organizational form taken by the social enterprise should be based on the format that will most effectively mobilize the necessary resources to tackle that social problem.

#### **7.4 Limitations of Research**

In taking into account some of the limitations of this research, the strengths and weaknesses of the research design employed in this study as well as limitations of the methods used and issues with generalizability were detailed in chapter 4 (sections 4.3, 4.4, and 4.6). However, some further limitations of the research as a whole are highlighted here.

One of the limitations experienced during this research was with the amount of data that was made available to the researcher during fieldwork. Initially, the plan going into the data-gathering phase was to interview between three to five people within each social enterprise. Unfortunately, on gaining access to the social enterprises, it was found that this plan would not be possible due to the tremendous time and resource constraints that the organizations were under, whereby many times the founders and managing directors were unwillingly to grant interview access to more than one or two people despite efforts to compel them. As a way of overcoming this challenge, I increased the number of cases I had initially intended to study, from eight to twelve cases, and also became more flexible in the way I collected data, i.e. by agreeing to telephone interviews, conducting shorter interviews where absolutely necessary (time wise), and obtaining additional information and relevant documents via email. In addition to this, while it may be asserted that my sample is limited in size by suggesting that a sample of twenty-one interviews is not reflective of a larger population, this is actually relatively typical of interpretivism research

approaches in order to do justice to each individual's experience. Also, with a lack of a standard definition of the ideal sample size for interviews in qualitative research, the theoretical saturation paradigm by Guest, Bunce and Johnson (2006) was used as a guideline for the number of interviews that were to be conducted. In 'How Many Interviews are Enough', Guest, Bunce & Johnson (2006) built on Morse's (1995) observation that "saturation is the key to excellent qualitative work", suggesting that theoretical saturation occurs in as few as twelve interviews, and that for "high-level, overarching themes . . . a sample of six interviews may [be] sufficient to enable development of meaningful themes and useful interpretations" (p. 78). Other researchers such as Romney, Weller, and Batchelder (1986) suggest that a sample size as small as 'four' can be adequate to present reliable results. Therefore, considering all these factors, I set out to interview the social enterprise founders themselves, to ensure that rich data was generated, and I was eventually able to reach the point of saturation, thanks to the time and generous assistance of the interviewees with providing as much information as possible.

Another limitation of this research stems from the decision to restrict the type of social enterprise cases selected for study to solely limited liability organizations, even though this is not the only type organizational form for for-profit social enterprises, i.e. from the definition of for-profit social enterprises that guided this study (section 4.3.2), it is acknowledged that there are different forms of for-profit social enterprises, including proprietorships, corporations, limited liability companies, and cooperatives. Selecting solely limited liability

organizations was decided early on in the case selection process, as it was found that there was a variety of core activities conducted by social enterprises, even amongst those operating within the same business markets. This therefore made it desirable to keep some variables constant, i.e. location and type of social enterprise, so as to avoid further complicating the data analysis process to be conducted later (see Table 9). In addition, it was considered that social enterprises operating with a limited liability form is only just recently becoming acceptable as a vehicle for addressing social problems, and therefore, is an area requiring needed attention, compared to, for example, cooperatives, which is a popular organisational structure employed in the social economy and there already exists a large body of knowledge around this organizational form, considering that the history of cooperatives can be traced back to the early nineteenth century.

## **7.5 Suggestions for Future Research**

This study of social entrepreneurship within the for-profit context takes on an internal perspective, i.e. attempts to generate insight from the 'inside-out', as it seeks to investigate the resources and challenges of for-profit social enterprises at the individual and enterprise level. For a more complete understanding of this area of study to be reached, an 'outside-in' perspective that takes into consideration the wider environment should complement this study and aid in achieving a more robust knowledge of the area. For example, it was observed that the challenges identified related more to the external environment, while

the enabling ingredients identified were more internal. Taking an 'outside-in' perspective to research in this area will be beneficial for developing a more robust and accurate presentation of social entrepreneurship within this for-profit context. Also, while it was not the intention of this research to investigate factors that aid in the running of for-profit social enterprises, the data did reveal elements that aid these social enterprises. This area can be investigated further, to identify other key elements that aid in the effective and successful operation of this type of social enterprise. In addition, it was highlighted by some of the interviewees that for-profit social enterprises operate more by a moral structure than a legal structure. Exploring this further, i.e. moral structure versus legal structure operation of social enterprises, should yield some interesting findings.

Many frame social enterprise activities as "jointly prosocially and financially motivated" (Dart, 2004, p. 413), that is, many of the enterprises undertaking social entrepreneurial activities face two bottom lines. Unlike the commercial entrepreneurs who mainly operate by a single bottom line whereby profits are the main goal, social entrepreneurs in the for-profit context are driven by a double bottom line that blends both financial and social returns, i.e. a bottom line to meet economic profit, and another to meet the social mission. According to Dees and Anderson (2003), whether for-profit social enterprises regard economic value as a means for creating social value, or as inherently valuable on its own, their double bottom line goal, as a result of the choice of a for-profit set-up, guides their managerial decision-making and determines their success.

Although it has been mentioned briefly several times in the literature, that is, the difficulties in managing two very seemingly divergent objectives (the social objective and the economic objective), there are still limited studies focusing on how having such a dual bottom line in for-profit social enterprises impact on different aspects of the organization. As Dacin et al. (2010, p. 45) also suggest, although referring to social enterprises in general, “the dual mission of social entrepreneurial ventures provides both interesting opportunities and constraints”. So while this thesis looks at the challenges for-profit social enterprises face in relation to their dual bottom line, developing an understanding of this form of social entrepreneurship will benefit from further investigation on impacts the dual bottom line has on other aspects of the organization.

In this field, there have been studies pointing to the factors that influence the success and failure of social enterprises, especially in the non-profit context, but few studies have investigated the capabilities that exist in these social entrepreneurial organizations. Understanding these capabilities and how they play a vital role in social enterprises can provide interesting insight. Therefore, employing the dynamic capabilities framework as a theoretical lens to better understand the capabilities that contribute to the success of such firms is a relevant path for future research. The dynamic capabilities perspective is a conceptual framework, which has been widely accepted in literature (Eisenhardt & Martin, 2000), emphasizing the shifting character of the environment, and the crucial role of strategic management in aptly adapting,

integrating and re-configuring internal and external resources and towards the changing environment (Teece & Pisano, 1994). The perspective looks at how companies in a turbulent environment are able to obtain competitive advantage (Teece, 2007), focusing on how these organizations are able to develop high-level capacities to sustain a better development (Helfat & Peteraf, 2003; Marcus & Anderson, 2006). This theory is considered appropriate for this research as for-profit social entrepreneurial organizations compete in changing environments, with the organization frequently having to re-strategize to be able to maintain a for-profit social entrepreneurial structure. Therefore, questions such as ‘what are the key dynamic capabilities in a for-profit social enterprise that are necessary for achieving and sustaining success?’ and ‘how are these capabilities developed?’ can be pursued.

Employing other theoretical perspectives to this field will also aid in advancing the field, as finding authenticity in a field becomes attainable when research questions are primarily theory driven. On review of the social entrepreneurship literature, it is observed that theoretical relationships are lacking, and I believe that for the field to advance, as Cummings (2007) suggests, researchers need to focus on making theoretical relationships more explicit. As Mair & Marti (2006, p. 43) suggest, “the variegated nature and multiple expressions of social entrepreneurship make it a fascinating playground for different perspectives and literatures” and, at the same time, suggest that it should be studied through diverse theoretical lenses. For the advancement of the social entrepreneurship field, there should be a growth in the unity of the construct definition, with

researchers then employing a variety of established theoretical lenses to pave understanding.

Another observation made during the review of existing literature and the identification of entrepreneurship themes in relation to social entrepreneurship is that, while streams of innovation, opportunity, and resourcefulness are seeing increasing attention in the social entrepreneurship literature, the area of risk is not getting nearly as much attention. Although risk is a large part of entrepreneurship, and consequently social entrepreneurship, only a few studies have addressed the element of risk in the social entrepreneurship arena. Knight (1921) suggests that the distinguishing feature of an entrepreneur lies in the ability to tackle uncertainties, which are unique events requiring thorough assumption of responsibility. Periods of economic uncertainty call for entrepreneurship, as in times of uncertainty, creators are confronted with the challenge of making changes from the seemingly routine, to making decisions about an untold future (Knight, 1921). Therefore, this risk stream is an important area of investigation. It has been highlighted in the social entrepreneurship arena, with some researchers including it in their definitions of the concept, such as Peredo and McLean (2006, p. 64) who suggest “social entrepreneurship is exercised where some person or group...is/are willing to accept an above-average degree of risk in creating and disseminating social value”. In particular, Weerawardena and Mort (2006) identify risk management as one of three core behavioural dimensions in their bounded multi-dimensional model of social entrepreneurship, along with the other dimensions

of innovativeness and proactiveness. Weerawardena and Mort (2006) suggest that social entrepreneurs operating in the non-profit social enterprise context are mostly constrained in raising funds, therefore, managing the risks involved in sustaining the enterprise becomes a vital operational activity. For social entrepreneurs, they operate with the awareness that the sustainability of the venture is very much on their own efforts (Vidal, 2005), thereby being very aware of the risks involved. Therefore, this risk stream is deserving of further investigation within the social entrepreneurship context. In particular, in relationship with the findings of this research that suggests that for-profit social enterprises operate and are bound by more of a moral structure than a legal structure, it would be interesting to explore how much risk such social enterprises are therefore willing to bare in light of this.

It was discussed in the literature review that comparing and contrasting social enterprises nationally and internationally has its difficulties as social enterprises adopt various legal forms and operate by different legal frameworks, responsibilities, and duties in different countries (Noruzi, Westover, & Rahimi, 2010). That being said, further research on social entrepreneurship within the for-profit context will benefit from investigations in different countries. Research can be conducted to compare this form of social entrepreneurship between Europe and America, as Hohendoorn, Pennings, and Thurik (2010) highlighted existing distinctions between the schools of thought on social entrepreneurship between American and European Traditions. Also, a cross-cultural examination, for example between Western and Asian countries

should yield interesting insights, as Hofstede (1991) suggests that these societies have distinct value systems. Another form of comparison can be between developed and developing countries, especially in relation to bricolage and how resources are used within such social enterprise environments. In addition, the social entrepreneurship field would also benefit from further investigation into the other forms of for-profit social enterprises, including corporations, proprietorships, and cooperatives, which this research does not cover as mentioned earlier.

Finally, from the findings of this research, it was observed the key role that human and social capital play in the bricolage process. Further investigation into this area within the social entrepreneurship context should aid in the advancement of both social entrepreneurship and bricolage areas. Also, studying bricolage in social enterprises from a knowledge perspective, and how much knowledge or combinative capabilities influence bricolage activities will also be of great contribution to the field.

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## **APPENDIX A: INTRODUCTORY EMAIL TO SOCIAL ENTERPRISES**

Dear Sir or Madam:

I am a researcher in the School of Management at Royal Holloway University of London presently conducting research in the area of social entrepreneurship. Aware of the immense potential of social entrepreneurship providing sustainable ways of advancing society, my research topic explores how social enterprises acquire, creatively recombine, and deploy resources to achieve a successful balance of both social and economic value.

This study aims to advance the field of social entrepreneurship, as an enhanced understanding of the phenomenon may help policy makers re-define the output required from the sector and aid them to put in place the necessary support systems for the development and success of social entrepreneurial activities.

I would like to invite your enterprise to take part in this research. Your social enterprise has been selected seeing your long-standing success in sustaining an outstanding business model, and also your overall significant contribution to creating both social and economic value.

### **Benefits to your business**

- There will be an opportunity to sit down and discuss with the researcher general findings of the study through a feedback session.
- Copies of research reports and publications emerging from the project will be provided on request.

### **What the research involves**

I am looking to interview 2 – 3 people within your establishment, and also conduct a feedback session. To accomplish this, I am available from August 2012 – October 2012, at your convenience. A more detailed information sheet regarding this research has been attached to this email.

I am happy to follow up this email with a call on the 20<sup>th</sup> of August 2012, or on any other convenient date for yourself that you may wish to provide. However, please do not hesitate to contact me should you wish to discuss before then.

Thank you for your time and kind consideration. I look forward to speaking with you soon.

Kind regards,

Kemi Kupolokun  
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Royal Holloway, University of London  
Email: Oluwakemi.Kupolokun.2011@rhul.ac.uk  
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## **APPENDIX B: INFORMATION SHEET FOR PARTICIPANTS**

**Title of Research:** Social Entrepreneurship: Acquiring Resources and Managing the Dual Bottom Line

### **Research Purpose**

- This study in the area of social entrepreneurship aims to look at how social enterprises gather resources (considering resource scarcity), creatively recombine resources, and effectively deploy resources to create wealth and social value. The study will focus on how social enterprises are able to successfully maintain both social and economic performance.
- The study seeks to advance the field of social entrepreneurship, as an enhanced understanding of the phenomenon may help policy makers re-define the output required from the sector and aid them to put in place the necessary support systems for the development and success of social entrepreneurial activities.

### **Benefits to Your Organization**

- There will be an opportunity to sit down and discuss with the researcher general findings of the study through the focus group session.
- Copies of research reports and publications emerging from the project will be provided on request.
- Your participation will contribute to the advancement of social entrepreneurship

### **What It Involves**

- The research will employ interviews as a way of gaining insight, and also a feedback session will be conducted.
- Face-to-face interviews will be conducted at a place and time of the participants choosing.

### **Confidentiality**

- I can guarantee confidentiality, and also anonymity for all participants that take part in the research, unless you prefer to have your name or your company included in the report.
- Interviews will normally be recorded, subject to your permission. All recordings will be destroyed after data analysis.
- Interviews will be transcribed on my personal password-protected laptop and will only be read by myself and the team lead.

### **Additional**

- Participation is voluntary. If you decide to participate, you can refuse to answer any question, and are free to withdraw from the study without any negative consequences.
- If you decide to withdraw from the study, you may also withdraw any information already provided up until it is transcribed for use in the final report.

- If you decide to take part, you will be provided with a copy of this information sheet to keep and will also be presented with a consent form to indicate your consent.

### **About the Researcher**

This research is being supported and funded by Royal Holloway University of London (RHUL). The research team consists of Professor Catherine Wang and Kemi Kupolokun.

Professor Catherine Wang is a Professor of Strategy and Entrepreneurship, and is also the current PhD program director at the School of Management. Her research and teaching interests are in the areas of entrepreneurship, innovation and strategic management. Within these broad research interests, she focuses on how firms can effectively turn strategic and entrepreneurial resources into successful new products/services and bottom-line performance. In a number of research projects, Catherine has worked with government support agencies, community leaders, media and industry partners in both private and public sectors.

Kemi Kupolokun, a keen PhD researcher, is the primary point of contact during the course of the study. Kemi has a Masters in Management from Imperial College Business School, and also a background in management consulting. She worked for the multinational consulting firm, Accenture, and worked on a number of different projects while there, including projects in public sector, consumer goods & services, energy, banking, and capital markets. She is now a motivated researcher in the area of social entrepreneurship, seeking to advance the field and link the business and social sector, both in theory and practice.

Please feel free to get in contact, using the details below, if you have any questions.

|  |
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| <p>Kemi Kupolokun<br/>School of Management<br/>Royal Holloway, University of London<br/>Egham, Surrey, TW20 0EX<br/>Phone: +44 (0) 7869180652<br/>Email: Oluwakemi.Kupolokun.2011@rhul.ac.uk</p> |
|--|

**APPENDIX C: RESEARCH PARTICIPANT CONSENT FORM**

**Title of Research:** Social Entrepreneurship: Acquiring Resources and Managing the Dual Bottom Line

Thank you for considering taking part in this research study. You will be provided with a copy of this Consent Form to keep. Please *tick* the relevant boxes and sign below:

- I understand that my participation in this research is voluntary, and I may withdraw at any stage of the project without being disadvantaged in any way. Furthermore, if I decide to withdraw from the study, I may also withdraw any information already provided up until it is transcribed for use in the final report (by 21/09/2012). Yes  No
- I consent to my interview being recorded Yes  No
- I require confidentiality. (If requested, no identifying information will be disclosed in any reports or publications emanating from this project, nor to any outside party). Yes  No

*Participant's Statement:*

I ..... have read the provided information sheet about the project, and it has also been explained to me to my satisfaction. I am fully aware of the nature and extent of my participation in this project. I hereby agree to participate in this project.

\_\_\_\_\_  
Signature of participant

\_\_\_\_\_  
Date

*Investigator's Statement:*

I ..... confirm that the research and what it involves has been explained to the participant. The research strictly complies with the RHUL research ethical codes.

\_\_\_\_\_  
Signature of investigator

\_\_\_\_\_  
Date

*The name of the investigator is Kemi Kupolokun, and can be contacted via email: oluwakemi.kupolokun.2011@live.rhul.ac.uk or telephone: +44 (0) 7869180652.*

## APPENDIX D: PARTICIPANT INTERVIEW QUESTIONS

1. How did your social enterprise journey begin?
  - What led you to start a social enterprise?
  - Were you always thinking with a social objective in mind?
  - What were the original objectives?
  - Who were the founding team and their shares of ownership?
  - What was the start-up capital?
  - How did you obtain start-up funds?
  
2. Can you describe your company's business model?
  - How do you create, deliver, and capture value?
  - What are your core/main and peripheral/supporting activities?
  - How do you generate income?
  
3. Can you tell me about the decision behind the choice of the legal structure of your social enterprise and how has it been operating with this legal structure?
  - Why did you choose this set-up instead of another?
  - Benefits and challenges of operating as a social enterprise with this legal structure?
  - How do clients perceive you? What are their expectations?
  - Considering your for-profit setup, what challenges do you face from investors and how are the challenges dealt with?
  - Do you have other funding sources?
  - Are you an independent company or subsidiary of another company? How do you work with parent company? Who influences key decisions?
  - How are revenues distributed?
  - When conflict arises regarding the deployment of resources to social and economic activities, how is it handled?
  
4. From the conception of your social enterprise, how have things evolved to where you are now in terms of your current objectives, the current size of the company, management of the social enterprise etc?
  - What are your current social and economic objectives?
  - Is there any change to the ownership?
  - What is the present size of the company (employees – full-time/part-time)?
  - What else has changed in the company since its start-up?
  
5. Considering the general resource limitations commonly faced in this sector, how have you gone about acquiring the necessary resources for the organization?
  - How does your legal structure aid or limit this acquisition of resources?
  - Are there times you find yourself having to come up with creative ways to use resources or recombine resources to solve problems or respond to opportunities (as a result of resource scarcity or trying to counteract limitations)? Can you give me an example?

6. Who do you consider to be your key stakeholders? In what way do you engage with them to aid in achieving your companies objectives?
- Have they been involved in creation, management, or governance?
  - How do you see the roles of some of the stakeholders have changed over time? And why?
7. How would you describe the relationship between your social and economic activities, and why?
- Do the two activities benefit from one another, and in what ways do they do so?
  - Do they ever conflict? How do they conflict and how is the conflict handled?
8. Can you describe what the journey has been like trying to sustain both social and economic objectives at the same time?
- What are the internal and external challenges?
  - How have you been able to overcome these challenges?
  - What do you consider to be the key factors that have helped you maintain successful double-bottom line performance? How did they help? Can you give examples?
9. What support have you gotten in the past and what do you hope to see going forward in terms of policies to aid the growth of social enterprises?
10. Where is your social enterprise going from here?