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Exploring nonprofits in the social economy: The social enterprises phenomena

Kofi Selasi Adimado

A thesis submitted to the Graduate Faculty of

JAMES MADISON UNIVERSITY

In

Partial Fulfillment of the Requirements for the degree of

Doctor of Philosophy

School of Strategic Leadership

August 2015

## Dedication

This work is dedicated to my parents who by dint of hard work instilled in me the value of education.

## **Acknowledgements**

I would never have been able to finish my dissertation without the guidance of my committee members, help from friends, and support from my family.

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## **Abstract**

Social enterprises in the United States is experiencing a healthy growth evident in the growing literature. However, there have been debates as to whether these organizational types are nonprofits, private, quasi-public or hybrid organizations. Thus no new policies have been created to accommodate the business activities of social enterprises. This study attempts to provide a context for the debate by arguing that if indeed social enterprises are distinct organizational types then SBDCs who are the first point of call for most small and medium scale businesses would be better placed to help provide empirical evidence for this ensuing debate.

## **Chapter 1: Introduction and Overview**

### **1.1 The Nonprofit dichotomy**

The third sector or social economy is a terminology used loosely to describe organizations in the economy that are neither traditional for profit businesses nor government agencies. It consists largely of private organizations that act in the economic arena but that exist to provide specific goods and services to their members or constituents. These organizations act neither to enrich “owners’ nor to provide high income for top executives. Some are used to protect entrenched interests, and others are used to do social good. Nonprofit organizations fall within the sphere of organizations operating within the so-called third sector. Nonprofit organizations are defined as organizations that operate for social or community purposes, do not distribute profits to members, and are self-governing and independent of government. Salamon (2010) however, points out that the definition is somewhat more complex and to some extent a function of social or political mores. They fulfill a broad range of essentially expressive functions such as civic and advocacy, culture and recreation, environmental protection, and business, labor, and professional representation as well as the more commonly perceived service functions such as education, health care and social services” (Salamon, 2010, p.185). Not-profit organizations fall into two broad categories: some serve only their members, and others perform as broad array of public services. The first group includes social clubs, political parties, labor unions, business associations and cooperatives. The complex nature of nonprofits is also reiterated by Gunn (2004) who describes them as a pastiche – that is a collection of organizations that are usually described as varied in nature and not being part of the traditional private or public sectors.

This “pastiche” has seen the emergence of social enterprises which have become a businesslike contrast to the traditional nonprofit organization. Given the ensuing debate about social enterprises being either nonprofits or for-profits this study aims to empirically establish whether social enterprises are indeed unique organizational types.

## **1.2 The Social Economy Dilemma**

Social economy is an imprecise term and despite several years of research, scholars have still not agreed on a single definition (Quarter, 1992; Watson, 199; MacLeod, 1995; Levesque & Ninacs, 2000; Banting, 2000; Hudson, 2009; Bridge, Murtagh, & O’Neill, 2009, 2014). In spite of the deep theoretical and policy differences in what constitutes social economy, the following features have been identified as key to the concept of social economy: the idea of economic activities based on placing service to specific members or communities; an autonomous organization; shared aims; a limited return on capital; and a democratic decision-making process based on the rule of “one person, one vote” (Bull, 2008; Defourny and Nyssens, 2006; Hulgard and Spear, 2006).

Several authors contend that the emergence and re-emergence of the social economy-practice, concepts and policy/institutions is linked to periods of crisis and thus social economy is a way to respond to the alienation and non-satisfaction of needs by the traditional private sector or public sector in times of socioeconomic crisis (Moulaert & Ailenei, 2005). In an effort to harmonize the conceptual differences social economy can be equated to a hybrid that cuts across the four sub-economies: the market, the state, the grant economy, and the household. Each of these sectors has its own logics and rhythms, its own means of obtaining resources, its own structures of control and allocation, and its

own rules and customs distribution of its outputs. The part of these economies termed social economy are united by their four goals, by the importance given to ethics and their multiple threads of reciprocity. Their production ranges from the micro scale of domestic care in the household to the universal services of a national welfare state. Although analytically distinct from the private market, it includes social enterprises engaging in the market, as well as some of the activities of private companies that have primarily social goals (Murray, Caulier-Grice, & Mulgan, 2010, p. 142). The term social enterprise is often associated with the social economy and some authors like Pearce (2003, p. 6) present the social enterprise as a significant component of the social economy. Current literature on the social economy addresses the challenge of bringing social innovation and justice values into the economy through the fostering social development in particularly deprived communities and reinventing solidarity in production relations. It says very little about the analytical questions arising from current practice as well as the theoretical linkages that can be observed. This paper will review the theoretical challenges arising from the conceptual fluidity of social enterprises and address the role of leadership in the development of social enterprises.

For many decades, nonprofit organizations and philanthropic foundations were seen as the conduit for private assets directed toward the production of public benefits. In just the first decade of the twenty-first century there has been an emergence of new institutional forms such as social enterprises and online networks, and a resurgence of older, traditional arrangements, such as cooperatives that create and distribute privately financed public goods. This growth has led to new institutional forms such as benefits

corporations, L3Cs, Online networks, social welfare organizations, co-operatives as well as the traditional nonprofits and foundations. As the diversity of the social economy as enumerated above grows, the dynamics of using private resources for public good become more complicated. Each new set of actors brings with it new regulatory concerns, overseers, and norms of accountability and transparency (Bernholz, Cordelli, & Reich, 2013). Social enterprise in the United States is becoming a catch-phrase both in the nonprofit and business communities as a way of coupling the resources generated by market activities with the social ambitions of nonprofit organizations. Though not a new concept, social enterprises labelled as such has seen a dramatic rise since the first use of the term in the late 1960s (Alter, 2007). New forms continue to emerge, and the concept has come to mean, broadly the joining of a social cause and a business activity. In the US there have been many varying definitions associated with the term “social enterprise” which will be explored in the literature review section of this study. However, the different groups interested in social enterprises from an organizational perspective have coalesced around the broader definition of social enterprises that includes both nonprofit and business forms. Social enterprise is, therefore, increasingly understood to include a variety of forms along a continuum, from profit-oriented businesses engaged in sizable social commitments (corporate philanthropies) to dual purpose businesses that mediate profit goals with social (Rees & Shah, 1986) objectives (hybrids) to nonprofit organizations engaged in mission-supporting commercial activity (social purpose organizations, for-profit subsidiaries, nonprofit business partnerships, etc.) (Young, 2006). This is supported by studies that show that nonprofit commercialization, in general, and social purpose business venturing, in particular, are growing trends that

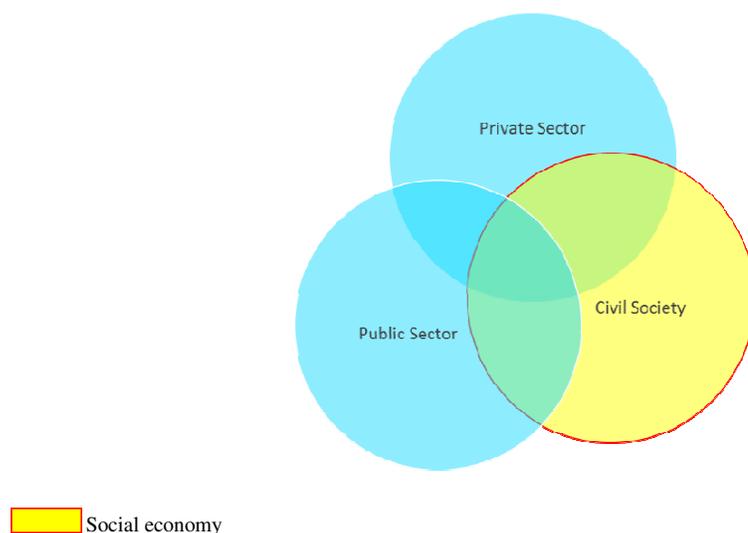
accelerated throughout the 1990s and early 2000s (Adams & Perlmutter, 1991; Lipman & Schwinn, 2001, p. 25 and Young & Salamon, 2002, pp. 423-446). Social entrepreneurs are increasingly playing a pivotal role in promoting inter-sector initiatives to address economic and social challenges in regions and local communities in generating social capital to support initiative-oriented collaboration frameworks among participants and across sectors. Empirical evidence can be found not only in depressed but also in developed regions and communities and across different countries (Bradshaw, 2000; Korsching & Allen, 2004; and Snow, 2001). This is becoming very important in the changing dynamics provided by the global financial crises of 2008.

Leadership capacities have been argued as an essential component of a successful social enterprise. Using the experiences from Grameen Bank as an example, Yunus, Moingeon and Lehmann-Ortega (2010) draw on lessons such as challenging conventional thinking, finding complementary partners and undertaking continuous experimentation similar to those of conventional business models, as well as recruiting social profit oriented shareholders and specifying social profit objectives from the beginning that are specific to social business models (Lan, Ying, Xing, & Schneider, 2014). Even though leadership as earlier mentioned is integral to a successful social enterprise what factors actually determine leadership success in the development of social enterprises?

Education is an essential part of entrepreneurial development (Rees & Shah, 1986; Jennings, Cox, & Cooper, 1994). Running a business requires a wide array of skills including but not limited to: marketing, advertising and pricing one's products, hiring employees, maintaining accounts payable and accounts receivable, and complying with

the various levels of government regulation. In the United States, there has been a growth in institutions supporting social enterprise teaching and research. Since the 1990s many leading business schools have either created centers on social entrepreneurship or started offering courses on the subject. By 2006, at least sixteen business schools across the U.S. had one or both (Nicholls, pp. 1-36). Similarly, membership organizations outside of academia have also formed around the idea of social enterprise and social entrepreneurship. One of such organizations is the Social Enterprise Alliance which describes itself as an advocate for the field, hub of information and education, and a builder of a vibrant and growing community of social enterprises given its diversity (Social Enterprise Alliance, 2009, n.p.). Nonprofit centers are also springing up with equally interesting programs at the universities that often include discussions on nonprofit commercial revenue (Young, 2006).

**Figure 1: An interactive approach of the social economy**



Source: Quarter and Mook (2010)

As discussed earlier, social economy is defined variedly and as such a more purposive way of looking at the concept is presented by Quarter and Mook (2010). They define social economy as a bridging concept for organizations that have social objectives central to their mission and their practice, and either have explicit economic objectives or generate economic value through the services they provide and purchases that they undertake. This reflects the school of thought that cast a strong net in characterizing the social economy.

### **1.3 The role of the SBDC**

The growing adaptation of social enterprises has seen some SBDCs fashion out programs to serve the need of these organizational types. For instance, at the SBDC at the State University of New York Buffalo State there is a social enterprise center within the SBDC to provide advice and guidance. Not to be outdone the SBDC in Michigan State can be seen touting its role in the award of a \$250,000 grant awarded to Sisu Global Health an aspiring social enterprise. Another example of this trend was the first ever social entrepreneurship conference organized in Arizona by the Maricopa SBDC in collaboration with the Maricopa Community Colleges, SEED SPOT and, Wells in Phoenix Arizona. The examples provided above are just highlights of the clamor for social enterprise education and participation. In a recent workshop organized by the Shenandoah Valley SBDC in 2014 participants were introduced the concept of B-corps and social enterprises as a force for good.

Virginia SBDC is the unit of analysis in this study. This is because most SBDCs are the first point of call for most small and medium enterprises or firms for business advice and

counseling. The Virginia SBDC network is a non-profit community entrepreneurial program that serves pre-venture and existing small businesses. It is also the largest provider of counseling, training and business resources for small businesses in the commonwealth. The Virginia SBDC network is a partnership program with the U.S. Small Business Administration (SBA), George Mason University's Mason Enterprise Center and local host institutions such as local universities, community colleges, chambers of commerce and economic development organizations. The SBDCs provide entrepreneurs with varied services including: one-on-one business advising, access to capital, entrepreneurial networking, flexible service delivery, reassurance and support. The flexibility and accessibility of the services of the SBDCs meet the entrepreneur at their level of business sophistication and help them transition to the next level of business insight and understanding. There are currently 29 SBDC centers across the commonwealth of Virginia. Each center has a director, staff members, volunteers, and part-time personnel who donate their services. On occasion, SBDCs also use paid consultants, consulting engineers and testing laboratories from the private sector to help clients who need specialized expertise.

Small firms have been described by many as the bane of the vibrant American economy. Credence was given to this assertion in 1987 by David Birch in his book "Job Creation in America". In it, he published the results of a study based on a data file of all U.S. firms and their employment from 1969 through 1976 and concluded that small firms, those with fewer than 100 employees, created 81 percent of the net new jobs in the United States. Government support to small firms come primarily under the responsibility of the U.S. Small Business Administration. Established in 1953, it provides financial, technical

and management assistance to help Americans start run, and grow their businesses. The SBA's assistance to small businesses is delivered through Small Business Development Centers (SBDCs). SBDCs are non-profit establishments that work closely with universities and in some cases community colleges in the United States to provide management assistance to current and prospective business owners. Their partnerships with these institutions of higher learning insures a fairly high quality of service based on the latest entrepreneurial research and knowledge. They also provide "hands-on" experience for students in the business tor entrepreneurial programs.

As part of a larger network, SBDCs must adhere to extensive reporting and paperwork requirements related to any services offered in the community. Basic SBDC services include business assistance in areas such as management, marketing, finance, operations, and technology for prospective and current business owners. Specialized services focus on international trade, procurement, venture capital, and rural development (Knotts, 2011).

The growth of social enterprises has seen some SBDCs actively participate in this sphere by providing support either by themselves or through affiliates to help in the growth and development of social enterprises.

#### **1.4 The role of the social economy**

The inability to arrive at a working consensus for social economy derives from the lack of a single generally accepted, definition due to the various different traditions and policy emphasis that exists. Amin et al (2002), for instance, have identified 'considerable international differences in the ways in which the social economy and its relationship to

market, state and civil society is envisioned'. In the United States, they suggest that compared to many European countries, it has a weak welfare state playing a largely residual role. The sector in the U.S. is shaped by 'bottom-up' community development process fronted by a voluntary sector loosely connected by political activism. The different roles that social enterprises in these different traditions have played or are expected to play, not only lead to different definitions reflecting those roles but also lead people to focus on the social economy and others on social enterprises. Peter Lloyd, for instance, has identified two very important schools of thought, one of which he identifies as the US/UK approach and the other as the European approach. He suggests that with the European approach, it offers a challenge to the post-1980s' hegemony of liberal market forces and takes a whole society perspective instead of just a business – focused one. In contrast, the US/UK approach is a social enterprise approach as it starts with the enterprise of which the social economy is composed, and defines the as businesses operating in a market context but using surpluses to achieve social objectives (Lloyd, 2006, pp. 9-18). A more contemporary look at social enterprise within the context of the social economy is provided by Ridley-Duff and Bull who suggest that social enterprise can be seen in a spectrum of activity between the traditional areas of for-profit and nonprofit embracing corporations practicing social responsibility, socially responsible business, nonprofits funded mainly by trading activity and nonprofits with some income generating activity. They add that it is counterproductive to debate in which of these areas organizations have the greater claim to be social enterprises and cite criticisms of restrictive definitions. They contend that the ideal type of social enterprise is the multi-stakeholder model which is an overlap of all sectors. It replaces public, private and third

sector competition with a democratic multi-stakeholder model where all interests in a supply chain are acknowledged to break down the barriers to social change.

Although there is debate about the conception and understanding of the Social Economy, there has been some consensus in the literature about the varying components that occupy this sector. It is often broadly addressed as an array of organizations with a social mission including nonprofits (including voluntary organizations), mutual associations, co-operatives, community economic development corporations and social purpose businesses. Ninacs (2002), provides a conceptual amalgamation of the theoretical models that distinguishes organizations belonging to the social economy from all others in Figure 2 below.

**Figure 2: The social economy quadrilateral**

		Economic		Social		Regulated
		Formal	Informal	Formal	Informal	
Formal	Corporations	Quasi-public Institutions		Public Institutions		Regulated
	Small & middle-sized businesses	Credit Unions	New social enterprises	Foundations	Nonprofits	
		Mutuals		Charities		
		Cooperatives				
	Self-employment		Economic self-help groups	Renevolent associations		
Informal	Underground economy			Self-groups	Free	

Legend	
	Unequivocal components of the social economy
	Uncertain components (case by case analysis)
	Not part of the social economy

Source: William A. Ninacs (2002)

For many decades, when we thought of private assets directed toward the production of public benefits, we thought of either nonprofit organizations or philanthropic foundations.

Today, the nonprofit-philanthropic dyad is no longer the only way that we use private resources for public good. The rise of social businesses, impact investing, peer-to-peer and sharing enterprises, and the numerous and diverse ways we organize and fund informal networks of “doers and donors” using digital tools are key parts of the picture (Bernholz, Reich, & Cordelli, 2013)

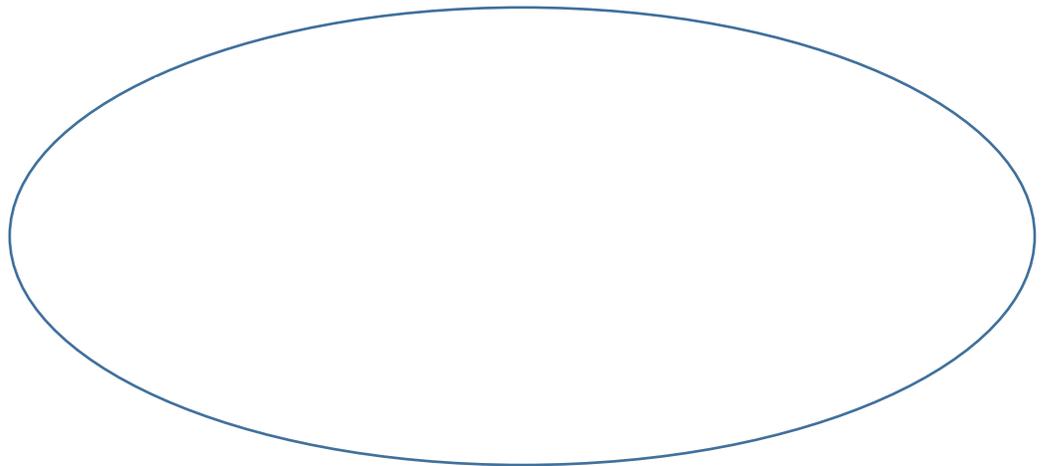
To facilitate an understanding of where and how we are using our own resources to drive social change, Bernholz, Reich & Cordelli (2013) provide another framework through which social economy can be viewed this time from a United States perspective by expanding the frame from the nonprofit and philanthropic sector to the entire social economy. The enterprise side of this economy, as shown in Figure 1, includes nonprofits, foundations, benefit corporations, L3Cs, online networks, co-ops, and social welfare organizations. The sources of revenue for these enterprises are as diverse as their institutional forms, including charitable donations, political contributions, consumer purchases, dollars raised through crowdfunding platforms, and impact investment vehicles ranging from low-interest loans to equity investments.

The social economy is also supported by considerable public investments. There are direct infusions of public funds into private organizations through government contracts and grants, and there are indirect subsidies in the forms of tax exemptions and, for eligible nonprofit organizations called “public charities,” tax deductions for donors. Though they are the traditional face of the independent, nonprofit sector, public charities earn almost a third of their revenue from government contracts and grants, second only to the forty-nine percent of revenue they generate from fees for services, much as a commercial entity would (The Urban Institute, 2012). This raises questions not just of

financial priorities, but also of sectorial purpose and independence. As the diversity of the social economy grows, the dynamics of using private resources for public good become more complicated. Each new set of actors brings with it new regulatory concerns, overseers, and norms of accountability and transparency. Just as important, each new actor brings its own industry standards and norms of practice regarding information sharing, partnering with others, and ethics.

Given the number of actors in the social economy and the multiplicity of policy domains at work, there must be an expansion of our collective understanding about how nonprofits work, what policy issues matter to them, and how we should think about the policy framework for civil society. These varied organizational forms are captured in Figure 3 below.

**Figure 3: Social Economy- United States Context**



Source: Bernholz, Cordelli and Reich, (2013)

## **1.5 Problem Statement**

As discussed earlier the rise in social enterprise has generated important questions about its conceptualization, development, and scope. Even though there is a general consensus among American scholars as to what constitutes the term “social enterprise” there are still nuances around its organizational forms, legal structures as well as whether the concept indeed creates a more entrepreneurial spirit. The environment for social enterprise in the United States tends to reflect a private or business focus. Consequently, the supportive institutional context largely consist of private organizations that provide financial support, education, training and research and consulting services for social enterprises. One of the significant characteristics of social enterprise in the U.S. is that most of the outside financial support for the strategic development of social enterprise comes from foundations as opposed to government (Paton, 2003). On the government side there is some limited mostly indirect funding support for social enterprise at the local, state and federal levels. These include SBDC programs such as support for minorities, women, and veterans and in some cases assistance to displaced workers. Increasing numbers of private foundations and funders such as Ashoka, the Skoll Foundation, and the Schwab Foundation to name a few are aggressively seeking to support social entrepreneurial ideas due to unsustainable nature of funding in the nonprofit sector. Social enterprises play a pivotal role in promoting inter-sector initiatives to address economic and social challenges in regions and local communities. Such inter-sectorial initiatives are important for the capacity of a region or community to set up innovative solutions to socio-economic problems from the bottom-up, going beyond the limits of markets and government institutions. In order to provide some clarity arising from conceptual

differences on social entrepreneurship and social enterprise the foundation community in the United States has recently promoted the following definition of “social entrepreneur”: an individual that takes exceptional, innovative approach to addressing social problems on a large scale, regardless of whether the approach involves the generation of earned income (Bornstein, 2004; and Martin & Osberg, 2007). “Social entrepreneurship” thus describes the socially innovative action undertaken by the “social entrepreneur” and “social enterprise” becomes by extension the vehicle by which he or she accomplishes the action. For the purposes of this study my emphasis is on social enterprises which is generally understood to mean a nonprofit or for-profit organization focused on a double bottom line of both earned income and social benefit (Kerlin, 2009).

A review of the literature suggest a variety of distinct organizational types organized under the social enterprise banner. Also, theories for social enterprises are scattered and have not been presented in a form as to enable the understanding of the social enterprise organizational form. The gap in the theoretical linkages between the distinct social enterprise forms and the overall development of the sector is reviewed in the literature. The growing trend of nonprofit commercialization, proliferation of social purpose business ventures, increasing role of social enterprises, hybridity and fluidity of the social enterprise concept, ongoing debate on whether social enterprises are nonprofits, private or quasi-public as well as the institutional dilemma linked to this debate makes investigating the distinct organization forms organized as social enterprises worthwhile.

## **1.6 Research Question and Hypothesis**

This is an exploratory study on the uniqueness of social enterprise organizational forms and as such a case study design incorporating a mixed methods approach was viewed as the most appropriate in to provide better and stronger inferences. This approach also provides an opportunity for greater diversity and divergent views (Johnson, Onwuegbuzie, & Turner, 2007).

There has been a clarion call for alternative ways of organizing the economy to achieve a better balance between economic efficiency, ecological sustainability and social equity (Amin, 2009). These have all led towards a move to more ethically, socially and environmentally committed models of enterprises such as ‘green economics’, corporate social responsibility, ethical markets and philanthropic capitalism (Sepulveda, 2014). Against the streams of thought that see social enterprises as a “new” vehicle for addressing contemporary social and economic needs, this study turns to those better placed to provide a perspective on whether the social enterprise concept is indeed a legitimate organizational new organizational type. As earlier mentioned, the SBDC counselors provide business advice to a myriad of small and medium businesses and as such they could provide a better perspective on the ensuing debate as to whether social enterprises are distinctly different from organizations within the private, public or third sectors. To find out more about the development of social enterprises as well its distinct organizational form the following hypothesis was developed

H<sub>1</sub>: Business counselors recognize social enterprises as distinct from other organizational types such as nonprofits, public or traditional business organizations.

Subsequently I developed a series of questions below that acted as a guide to explore the social enterprise phenomenon better:

Are there specific training programs for the development and growth of social enterprises?

What types of social enterprises exist within the region?

What types of intellectual resources are required for development of social enterprises?

What kinds of support do the social enterprises receive within their various communities if any?

## **Chapter 2: Literature Review**

### **2.1: Introduction**

The profound societal transformations of recent decades has created a chasm between the concept of a welfare state and a neoliberal concept that emphasizes a more prominent role for the market while the former advocates a more social option emphasizing the role of the public sector. According to Escobar et al (2011), the existence of an increasingly multicultural, multi-religious and multi-ethnic societies, with growing cross-bred phenomena at all levels, increasing global interdependence all contribute to a significant erosion in the capacity of public authorities to address problems arising in Western societies today. These challenges I must add are not only akin to the Western societies but with the phenomenon of globalization cuts across social and market economies. Both continue to formulate their proposals as a balance between efficacy and efficiency. 21st Century society is more dynamic, open, pluralistic and interdependent than those prior and creates a lot more complexity which must be properly managed to meet society's needs. This context of social complexity calls for a social innovation to facilitate original and creative solutions for the needs and demands that are constantly emerging in today's rapidly changing societies (Escobar, Gutierrez, & Carlos, 2011).

Historically, the social economy has been linked to a system of values and the principles of conduct of the popular associations, reflected in the cooperative movement which is structured around three large families of organizations: cooperatives, mutual societies and associations, with the recent addition of foundations. In reality, at their historical roots these great families were interlinked expressions of a single impulse: the response of the most vulnerable and defenseless social groups, through self-help organizations, to the

new living conditions created by the development of industrial capitalism in the 18th and 19th centuries. Cooperatives, mutual assistance societies and resistance societies reflected the three directions that this associative impulse took (International Centre of Research and Information on the Public, Social and Cooperative Economy (CIRIEC), 2012). Over the years the traditional institutions have been unable to provide adequate responses to many of the existing economic and social challenges. This institutional crisis has been attributed to structural causes namely: legal rationale, lack of diversity-integrating considerations, and globalizations and the boundaries of sovereignty.

With the legal rationale, the public authorities or institutions act in a manner that implies a certain inadequacy. Problem-solving is approached from the logic typical of the law, which is only natural on the legal stage, where an individual is acknowledged first as a person and then foremost as a citizen, part of the wider society (Escobar, Gutierrez, & Carlos, 2011). This legal rationale generates a very formal and bureaucratic reality: enforceable rights and duties, with procedures articulated for this purpose. This structure allows for little flexibility resulting in a very slow progress when flexibility and timeliness are essential in responding to our very dynamic and constantly changing society. Secondly, the argument is made that public authorities generally have difficulties responding to new challenges due to the lack of diversity-integrating considerations that foster the gathering and coordinating of human realities which is oftentimes beyond the functional and organizational logic of the administrative legal system. For-instance people who are in situations of social exclusion such as illegal immigrants, minorities etc. Supporters of this argument criticize the usual specialized and one-dimensional logic approach of public authorities. They argue that since societal problems are multi-

disciplinary and interdepartmental, it is important to pursue diversity integration as the ideal way to address problems at their source rather than treating them based on one specific aspect. Finally, on the issue of globalizations and the boundaries of sovereignty Escobar et al (2011) argue that, there are difficulties encountered in the normative regulation of social facts because the logic of the law presupposes the concept of sovereignty, which allows the exercise of a certain amount of power and control over the reality that is to be regulated. On the other hand, more than ever before, globalization implies an international dimension in cultural and social phenomena. Unfortunately, this impedes normative regulation from apprehending these facets that nearly always have a transnational slant and significance. The notions of the social economy and of the nonprofit sector both contribute to determining the existence of the third sector. This phenomenon “third sector” is attributed to French scholar Jacques Delors who first tried to define and quantify this phenomenon as a variation of on the theme of the services sector and later as a third sector coexisting alongside the market economy and the state sector (Mertens, 1999). The third sector is seen an instigator of innovative schemes which once successful are adopted by the public authorities or the capitalist or market sector. The ubiquitous nature of the sector have caused it to be described as ‘a sphere of economic activities that occupies the space between the point where the private sector ends and the point where the state sector begins (Mertens, 1999). It is important to mention that the area is not fixed but is constantly shifting depending on the socio-political, economic, environmental or legal regime in place.

## 2.2 Social Economy and the Nonprofit Sector

Most of the work on social economy attempts to understand the concept from two distinct perspectives, the legal/institutional and the normative approaches. Recent academic and practitioner discourse seems to arrive at a convergence that is more blurry than distinct. The legal/institutional approach looks at identifying institutional types such as cooperatives style enterprises, mutual-type enterprises and associations while the latter emphasizes the principles that the organizations have in common. Thus social economy based on these tenets “includes economic activities carried out by cooperatives, and related enterprises, mutual societies and associations whose ethical stance is presented in the following principles:

- The aim of serving members of the community, rather than generating profit
  - An independent management
  - A democratic decision making process
  - The primacy of people and labor over capital in the distribution of income
- (Defourny & Borzaga, 2001, p. 6)

As the public and private sectors evolved as distinct fields of economic activity, other organizations were created which contributed to the economy but which belonged to neither of these two sectors. These organizations were labelled as the third sector and consists largely of private organizations that act in the economic arena but that exist to provide specific goods and services to their members and their constituents. Their peculiarity is that they do not exist to provide high incomes to their executives or enrich their owners. It is sometimes referred to as a “pastiche”, that is, a collection of

organizations usually defined by their not belonging to either the private or public sector but that are otherwise varied in nature (Gunn, 2004, pp. vii, 1, 6).

Generally, economies have been considered to have three sectors namely: the business sector, which is privately owned and profit motivated; the public sector which is owned by the state and provides services in the public interest and; the social economy, this embraces a wide range of community, voluntary and not for profit activities. This social economy can further be broken down into three sub-sectors: the community, voluntary and the social enterprise sectors. Thus, nonprofit can arguably be placed within the context of the social economy even though the social economy concept is seen as a much broader spectrum of organizational types. This is supported by social economy theorists like of Levesque (2000) who corroborate the assertion that there indeed exists a ‘third sector’, different from the traditional public ‘general interest serving’ and the private market sectors, that combines: formal and informal elements at the level of organization (market, state, volunteering, self-help and the domestic economy), market and nonmarket-oriented production and valorization of goods and services, monetary and non-monetary resources at the level of funding. Today, almost everywhere in Western Europe, the US and Eastern Europe, the ‘third sector’ co-exists with the private and public sectors. Terms such as social economy, third sector, solidarity economy “or alternative economy, non-lucrative sector, non-profit sector, not-for-profit sector, voluntary sector, idealist sector etc. are increasingly used as synonyms. In particular, the terms social economy, third sector and solidarity economy are often used interchangeably. As discussed earlier about the imprecise definition of social economy given the varied theoretical and policy differences it can generally be thought of as areas

of activity that overlap between the private, public and voluntary sectors characterized by a number of common features as shown in table 1 below.

In the United States, the nonprofit sector is an embodiment of the community organizations, voluntary organizations, foundations and in recent times have come to include social enterprises.

Nonprofits are viewed as the panacea to market failure and interdependency theory. In the United States, nonprofits are legally identified mainly through the tax laws. The federal tax code identifies some twenty different twenty-six different categories of organizations that are entitled exemption from federal income taxation. These organizations must operate in such a way that no part of their earning inures to the benefit of their officers or directors' and their founding documents must stipulate this. Although these tax-exemption organizations are of various kinds and include member serving organizations as well as public serving organizations, much of the academic discussion in the United States have centered more specifically on a subset of organizations that are tax-exempt and eligible to receive tax deductible gifts under section 501 (c)(3) of the Internal Revenue Code. These organizations represent a very large range of public benefit activities and include schools, colleges, universities, hospitals, museums, libraries, day-care centers, and social service agencies are therefore thought and seen as the heart of the nonprofit sector.

**Table 1:****Common Features of the social economy**

Values	Characteristics	Organizations	Activities
Democratic	Economically active	Co-operatives	Creating and managing workspace
Collective	Mutually supportive	Community businesses	Developing property
Co-operative	Community or common ownership	Charitable trading	Training
Mutual	Community benefit	LETS	Job creation schemes
Sustainable Equitable and open	Common use/distribution of surplus	Credit Unions	Providing local services
	Community based	Community based development trusts	Running commercial services
		Ethical banks/community finance schemes	Providing social housing
		Industrial and provident societies	Providing low-cost personal loans

Source: Based on M. Cooper, "The development of the third sector in Bristol", *Land Economy*, Vol. 14, No. 4 (1999), pp. 348-349

### **2.3 Nonprofits and Social Entrepreneurship**

They have been considerable debates as to where social enterprises should sit on the continuum of for-profit and non-profit organizational types. According to Kerlin (2009), social enterprises in the United States has become a watch word in both nonprofit and business communities as a way of coupling the resources generated by the market activities with the social ambitions of non-profit organizations. One of the largest divides

was between academic groups that combined nonprofit and business forms of social enterprises and some practitioner-oriented groups that focus solely on social enterprises as a nonprofit activity. Recent trends in the development of social enterprises has seen a coalescing around a much broader definition of social enterprises that includes both nonprofits and for-profits. Social enterprises thus includes a variety of organizational forms along a continuum, from profit-oriented businesses engaged in sizable social commitments (corporate philanthropies) to dual-purpose businesses that mediate profit goals with social objectives (hybrids) to nonprofit organizations engaged in mission-supporting commercial activity (social purpose organizations, for-profit subsidiaries of nonprofits, non-profit business partnership, etc.) (Young, 2006).

Even though there is seeming convergence on the definition of social enterprise in the United States there continues to be minor divisions in the conceptualization of the concept. For instance, where the focus is on nonprofit social enterprise, there is debate between advocates who promote earned income as a viable strategy for all nonprofits (Boschee, 2006) and those who caution that earned income may not be appropriate for certain types of nonprofit activities and circumstances or even at all (Dees, 1998; Weisbrod, 2004; Foster & Bradach, 2005; Seedco, 2007;). Nonprofit social enterprises have been cited as the most common form of social enterprises in the United States (Young, 2006). Kerlin (2006) argues that it has expanded to include a number of organizational arrangements that in some way connect a nonprofit to a commercial activity. Thus, it could either directly involve clients in a revenue generating activity as a part of client programming or exist solely as a revenue generating vehicle with no client involvement. Sealey et al (2000) identify several main non-profit earned income

strategies, including sales of mission-related or non-mission-related products, the formation of for-profit subsidiaries by nonprofits, partnerships with for-profit companies and cause-related marketing among others. Four common types of nonprofit social enterprise arrangements are organized according to location and extent of non-profit commercial involvement shown in table 2 below. The first arrangement, the social purpose organization, involves the generation of earned income through the in-house sale of products or services examples include the Girl Scout's annual cookie sale and sheltered workshops for those disabilities and job-training initiatives where the commercial activities provides both social programming and revenue for the nonprofits. Sales of products or services can also be arranged through a nonprofit or for-profit subsidiary. The creation of subsidiaries allows a nonprofit to engage in activities that may only be peripherally related to its mission or to reduce risk as it experiments with new programs or business ideas. These subsidiaries are considered social enterprises when they include earned income component. In particular, nonprofits create nonprofit subsidiaries when a parent nonprofit seeks to establish a large-scale program that differs from its parent organization's main mission. On the other hand, the for-profit subsidiary is chosen when a nonprofit wants its tax-exempt status while engaging in substantial business activity that is not related to its charitable exempt purpose. Profits from the for-profit subsidiary are taxed at normal corporate income tax rates even though they support the charitable activities of the nonprofit. On occasion, a nonprofit may establish nonprofit conglomerate through a network of nonprofit and for-profit subsidiaries. This allows for the free flow of resources between affiliates creating a highly cost-effective structure. The contention here is that keeping administrative costs in two separate organizations

allows image-conscious organizations to “window-dress” the administrative overhead of its affiliates and divide high executive salaries across several organizations. Nonprofits in the United States can also form partnerships with for-profits acting as trade intermediaries between small, local producers and markets for their products. These organizations either sell the locally acquired goods themselves or link directly with buyers in distant markets. One example is Ten Thousand Villages, a nonprofit that sells products from artisans in over thirty countries in Asia, Africa, Latin America, and the Middle East in its 150 stores in North America and online. On the periphery of nonprofit social enterprise are nonprofit-business partnerships also called co-branding, exemplified most commonly by cause-related marketing. This marketing partnership is defined as “the public association of a for-profit company with a nonprofit organization intended to promote the company’s product or service and to raise money for the nonprofit” usually includes a temporary collaboration where a portion of a company’s product sale is returned to the nonprofit in exchange for the use of its name or cause in marketing. Other forms of nonprofit business partnerships include supplier and distributor relationships. In a supplier relationship either the nonprofit or the business provides products or services to the other. An example is Ben and Jerry’s values-led sourcing initiative through which it purchases brownies from Greyston Bakery, a nonprofit that employs ex-prisoners. In distributor relationship, either the nonprofit or the business directs the other’s products and services to its own customer network (Boschee, 2006).

The nonprofit sector is an important and integral part of the US economy. In 2010, nonprofits accounted for 9.2% of all wages and salaries in the United States and were responsible for 5.5% of the GDP (NCCS, 2014). The charitable sector which includes

public charities and private foundations, “is a substantial and growing portion of the overall economy” with “aggregate book value of assets” of \$2.5 trillion in Tax year 2004, which marked a dramatic 222 percent increase since Tax Year 1985 (Stecker, 2014). The application of social entrepreneurial principles can improve the sustainability of the business model of nonprofits, while bolstering management capacity and enhancing mission. Confusion exists about the ability and legality of nonprofits to connect social enterprise activities to their overall missions, and there are well founded fears that embracing new models may be financially risky, provide too many ethical dilemmas, or lead to “mission drift” (Foster & Bradach, 2005). Challenging the paradigms of “business as usual” for nonprofits, social entrepreneurs are pushing the perimeters of “their thinking about value creation, their business models, and their leadership styles” (Elkington & Hartigan, 2008). This blur the lines of nonprofit and for-profit work, and are laying the groundwork for how nonprofits will be funded in the future. Social entrepreneurs forge partnerships with businesses, academic institutions, and governments building new markets and hybrid social impact businesses, amassing wealth of problem-solving expertise and changing the way governments work (Bornstein, 2007).

**Table 2:**

**Common types of Nonprofit Social Enterprises and the Extent of Nonprofit involvement in Commercial Activity**

	Location of Commercial Activity	Extent of Nonprofit involvement in Commercial Activity
Social Purpose Organization	Whole organization/ Internal program	Full
Trade Intermediary	Enveloping	Partial
Nonprofit/or-profit subsidiary	External connected	Partial
Non-profit business partnerships	External dis/connected	Partial/ minor

Culled from Kerlin (2009), "Social Enterprises a Global Comparison" pp. 91

## **2.4 Trends, Models and Typologies of Social Entrepreneurship**

According to a recent review by Young (2000), at least five interrelated trends have converged over the past two decades to put the pursuit of social programs and services more squarely in the domain of the marketplace. First, in the face of slowing government support and slowly increasing contributions from charitable giving, earned revenue from sales of services has become the mainstay of nonprofit organizations involved in delivery of public services. According to Weisbrod (1998), reliance of U.S. public benefit nonprofits on fees for program services (including fees paid by government but excluding government grants) increased from 69.1% to 73.5% of total revenues between 1987 and 1992. Alternative calculations by Salamon (1999), which classify governmental contract revenue under "government revenue" and not under "earned income", indicate that 54%

of the revenue of nonprofit public benefit organizations derived from earned income (fees and charges) in 1996. Moreover, Salamon calculates that 55% of the growth in nonprofit revenue between 1977 and 1996 derived from fees and commercial income.

Second, recognizing their growing reliance on earned revenue, nonprofit organizations have put increasing emphasis on developing their own commercial sources of funds. Recent surveys indicate that “unrelated business income” for U.S. nonprofits has more than doubled since 1990 (Lipman and Schwinn, 2001). Nonetheless, Crimmins and Keil (1983) and subsequent studies, such as Emerson and Twersky (1996) and Young (1998), strongly suggest that the growth of commercial enterprise in the nonprofit sector is rarely completely unconnected to mission. While nonprofits may take advantage of peripheral income opportunities that fall easily into their grasp (e.g., renting their facilities, charging parking fees, etc.) or that manifest themselves as natural extensions of what they already do (e.g., selling art reproductions, providing hospital laundry services to other hospitals), they usually conceive of commercial ventures as relevant and connected to achieving their mission objectives in some substantive way. This notion has helped to give rise to the concept of “social purpose enterprises” which are revenue-generating businesses that are owned and operated by nonprofit organizations with the express purpose of employing at-risk clients (Roberts Foundation, 1999). Other terms employed that reflect this definition include “social purpose business”, “community-based business” and “community wealth enterprises” (Reis & Clohesy, 2001). These businesses are viewed partly as a means of revenue generation and partly as a means to serve those clientele in an effective way.

Third, nonprofits have become more closely intertwined with for-profit businesses per se, both in competitive and collaborative ways. Nonprofit organizations operate in a variety of “mixed industries” in which both nonprofits and for-profits, and sometimes government, participate. In a number of those industries, nonprofits have lost market share, mostly from incursions by the for-profit sector. Based on data from 1982 to 1992, these industries include individual and family services, job training, child day care, museums, radio and television broadcasting, and botanical gardens and zoos (Tuckman, 1998). In contrast, nonprofits gained relative market share in the nursing home field, and in elementary and secondary schools during that period. Yet with all of the competition between nonprofits and business, the forces of collaboration appear to be gaining strength. Collaboration takes a variety of forms including corporate gifts and grants to nonprofits, employee volunteer programs, event sponsorships, cause-relating marketing, royalty and licensing arrangements, joint ventures and other initiatives (Austin, 2000). Overall, business corporations have discovered the strategic value of working with nonprofits, while nonprofits have found ways to make their relationships with corporate business helpful to them both financially and programmatically.

Fourth, the new market environment for nonprofits has grown beyond the pursuit of earned revenue, commercial enterprise or corporate partnerships. It now permeates the overall environment in which nonprofits operate. As serious competitors for societal resources, nonprofits are asked now to measure up to the standards of business. Much of the impetus for this has come from the funding community, consisting of both government and philanthropic sources. Funders now talk about accountability and measuring performance and results. Nonprofits no longer live in a protected environment

in which little was expected in exchange for financial support. Rather, they are asked to demonstrate their impacts on society and their cost-effectiveness, and to justify their support and special benefits in public policy (Light, 2000).

Finally, the deepening engagement of nonprofits in the market environment mirrors important changes that are occurring inside nonprofit organizations. Management practices, organizational values, and the very language that nonprofits use have been changing dramatically, signaling that nonprofits are becoming very different kinds of organizations than they were in the past - much more embedded in the culture of the marketplace. Terms such as entrepreneurship, marketing and venture capital, virtually unknown in the nonprofit sector twenty years ago have now become common vocabulary. Moreover, the need for strong management, using modern techniques, received little attention twenty years ago. Traditionally, nonprofits had not put much emphasis or great value on management, on hiring staff with special management expertise or in educating people to the particular managerial requirements of a nonprofit organization. Nonprofit administrators were normally professionals in their various service fields - artists, social workers, doctors and nurses, teachers, and so on - who incidentally acquired and took on managerial responsibility as their careers evolved. Management specialists per se, i.e., individuals educated specifically in management, were rare. The early 1980s witnessed the beginning of a change in these attitudes and practices, and the start of a new movement to educate professional nonprofit managers through university programs (O'Neill & Young, 1988). By the 1990s, nonprofit management had become a respected career path and a legitimate profession (O'Neill &

Fletcher, 1998) with many universities now offering degree programs in this field (Mirabella & Wish, 2001).

Young's argues that all of these developments, as well as a surge of interest in philanthropic initiatives by business entrepreneurs who had grown wealthy in the dot.com era of the 1990s, helped set the table for the current strong interest in "social enterprise" in the United States, while the growing complexity of interaction between nonprofits and business has made this concept elusive and needing of clarification.

According to Peter D. Hall (2013) two other events helped propel the social enterprise phenomenon. The first being conservative revolution whose fundamental tenet was the rejection of government solutions to social problems and an unwavering belief in the ameliorative capacity of the markets. This evidently led to a wide spread privatization of activities and services that had been the domain of government and the replacement of supply-side subsidies (payments by governments to service providers) to demand-side subsidies (payments to consumers of services). Peter Hall argues that this shift to the demand-side subsidies notched up competition between service providers both within and between sectors. This reinforced the already burgeoning market orientation of nonprofit actors. Thus, nonprofits were becoming social enterprises engaging in market activities to address social problems.

The second event was the accumulation of huge fortunes most of them originating from the communications and information technology industries. Hall (2013) further argues that a change in the tax laws, particularly the estate tax rates coupled with the conviction of many of the entrepreneurs who saw their products as socially transformative helped drive an entrepreneurial ethos and method into philanthropy and nonprofits generally.

The change in the laws encouraged large scale giving during their lifetimes and as such most of them have become personally invested in their philanthropy rather than turn to professional managers.

### 2.4.1 Models

Social enterprise has long been an American tradition. Historically, individuals such as Andrew Carnegie, Henry Ford and in particular President Roosevelt experimented and encouraged the private sectors role in driving social change. As mentioned earlier, social enterprises sits in the intersection of business and the traditional nonprofit. This is aptly captured in the social enterprise spectrum in table 3 below championed by Dees (1998) one of the proponents of the social enterprise movement.

**Table 3: The Social Enterprise Spectrum: Dees (1998)**

		Purely Philanthropic ←————→ Purely Commercial		
Motives, methods and goals		Appeal to goodwill Mission Driven Social Value	Mixed motives Mission and market driven Social and economic value	Appeal to self-interest Market driven Economic value
Key Stakeholders	Beneficiaries	Pay nothing	Subsidized rates, or mix of full payers and those who pay nothing	Market rate prices
	Capital	Donations and grants	Below-market capital, or a mix of donations and market rate capital	Market rate capital
	Workforce	Volunteers	Below-market rate wages, or a 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 rate prices

Before considering the various forms that social enterprise takes in the United States, it is helpful to employ a concept from the literature on organizational behavior, namely “organizational identity”. In a seminal paper, Albert and Whetten (1985) defined organizational identity as that which is central, distinctive and enduring about an organization. It is often useful to describe an organization’s identity in terms of metaphors. For example, Albert and Whetten (1985) discuss how a university struggles with competing notions of itself as a “church” versus a “business”. Such metaphors are intended to capture the essential character of an organization, as seen by a critical mass of stakeholders who control its destiny. In the case of social enterprise in the United States, alternative metaphors are appropriate to describe different forms of social enterprise that are currently active and vying for space in the ecology of nonprofit and for-profit organizations. The literature on social enterprise ranges from the evangelical promotion of business with a public purpose (Shore, 1995) to analytical skepticism and concern that profit-seeking may be undermining the integrity of nonprofit organizations (Weisbrod, 1988, 1998). Meanwhile, there is also some convergence around social enterprise between the nonprofit and for-profit sectors: more businesses are becoming socially conscious and active along philanthropic fronts while nonprofits are coming to rely more heavily on commercial sources of revenue and business methods. These various developments have given rise to at least three distinct identities for organizations that could be considered social enterprises (Young, 2001):

### **2.4.2 Corporate Philanthropies.**

Social enterprises can be intendedly for-profit businesses that decide to use some of their resources to advance social causes or promote the public good in a particular way. Basically, however, Corporate Philanthropist organizations are businesses whose bottom lines are to maximize profit or increase market share. Engaging in socially beneficial activities such as corporate grant-making, volunteering of company personnel, or corporate sponsorships and joint ventures with nonprofit organizations, can be appreciated in this context as elements of “strategic philanthropy” (Young, 2001), wherein philanthropic activity contributes to the productivity of corporate employees, the marketing of corporate products or the polishing of the corporation’s public image, all in the cause of (long term) economic success.

### **2.4.3 Social Purpose Organizations.**

Alternatively, a social enterprise can consider itself to be a (private) organization devoted to achieving social good. Such an organization is driven by a mission other than profit-making; however, commercial revenue and business activity are seen either as a strategic means to generate income to support the mission, or as a strategy to carry out mission-related functions expeditiously, or both. For example, selling cookies is conceived as a revenue generator for the Girl Scouts and also an educational (mission-related) experience for the girls that participate in it. Organizations that run sheltered workshop programs, which manufacture certain goods or repair and sell donated merchandise, such

as Goodwill Industries, do so for the express purpose of employing and training challenged workers as well as to generate revenues.

#### **2.4.4 Hybrids.**

A fairly recent development is the emergence of businesses that claim to have dual objectives - to make a profit for their owners and to contribute to the broader social good. Ben and Jerry's Ice cream and The Body Shop are two examples of this genre. Such enterprises, in theory, constrain their levels of profit making in order to accommodate social criteria such as environmental conservation (e.g., using only recyclable materials or producing environmentally friendly or healthful products) or social justice (e.g., utilizing hiring and promotion practices favorable to minorities or handicapped workers); or they give away a substantial portion of their profits to support social causes rather than distribute them to owners. Hybrids are more likely where businesses are closely held by a few owner-partners who feel strongly about social issues. Unless markets are extremely competitive and force businesses to pursue profit-maximizing strategies, owners who value both income and social benefits can choose to optimize some preferred combination thereof. However, this becomes less likely for public corporations with widely held stock, even if the corporation does a very good job of educating prospective stockholders to policies of the corporation that may limit profits in favor of social benefits. In particular, although some stockholders and institutional investors may explicitly favor the securities of socially responsive companies, competition for equity capital among large corporations is strong and based fundamentally on earnings potential.

### **2.4.5 Choice of Corporate Form**

While there is a clear correlation between the organizational identity of a social enterprise and its legal form, this correlation is by no means perfect. The case of Corporate Philanthropies seems the most clear. Corporate Philanthropies appear by definition to necessarily be profit-maximizing entities with philanthropic initiatives that form part of their corporate strategies. Yet even in this category one can think of exceptions. For example, the Cleveland Clinic is a huge not-for-profit health care institution in the U.S. which make grants to other charities. University Hospitals (UH) is another such institution in Cleveland, which recently took over sponsorship of the local children's museum that was threatening to go bankrupt. One could argue that these initiatives are undertaken within the general health care missions of these nonprofit institutions. Indeed, in the UH case, the mission of the children's museum parallels that of UH's very fine Rainbow Babies and Children's Hospital. However, these initiatives can also be understood as part of the efforts of these essentially market-based organizations to maintain or expand their shares in a very competitive health care market, by polishing their images with the public. In this context, these very large nonprofits are following essentially the same corporate strategic logic as large business corporations that provide charitable assistance in communities where they operate. By contrast to corporate philanthropies, social purpose organizations are commonly structured as nonprofit organizations. Nonprofits have a long history of including commercial revenue as part of their strategic arsenal. Some types of nonprofits, which Hansmann (1980) labeled "commercial nonprofits", rely primarily on fee revenue for their economic sustenance. These include colleges and universities relying on tuition, hospitals supported by patient

fees and insurance reimbursements, and orchestras and nonprofit theaters depending substantially on box office revenues. More recently, nonprofits have broadened the ways in which they have exploited market-based revenues to support their mission-related services (Skloot, 1988), particularly as other sources of revenue, such as charitable contributions and government support have become more scarce (Salamon, 1999; Weisbrod, 1998). Nonprofits engage both in commercial activity that directly contributes to mission as well as unrelated commercial business that supports the mission primarily along financial lines. Either way, a social purpose organization puts mission first and views commercial revenue and profit-making as means to mission achievement, reversing the priorities of a corporate philanthropy. Again, however, there is no perfect correspondence between identity as a social purpose organization and choice of the nonprofit form. The nonprofit form is a natural choice precisely because it puts mission first and requires financial surpluses to be used in support of mission. But other forms are possible and indeed may be best suited in some circumstances (Hansmann, 1996). Shore Bank, for example, is organized as a for-profit enterprise to foster community development because that mechanism allows it to provide financial capital for housing and economic development more efficiently. Thus, even the conventional form of for-profit business is a possible choice for Social Purpose Enterprises in some circumstances. Hybrids have a more difficult calculus than either corporate philanthropies or social purpose organizations - they must first decide how to balance social and private benefits and then determine what organizational form fits best. Nominally, Hybrids are profit-making organizations that choose not to maximize their profits, but for which profits are nonetheless intrinsically important as an ultimate corporate objective. However, if the

social component is sufficiently strong, leaders of a Hybrid may wish to take advantage of the nonprofit form, allowing access to tax benefits, charitable and volunteer resources and the social trust that often accompanies a nonprofit facade, and accepting limits to private benefits manifested as salaries and perquisites. For example, owners of a private school may decide that they can make their school more successful by taking on the form of a nonprofit corporation while, at the same time, allowing a level of personal remuneration (in salaries and benefits) that they deem sufficient or even superior to what they could achieve through the profit-making form. Alternatively, if the private benefit objective is stronger, or if the flexibility or utility of the for-profit form is more functional in some circumstances, Hybrid leaders may wish to retain the for-profit structure and work to maintain the discipline of addressing social needs within that framework. In either case, the calculation involves determining which form yields the desired combination of personal and social benefits. Over the long term, in the face of market pressures, it seems likely that hybrids which start in for-profit form will gradually move either toward a corporate philanthropy identity where they can compete successfully in the marketplace without conflicts over producing private benefits, or towards the social purpose enterprise identity where private benefits are clearly subordinated to achieving a social mission. Alternatively, hybrids which manifest themselves as nonprofits may find themselves chafing at the restrictions they face with respect to personal benefits. Thus, the nonprofit form may not be a satisfactory or stable way station for hybrids either. In any case, there are very subtle borderlines between hybrids and the other two identities, and the stability of the Hybrid, in either nonprofit or for-profit form remains

questionable. Table 4 below, summarizes the juxtaposition between the organizational identities of social enterprises and the legal forms they may take.

**Table 4: Social Enterprises and legal forms**

<b>Identity/Legal Form</b>	<b>Nonprofit</b>	<b>For-profit</b>
Corporate Philanthropy	major nonprofits competing for market share who find it useful to help other charities as part of corporate strategy	business corporations whose philanthropy is part of a business strategy to enhance profits
Social Purpose Organization	nonprofits that undertake commercial activities to generate funds and support social goals	businesses whose owners are focused on social goals and where the for-profit form is more comfortable or practical
Hybrid	nonprofits whose leaders seek both income and social benefits	businesses whose owners sacrifice some profits to achieve social goals

Source: D. R. Young (2001), *Social Enterprises in the United States: Alternates Identities and Forms*

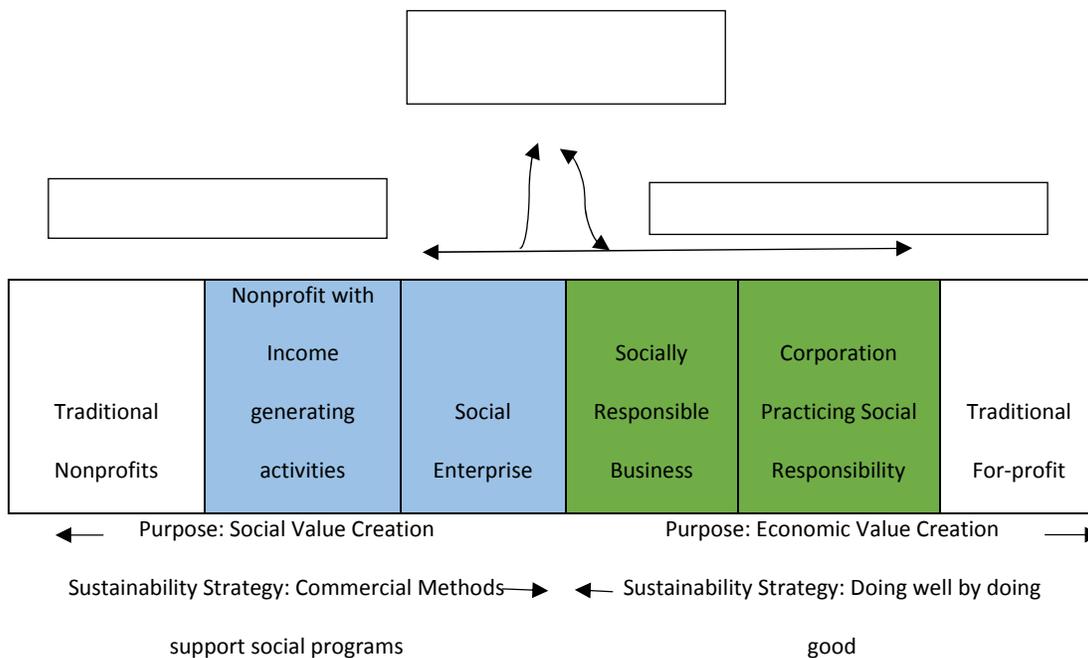
## 2.5 Typology

Alter (2007) in an effort to enhance the spectrum has developed some distinct typologies for social enterprises. He argues that since social enterprises sit between traditional nonprofits and purely commercial enterprises, there is more value at looking at a hybrid spectrum in discerning and understanding social enterprises. All hybrid organizations



Those that transform from social enterprise to socially responsible company or visa-versa must first reorient their primary purpose then realign their organization. Nonprofits are founded to create social value, however, financial sustainability cannot be achieved without external or self-generated funds. For-profits are established to create economic value, yet often must make social contributions to survive in the marketplace. Therefore, both types of hybrids pursue dual value creation strategies to achieve sustainability equilibrium. Nonprofits integrate commercial methods to support their social purpose and for-profits incorporate social programs to achieve their profit making objectives. As a hybrid, the social enterprise is driven by two strong forces. First, the nature of the desired social change often benefits from an innovative, entrepreneurial, or enterprise-based solution. Second, the sustainability of the organization and its services requires diversification of its funding stream, often including the creation of earned income.

**Figure 5: Sustainability Equilibrium**



**Source: Alter (2007), Social Enterprise Typology**

## **2.6 Operational Models of Social Enterprises**

Operational models are designed in accordance with the social enterprise's financial and social objectives, mission, marketplace dynamics, client needs or capabilities, and legal environment. According to Altman (2007), outlines (nine) fundamental models that can be (two) combined and (two) enhanced. Fundamental operational models include: entrepreneur support model, market intermediary model, employment model, Fee for service model, Low income client as market model, Cooperative model, Market linkage model, Service subsidization model and organizational support model.

### **2.6.1 Entrepreneur support model**

The entrepreneur support model of social enterprise sells business support and financial services to its target population or "clients," self-employed individuals or firms. Social enterprise clients then sell their products and services in the open market. The entrepreneur support model is usually embedded: the social program is the business, its mission centers on facilitating the financial security of its clients by supporting their entrepreneurial activities. The social enterprise achieves financial self-sufficiency through the sales of its services to clients, and uses this income to cover costs associated with delivering entrepreneur support services as well as the business' operating expenses. Economic development organizations, including microfinance institutions, small and medium enterprise (SME) and business development service (BDS) programs use the entrepreneur support model. Common types of businesses that apply this model are:

financial institutions, management consulting, professional services (accounting, legal, and market information), technology and products that support entrepreneurs.

### **2.6.2 Market Intermediary model**

The market intermediary model of social enterprise provides services to its target population or "clients," small producers (individuals, firm or cooperatives), to help them access markets. Social enterprise services add value to client-made products, typically these services include: product development; production and marketing assistance; and credit. The market intermediary either purchases the client-made products outright or takes them on consignment, and then sells the products in high margin markets at a mark-up. The market intermediary model is usually embedded: the social program is the business, its mission centers on strengthening markets and facilitating clients' financial security by helping them develop and sell their products. The social enterprise achieves financial self-sufficiency through the sale of its client-made products. Income is used to pay the business' operating expenses and to cover program costs of rendering product development, marketing and credit services to clients. Marketing supply cooperatives, as well as fair trade, agriculture, and handicraft organizations frequently use the market intermediary model of social enterprise. Common types of business that apply this model are: marketing organizations, consumer product firms, or those selling processed foods or agricultural products.

### **2.6.3 Employment model**

The employment model of social enterprise provides employment opportunities and job training to its target populations or “clients” people with high barriers to employment such as disabled, homeless, at-risk youth, and ex-offenders. The organization operates an enterprise employing its clients, and sells its products or services in the open market. The type of business is predicated on the appropriateness of jobs it creates for its clients, regarding skills development, and consistency with clients' capabilities and limitations, as well as its commercial viability. The employment model is usually embedded: the social program is the business, its mission centers on creating employment opportunities for clients. Social support services for employees such as "job coaches," soft skill training, physical therapy, mental health counseling, or transitional housing are built into the enterprise model and create an enabling work environment for clients. The social enterprise achieves financial self-sufficiency through the sales of its products and services. Income is used to pay standard operating expenses associated with the business and additional social costs incurred by employing its clients. The employment model is widely used by disabilities and youth organizations, as well as social service organizations serving low-income women, recovering addicts, formerly homeless people, and welfare to work recipients. Popular types of employment businesses are janitorial and landscape companies, cafes, bookstores, thrift shops, messenger services, bakeries, woodworking, and mechanical repair.

#### **2.6.4 Fee-for-service model**

The fee-for-service model of social enterprise commercializes its social services, and then sells them directly to the target populations or "clients," individuals, firms, communities, or to a third party payer. The fee-for-service model is usually embedded: the social program is the business, its mission centers on rendering social services in the sector it works in, such as health or education. The social enterprise achieves financial self-sufficiency through fees charged for services. This income is used as a cost-recovery mechanism for the organization to pay the expenses to deliver the service and business expenses such as marketing associated with commercializing the social service. Surpluses (net revenue) may be used to subsidize social programs that do not have a built-in cost-recovery component. Fee-for-service is one of the most commonly used social enterprise models among nonprofits. Membership organizations and trade associations, schools, museums, hospitals, and clinics are typical examples of fee-for-service social enterprises.

#### **2.6.5 Low income client as a market model**

The Low Income client as market model of social enterprise is a variation on the fee-for-service model, which recognizes the target population or "clients" a market to sell goods or services. The emphasis of this model is providing poor and low income clients access to products and services whereby price, distribution, product features, etc. bar access for this market. Examples of products and services may include: healthcare (vaccinations, prescription drugs, eye surgery) and health and hygiene products (iodize salt, soap, eyeglasses, earring aids, sanitary napkins), utility services, (electricity, biomass, and

water), etc. for which they pay. People in this income bracket cannot realize economies of bulk purchase, and ironically may pay up to 30% more for products and services than middle income consumers. The social program is embedded in the activity by providing access to products and services that increase clients' health, education, quality of life, and opportunities. Income is earned from product sales and is used to cover operating costs and marketing and distribution costs. However, due to the low incomes of target population in the "low income client as market model" achieving financial viability can be challenging. The social enterprise must relies on developing creative distribution systems, lowering production and marketing costs, achieving high operating efficiencies, cross subsidizing creative revenue markets to markets that require subsidy. Health, education, technology, utility frequently use this.

### **2.6.6 Cooperative model**

The cooperative model of social enterprise provides direct benefit to its target population or "clients," cooperative members, through member services: market information, technical assistance/extension services, collective bargaining power, economies of bulk purchase, access to products and services, access to external markets for member-produced products and services, etc. The cooperative membership is often comprised of small-scale producers in the same product group or a community with common needs—i.e. access to capital or healthcare. Cooperative members are the primary stakeholders in the cooperative, reaping benefits of income, employment, or services, as well as investing in the cooperative with their own resources of time, money, products, labor, etc. The cooperative model is embedded: the social program is the business. The cooperative's

mission centers on providing members services. Financial self-sufficiency is achieved through the sales of its products and services to its members (clients) as well as in commercial markets. Cooperatives use revenues to cover costs associated with rendering services to its members and surpluses may be used to subsidize member services. Cooperatives social enterprises include agricultural marketing cooperatives, which market and sell its members' products, while agricultural supply cooperatives, provide inputs into the agricultural process. Fair trade organizations frequently work with agriculture and commodity producer-owned cooperatives—i.e. coffee, cocoa, wine tea, as well as nonagricultural products—i.e. handicrafts. Self-Help Groups (SHGs) comprised of low income-women, and popular in South Asia, are frequently organized into cooperatives to support a variety of their members' interests related to commerce, health and education. Credit Unions are another example of a cooperative tied to economic development and financial service programs, popular across West Africa, Latin America, and Balkans. In the UK a slight variation on the cooperative, called "mutuals" or "societies" are commonly associated with social enterprise. Unlike a true cooperative, mutual members usually do not contribute to the capital of the social enterprise company by direct investment, instead mutuals are frequently funded by philanthropic sources or the government.

### **2.6.7 Market Linkage model**

The market linkage model of social enterprise facilitates trade relationships between the target population or “clients,” small producers, local firms and cooperatives, and the external market. The social enterprise functions as a broker connecting buyers to

producers and vice versa, and charging fees for this service. Selling market information and research services is a second type of business common in the market linkage model. Unlike the market intermediary model this type of social enterprise does not sell or market clients' products; rather it connects clients to markets. The market linkage model can be either embedded or integrated. If the enterprise is standalone; its mission revolving around linking markets, and its social programs support this objective, the model is embedded. In this case, the social program is the business, income generated from enterprise activities is used as a self-financing mechanism for its social programs. Market linkage social enterprises are also created by commercializing an organization's social services or leveraging its intangible assets, such as trade relationships, and income is used to subsidize its other client services. In this second example, social program and business activities overlap, hence follows the integrated model. Many trade associations, cooperatives, private sector partnership and business development programs use the market linkage model of social enterprise. Types of social enterprises include, import-export, market research and broker service.

#### **2.6.8 Service subsidization model**

The service subsidization model of social enterprise sells products or services to an external market and uses the income it generates to fund its social programs. The service subsidization model is usually integrated: business activities and social programs overlap, sharing costs, assets, o income and often program attributes. Although the service subsidization model is employed prim a financing mechanism—the business mandate is separate from its social mission—the business activities may enlarge or enhance the

organization's mission. Nonprofits that implement service subsidization social enterprises operate many different types of businesses, however, most leverage their tangible assets (building, land, or equipment) or intangible assets (methodology, know-how, relationships, or brand) as the basis of their enterprise activities. Commercialization of core social services leads to enterprise activities that are close in nature to the organization's social programs and may enhance the mission; whereas leveraging physical assets to sell to the public may result in an enterprise that is very different from the organization's social programs. In financial terms the business benefits from leveraging and cost sharing relationships, and provides a stream of unrestricted revenue to "subsidize" or wholly fund one or more social services. Service subsidization is one of the most common types of social enterprises because it can be applied to virtually any nonprofit. The service subsidization model may conceivably grow into an organizational support model if it becomes profitable enough to throw off revenue to the parent organization. Service subsidization model social enterprises can be any type of business. Those that leverage intangible assets such as expertise, propriety content or methodologies, or exclusive relationships tend toward service businesses that commercialize these assets: consulting, counseling, logistics, employment training or marketing. Those that leverage tangible assets such as buildings, equipment, land, employees, computers, etc. may launch any number of enterprises that utilize infrastructure and capital assets: leasing, property management, product-based retail businesses; copying, transportation or printing services, etc.

### **2.6.9 Organizational support model**

The organizational support model of social enterprise sells products and services to an external market, businesses or general public. In some cases the target population or "client" is the customer. The organizational support model is usually external: Business activities are separate from social programs, net revenues from the social enterprise provide a funding stream to cover social program costs and operating expenses of the nonprofit parent organization. Although organizational support models may have social attributes, profit not social impact is the prerequisite for this type of social enterprise. This model of social enterprise is created as a funding mechanism for the organization and is often structured as a subsidiary business (a nonprofit or for-profit entity) owned by the nonprofit parent. Successful examples of this model cover all or a major portion of the parent organization's budget. Similar to the service subsidization model, the organizational support model may implement virtually any type of business that leverages its assets. This model is common place among Western nonprofit organizations across sectors.

### **2.6.10 Combining Models**

Combining is a strategy to maximize social impact as well as diversify income by reaching new markets or creating new enterprises. In practice, most experienced social enterprises combine models—few social enterprise operational models exist in their pure form. Operational models are like building blocks that can be arranged to best achieve an organization's financial and social objectives. Social enterprises combine operational

models to capture opportunities in both commercial markets and social sectors. Social enterprise models are combined to facilitate enterprise or social program growth; increase revenues by entering new markets or businesses; and augment breath or depth of social impact by reaching more people in need or new target populations. Model combinations occur within a social enterprise (Complex Model) or at the level of the parent organization (Mixed Model).

### **2.6.11 Complex Model**

A complex model of social enterprise combines two or more operational models. Complex models are flexible; virtually any number or type of operational models can be combined into one social enterprise. Models are combined achieve desired impact and revenue objectives. For example, operational models that fall into integrated or external social enterprise categories may yield greater financial benefit, whereas embedded social enterprises offer higher social return, thus models are combined to achieve the dual objectives of the social enterprise. If appropriate for an organization's target population, the employment model is often combined with one of the other models to add social value—i.e. employment and organizational support model. Operational models are often combined as part of a natural diversification and growth strategy as the social enterprise matures.

### **2.6.12 Mixed Model**

Many nonprofit organizations run multi-unit (mixed) operations, each with different social programs, financial objectives, market opportunities and funding structures. Each unit within the mixed model may be related vis-à-vis target population, social sector, mission, markets, or core competencies. A museum for example, in addition to educational art exhibits, might have both a for-profit catalogue business and a highly subsidized research and acquisition operation. Nonprofits employing a mixed method combine social and business entities; subsidiaries owned by the parent organization or departments (cost or profit centers) within it to diversify their social services and capitalize on new business and social market opportunities. Like all social enterprises, mixed models come in a variety of forms depending on the organization's age, sector, social and financial objectives and opportunities. Mixed models are often a product of an organization's maturity and social enterprise experience. This model is common among large multi-sector organizations that establish separate departments or subsidiaries for each technical area—i.e. education, health, economic development, etc. and new business ventures. In nonprofits with mature social enterprises, mixed models are the convention, not the exception, a result of expansion and diversification.

### **2.6.13 Enhancing models**

Two models make up the enhancing model namely the franchise and private-sector partnership model. The franchise model enhances social enterprises by addressing common nonprofit challenges of replication and scale. Technically, any social enterprise

that can be reproduced may be applied to the franchise model. Reproduction requires a viable social enterprise model with clear business and social parameters, which is applicable in different markets or across geographical regions. For this reason embedded social enterprises usually work best with the franchise model. Franchising enhances social enterprises by helping them achieve economies of scale and with it viability or profit, as well as enabling mass replication, and thus, increased breath of scale–geographical coverage–or depth of scale– volume of clients–and social impact. The Private-Sector Partnership Model represents a mutually beneficial relationship between a for-profit company and a nonprofit social enterprise. Relationships are forged on commercial grounds, whereby each partner is a contributor to the commercial success of the venture. The partnership adds value or enhances the nonprofit social enterprise by increasing its viability, and hence its social impact, either directly by reaching more clients through its business model, or indirectly by generating funding for social programs. The private partner also benefits vis-à-vis improving goodwill, increasing customer loyalty, penetrating new markets, attracting more socially conscious consumers, etc., which subsequently translates into higher sales and more profit.

## **2.7 Institutional Support**

The environment for social enterprise in the United States tends to reflect a private/business focus. Thus, the supportive institutional context largely consists of private organizations that provide financial support, education, training, and research and consulting services for social enterprises. One of the significant characteristics of social enterprises in the United States is that most outside financial support for the strategic

development of social enterprises comes from private foundations as opposed to government. (Kerlin, 2009). One growing trend is the choice by the some foundations to sponsor specifically nonprofit social enterprise projects. Such projects include the Venture Fund Initiative of the Rockefeller Foundation, the Powering Social Change report funded by the Atlantic Philanthropies, initiatives by the David and Lucille Packard foundation to name a few. Also, largely backed by foundations are the so-called “social enterprise accelerators”. One of the best known is the Pittsburgh Social Innovation Accelerator to support the development of emerging nonprofit ventures in the Pennsylvania. Providing one-on-one consulting, seed funding, business tools and connections with key stakeholders (Kerlin, 2009). Also, some limited but mostly government support for social enterprise is found at the local, state and federal levels. There are also state and federal set-aside programs for social enterprise rehabilitation programs that employ people with disabilities. Institutions supporting social enterprise teaching and research have been growing steadily since the 1990s leading to many business schools either creating centers of offering courses on social entrepreneurship. According to Nicholls (2006), by 2006, at least sixteen business schools across the United States had either created one or both with varying research focusing on the practical knowledge needed by business and nonprofit managers to develop social enterprises in their organizations. On the social science side, nonprofit centers and course offerings also rose steadily with at least forty-seven Universities housing a nonprofit center or program. Young (2006), asserts that the course offerings often include discussions on nonprofit commercial revenue. In line with such growth in the United States membership organizations have also formed around the idea of social enterprise

and entrepreneurship. One of the fastest growing organization in this area is the Social Enterprise Alliance, which describes itself as “the only member organization in North America to bring together the diverse field of social enterprise”. It is the result of the merger of two groups: the National Gathering for Social Entrepreneurs founded in 1998 and Sea Change founded in 2000. It is run by and for lenders, investors, grant makers, practitioners, consultants, researchers and educators. It serves as advocate for the field, hub of information and education, and builder of a vibrant community of growing social enterprises (Social Enterprise Alliance, 2009).

## **2.8 Underlying Theoretical Constructs**

Theories of social entrepreneurship have drawn substantially from the field of entrepreneurship research, but the dynamic process is primarily related to the social sphere, taking different forms inspired by the for-profit, nonprofit and public sectors (Hisrich et al., 2000; Dees, 1998; Mair et al., 2006 and; Nicholls, 2006). Discourse on social entrepreneurship has been strongly influenced by developments in the U.S and U.K. during the 1980s and 1990s. The concepts of social enterprise relate to how societies are organized and specifically to how social services are provided in different models. Social enterprises often appear to provide services in lieu of public efforts and create avenues for articulation of societal interest, shaping structures for social engagement and civic participation. In the U.S. And U.K. which are considered liberal welfare regimes, markets are regarded as the primary distributor of resources and services. For example, many women and immigrants are employed in low-paid market based private sector service that provides child care or household services. These welfare

models provide different context for social enterprise initiatives. Galwell (2014), argues that these welfare models are not rigid and given the influencing trend of the so-called new public management practices spurred by private-sector managerialism, there has been an increasing demand for efficiency in the public sector through market adjustments leading to the decentralization of financial responsibilities. This has led to more market-like relationship between organizational units in the system. Subsequently, there has also been an increase in participatory citizen involvement as a response to perceived ‘democratic deficit’ and difficulties faced by governments in controlling the implementation of policies. These developments have culminated in an efficient public decision making, on the one hand and participatory collaborative governance, on the other both part of the context that social entrepreneurship and social enterprises are currently embedded in.

### **2.8.1 Institutional Theory**

Theories from sociology and organizational theory offer interesting complementary explanations for the social enterprise phenomena. Institutional theories are built around the concept of legitimacy rather than efficiency or effectiveness as primary organizational goals. From an institutional perspective, legitimacy is even the means by which organizations obtain and maintain resources (Oliver, 1991) and is the goal behind an organization’s widely observed conformance or isomorphism with the expectations of key stakeholders in the environment (DiMaggio & Powell, Jr., 1983 and Tolbert & Zucker, 1983). In the institutional mind-set, managers follow environmental cues to make organizations conform to social expectations. This legitimizes the organizations.

Institutional theory is premised on the idea of organizations as systems open to their social and cultural environments (Scott, 1992) and the norms, myths and symbols found within that environment (Dart, 2004). From this perspective organizations reflect and embody important social ideas as much as they deliberately perform certain tasks. Thus social enterprise can be viewed as an emerging organizational form because of the way it embodies market place values and the way it deploys symbols of business and commerce.

Another of such institutional theories is the Institutional economic theory which represents a very wide concept of institutions. According to North (1990) one of the proponents of this construct, institutions are the rule of the game in society, or more formally, institutions are the constraints that shape human interaction. Since the main function of institutions is to reduce uncertainty by establishing a stable structure for human interaction, North delineates how institutions and the institutional framework affect economic and social development. He further argues that institutions can either be formal, such as political rules, economic rules and contracts or informal such as codes of conduct, attitudes, values, norms of behavior, and conventions, or rather the culture of a determined society. Formal institutions are subordinate to informal ones in that they are used to structure societal interactions in line with the guidelines that make up its formal institutions (1995). In the context of social economy, the dominant discourse focuses on the formal institutions, according to North's (1990) terminology. This approach is used to identify the main legal forms through which most third sector initiatives flow (co-operative enterprises, mutual societies, and associations) as well as the common features that characterize them (Toledano, 2011).

### **2.8.2 Structuration Theory**

Recent academic discourse on institutional theory suggest that it lacks a pervasive explanation of agency. Authors such as DiMaggio and Powell argue for a more coherent theory the lack of which is institutional theory's main weakness when it set out to explain the change and the role of actors in the creation of institutions and social practices. Within the field of institutional entrepreneurship, scholars have analyzed the conditions that make it favorable for agents to bring about institutional change based on the agent's motivations, social position, ideas of change, or the structures and uncertainties in the field (Greenwood & Suddaby, 2006; Battilana, 2006; Seo & Creed, 2002). These scholars argue that not only is the interest of the role of agency important but the interrelatedness of social /institutional structure and agency as well as their role in the social change process through the diffusion of social innovations. Protagonist such as Barley and Tolbert (1997) argue that structuration theory and institutional theory both conceive institutions and actions as inextricably linked and understand institutionalization as an on-going dynamic process. They further suggest a fusion of both theories to enable a considerable advance in institutional theories and its explanatory power. Structuration theory provides a theoretical framework that highlights how social systems and social structures are iteratively and reciprocally created by agents who are both constrained and empowered by institutions. Through the interplay between institutions and actions, called the process of structuration, institutional practices shape human actions that, in turn, confirm or modify the institutional structure. Social systems are conceived in the structuration theory as regulated models of social practices and relations between actors. Hence, the theory suggests that institutions set limits on human rationality but are also the

subject of the action of human agency modifying, eliminating, or creating new institutions and eventually new social systems (Giddens, 1979; 1984).

### **2.8.3 Network Theory**

In general, the network theory perspective as applied to entrepreneurship proposes that ventures evolve and crystallize out of personal networks. Entrepreneurial networks have been shown to facilitate the opportunities recognition and the resources acquisition this reaffirms their role in providing frameworks for the facilitation of innovation and the development of regional entrepreneurial environments (Drakopoulou & Anderson, 2007). The concept of networks also suggests the notion of collections of actors joined together by a certain type of relationship. This ideal type of network advocates a truly symmetrical relationship between the individuals involved to share useful information or knowledge with other members, which may eventually lead to cooperation among actors (Birley, 1985; Granovetter, 1985; Witt, Schroeter, & Merz, 2008). Current discourse in the field provides some form clarity on the process resulting from continuous interaction between social entrepreneurs and the context in which they and their activities are embedded. Network theory provides an understanding on the notion of the relationships between individuals, their interactions, and connections within the social entrepreneurship context. Thus, social entrepreneurs use their social network in a community to catalyze change and gain support for their mission (Alvord, Brown, & Letts, 2004). The image of social entrepreneurship as described by Toledano (2011) “is a successive enactment of social opportunities continuously produced by the connections established through the entrepreneurs’ personal network.

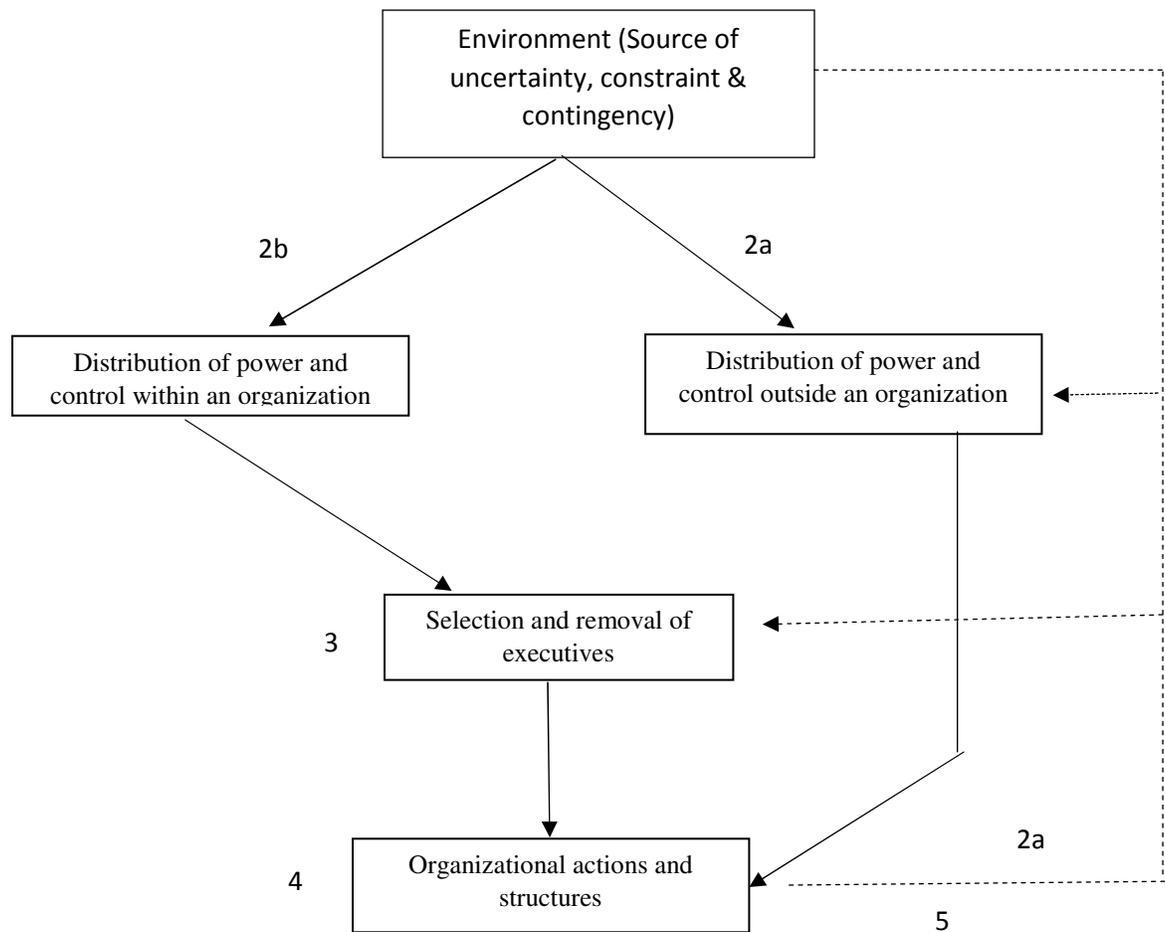
#### **2.8.4 Resource Dependency Theory**

The resource dependency theory assumes that organizations are externally constrained by the environment for resources. Given that organizations will need to obtain resources to satisfy customer demands for goods and services their survival depends on their ability to acquire and maintain these resources. Another assumption underlying this theoretical construct is that organizations must have the ability to acquire information from the environment within which they operate and have the ability to proactively react to future responses based on past experiences. Thus to succeed they will need to have strategies to acquire, maintain, and sustain their survival and prosperity. Also Pfeffer and Salancik (1978) who promulgated the theory further argues that organizations that control the flow of resources could influence other organizations. Thus, with powerful and influential foundations such as Ashoka and Skoll who are often awash with huge resources it is inevitable that their drive in encouraging the social enterprise phenomenon will obviously have far reaching implications for organizations they support or interact with.

According Pfeffer and Salancik (2003), the crux of understanding the resource dependency theory lies with the ability to understand the critical resources needed by an organization. Thus central to the heart of their thesis is that the environment provides those 'critical resources' required. It is important to highlight however that the theory does not argue that the environment and dependency directly influence organizational behavior without the knowledge of the actors involved. Rather, the assumption is that bounded rationality between the actors and their relation to the environment takes into account such relationships in solving complex problems and processing information.

This concept is explained in figure 6 below:

**Figure 6: Resource Dependency Theory**



Adapted by Nienhueser (2008) from Pfeffer and Salancik (2003)

It is important to mention that the figure above does not in any suggest or imply a causal proposition. Nienhueser (2008) just uses this illustration to provide a framework for understanding the concept. As shown in figure 1 above Box 1 explains the environment as a source of uncertainty and constraint. While most theories focus on internal processes of resource use, resource dependency theory concerns gaining resources. The absence of

the critical resources for output is seen as a key target. A specific resource may be a small part of the total need but it is an essential part. Resource dependency theory supports the idea that the environment directly influences organizational behavior, by acknowledging the uncertainty in the distribution of scarce resources in the environment.

To reduce their dependence, organizations acquire alternative sources of resources, or gain control over those resources. Pfeffer and Salancik applied the idea of resource dependency theory to the relationship with both the external and internal environment. Arrow 2a describes the external distribution of power and the management of dependency relationships. The actors that control the critical resources needed by other organizations have relative power. The rationale for resource management relies on the level of resource dependency and the amount of uncertainty. Pfeffer and Salancik describe a variety of organizational actions for reducing uncertainty and managing the demands of the environment in terms of both vertical integration and horizontal integration. Arrow 2b refers to the internal distribution of power. Not only do external factors affect the organization, but also the internal actors within the organization such as persons or departments are critical resources. Members of powerful sub-units can make a contribution to the reduction of organizational uncertainty. Arrow 3 represents the connection between the distribution of power and executive succession. To maintain and enhance their power, managers that possess great power prefer to select someone that depends on their opinion. Arrow 4 and 2b describe the connection between management structure, distribution of power, and decisions and organizational structures. To control resources, external stakeholders also fill important positions of the organization. Arrow 5

shows the feedback effects. According to an argument of Pfeffer and Salancik (2003), it is clear that the decisions and actions in organizations have a feedback effect.

### **2.8.5 Stakeholder Theory**

Stakeholder theory is based on the notion that beyond shareholders there are several agents with an interest in the actions and decisions of companies. Thus, individuals who benefit from or are harmed by organizational actions including those whose rights have been violated or respected. In addition to shareholders, stakeholders include creditors, employees, customers, suppliers, and the communities at large. Stakeholder theory asserts that companies have a social responsibility that requires them to consider the interests of all parties affected by their actions. Management should not only consider its shareholders in the decision making process, but also anyone who is affected by business decisions. In contrast to the classical view, the stakeholder view holds that “the goal of any company is or should be the flourishing of the company and all its principal stakeholders” (Branco & Rodrigues, 2007). The theory is rooted in organizational economics and economic theories of institutions. The theory builds on Hansmann’s trust argument, in which a variety of problems might make it difficult for the consumers of a particular commodity to police the conduct of producers by normal contractual or market mechanisms, thus resulting in contract or market failure. According to this reasoning nonprofits or social enterprises exist because some demand for trust goods in market situations are not being met by market firms. The stakeholder theory also relates to Weisbrod’s theory of public goods and demand heterogeneity in which limits to government’s position drive stakeholders to seek alternate institutions to fill their needs

(Anheier, H. K., 2005). According to Ben-Ner (1991), these alternate organizations are created in order to “maximize control over output in the face of information asymmetries.

### **2.8.6 Santos’s Positive Theory of Social Entrepreneurship**

Santos (2012) in his proposition argues that social entrepreneurs maximize not only on value capture but on value creation, only sacrificing on value capture to fuel operations and reinvest in growth. Santos suggests that there is tension between value creation and value capture. The emphasis on either one draws from the specific identity of an organization that allows for the differentiation of entrepreneurial activity. According to Santos, what distinguishes social entrepreneurship from commercial entrepreneurship is a predominant focus on value creation as opposed to value capture. Hence, social entrepreneurs will be displaced in the long term to domains where the market does not perform well, and the potential for value capture is limited (Agafonow, 2014). Santos further asserts that social entrepreneurs will thrive in areas with strong externalities, particularly positive externalities, where the potential for value capture is lower than the potential for value creation because the benefits for society of the activity go much beyond the benefits accrued to the entrepreneurs. He contends that value creation from activity happens when the aggregate utility of the society’s members increases after accounting for the opportunity cost of all resources used in that activity. A draw back from this theory however has been that it fails to reconcile the social and commercial aspects of social entrepreneurial activities. Thus critiques suggest that by refocusing the theory on the organizational level unlike Santos whose focus is at the systems-level it is possible to expand on social entrepreneurship, acknowledging that neglecting value

capture can either be a structural feature of the organizational form that social entrepreneurs choose or a matter of strategy in using a firm to advance social goals. Notwithstanding the criticisms however, Santos' theory acts as an alternative to the polar opposites of for-profits and nonprofits that currently constitute an academic gridlock in social entrepreneurship research.

## **2.9 Legal Structures for Social Enterprises**

Developing a consistent and principled theory of social enterprise is critical to law and policy development. According to Blount & Nunley (2014), how social enterprise is defined will ultimately drive the one's view of how it should be treated under the law. If the starting point is defining social enterprise through a dichotomy by characterizing and the social and economic function as distinct spheres of activity, the logical conclusion is that new legal entity forms may be required to accommodate these enterprises. On the other hand, if social enterprise is understood as a decision to focus on value creation over value capture, then social enterprise is best conceptualized not a uniquely different type of business necessitating a new legal entity structure but as a strategic choice that can be implemented by any business organization. Against the backdrop of the legal views established above, there has been a gradual shift in business philosophy, particularly evident with entrepreneurs becoming more interested in more than the bottom line. Thus, the view that business organizations should focus on the betterment of society and consider other factors such as employees, community and the environment has taking hold and in some States, legislatures are beginning to recognize that changes in business organization laws are necessary to provide legal forms that support social enterprise and

accommodate the growing interest in, and attention to, the triple bottom line (economic, social and environmental) (Urich, 2013).

Common forms of business organizations include the sole proprietorship, the partnership, the corporation, and the limited liability company (LLC), each of these created using the laws of the state where the business is being organized. As views continue to change and evolve some social enterprise practitioners and lawyers have come together to explore new legal structures for social enterprises that would combine the access to capital that businesses enjoy with the legal advantages of a charitable organization (Kerlin, 2009). One of the most promising legislation passed by the state of Vermont in April, 2008 created the low-profit limited liability company preferably known as L3Cs. Other states such as Michigan, Wyoming, Utah, and North Dakota, Illinois, Maine, Rhodes Island, Louisiana and North Carolina (who adopted the L3C law in August 2010 and repealed their L3C law effective January 2014). Another of such legal forms include the benefit corporation and the flexible purpose corporation.

### **2.9.1 The Low-Income Limited Liability Company**

The low-income limited liability company (L3C) is a business structure that expands the limited liability company (LLC). The L3C structure is formed primarily to achieve charitable or educational purposes rather than to earn profit, as its aim name implies. It is designed to attract a combination of for-profit and nonprofit investors. Proponents of L3Cs argue that this new business form is necessary because traditional for-profit structures require high financial returns unattainable by most social enterprises, and

traditional non-profit organizations have legal and tax restrictions on pursuing significant profit and limited access to capital investors (Urich, 2013). It is therefore ideal for companies that want to emphasize a social or environmental benefit rather than profit while enjoying the ease and flexibility of the LLC format. One challenge however, is that the Internal Revenue Service (IRS) has not yet agreed to treat all investments made by private foundations to L3Cs as qualified program related investments.

### **2.9.2 The Benefit Corporation**

This new legal structure advocates a socially beneficial role for corporations. Since intrinsic in the existing corporate structure is the requirement that the corporation must maximize profits to shareholders, the existing corporate structure does not accommodate socially beneficial corporate decisions per se given that they may leave organizations vulnerable to shareholder liability (Urich, 2013). Thus companies that want to consider a socially beneficial role referred to as the triple bottom line (people, planet and profit) can pursue the benefit corporation model or flexible purpose corporation model both believed to enhance and legally protect social enterprises. As of January, 2013, there were eleven states that had passed laws giving legal effect to the benefit corporation. These states include, Maryland, Vermont, New Jersey, Virginia, Hawaii, California, New York, Massachusetts, South Carolina, Illinois, Louisiana and Pennsylvania with several more states having benefit corporation legislation pending (Urich, 2013). Essentially, the benefit corporation is a for-profit business that aims to create a material positive impact on society and the environment. It is also important to mention that this idea emanated from a nonprofit organization called B Lab based in Berwyn, Pennsylvania, whose

mission is to utilize the power of business to solve social and environmental problems (B-Lab, 2014).

### **2.9.3 The Flexible Purpose Corporation**

In January 2012, California became the first state to enact legislation creating a third type of business structure that supports social enterprise and called it the “Flexible Purpose Corporation”. Washington followed suit and passed legislation in June 2012 allowing for the formation of a similar corporate entity called the Social Purpose Corporation. The aim of these new corporate structures is to permit profit seeking corporations to operate with a stated socially beneficial purpose, together with a traditional profit purpose, without the threat of lawsuits from shareholders for not maximizing profit with every decision (Urich, 2013). The aim of the legislature was to develop an organization with enough flexibility to combine a for-profit entity with a specific public benefit usually reserved for a nonprofit entity. In comparison to the benefit corporation, the flexible purpose corporation can choose to focus on a specific social benefit rather than being obligated to the general betterment of society. In addition, the benefit corporation will be measured against a third-party standard whereas the flexible purpose corporation will be allowed to create their own “best practices” (Johnson, 2011).

### **2.10 Research Gap Analysis**

Throughout the literature, social enterprises generally refer to a wide spectrum of initiatives ranging from voluntary activism to corporate social responsibility (Nicholls,

2006). Dees (1998), proposed understanding social enterprises through the social enterprise spectrum where social enterprises lie between purely philanthropic and commercial motives. Between these two extremes, many categories are identified which include: individual initiatives, nonprofit organizations launching new initiatives, public-private partnerships with a social aim, and an unending list of “blurred boundaries” between institutional and legal forms as well as the “blended value” creation that characterizes the social enterprise space. For instance, in Europe, social enterprises are defined as those enterprises that combine income from sales or fees from users with public subsidies linked to their social mission and private donations and/or volunteering (Nyssens, 2006). In the US context Kerlin (2009) define social enterprises as mainly nonprofit organizations more oriented toward the market and developing “earned income strategies” as a response to increased competition for public subsidies and to the limits of private grants from foundations. This is a definition I strongly support giving the historical antecedents of the concept as well as the consensus of the concept inhabiting the third sector or social economy space which is generally perceived as the sector where nonprofits thrive. Social enterprise is considered very important in the emergence of societal management of key social needs (Dart, 2004). Social enterprises are said to represent strategically better options for organizations to fulfill their prosocial missions (Emerson & Twersky, 1996). A complementary argument proffered by other scholars (Dees, 1998; and Young, 2001) is that social enterprises offer a solution to public sector funding and philanthropic resource constraints. The consensus in the social enterprise discourse has been the acceptance of the “double bottom-line” concept which frames social enterprises as being jointly prosocial and financial in intent. According to Dart

(2004), this broad definition and its emphasis on social value creation is fairly generic and has no specific commercial character. He describes recent parallels by major social enterprise catalyst like Ashoka and Schwab Foundation for Social Entrepreneurship as further protracting the ongoing social enterprise deliberation given that they unlike most social enterprise scholar focus on innovation and impact and not income. As earlier discussed in the social enterprise spectrum, social enterprises are considered synonymous with organizations becoming more market driven, client driven, self-sufficient and businesslike. Thus activities such as revenue-source diversification, fee-for-service programs, private sector partnerships and social purpose businesses are the bane of so-called social enterprises. Scholars argue that social enterprises are different from traditional nonprofit organizations because they blur the boundaries between nonprofit and for-profit and therefore they enact hybrid nonprofit and for-profit activities. Thus they come from the dependence on top-line donations, member fees, and government revenue to a frequently increased focus on bottom-line earned revenue and return on investment.

In conceptualizing social enterprises amidst the abundant definitions, two distinct characteristics have emerged: the adoption of some form of commercial activity to generate revenue; and the pursuit of social goals (Doherty, Haugh, & Lyon, 2014). Social enterprises might therefore rely on a combination of unearned income and commercial revenue or rely completely on trading income to meet their social objectives. The significant growth in interest in social enterprises has been attributed to four social, economic and political trends. First, changes in the nature of philanthropic giving have pushed formerly donor-dependent organizations to seek more commercial activities

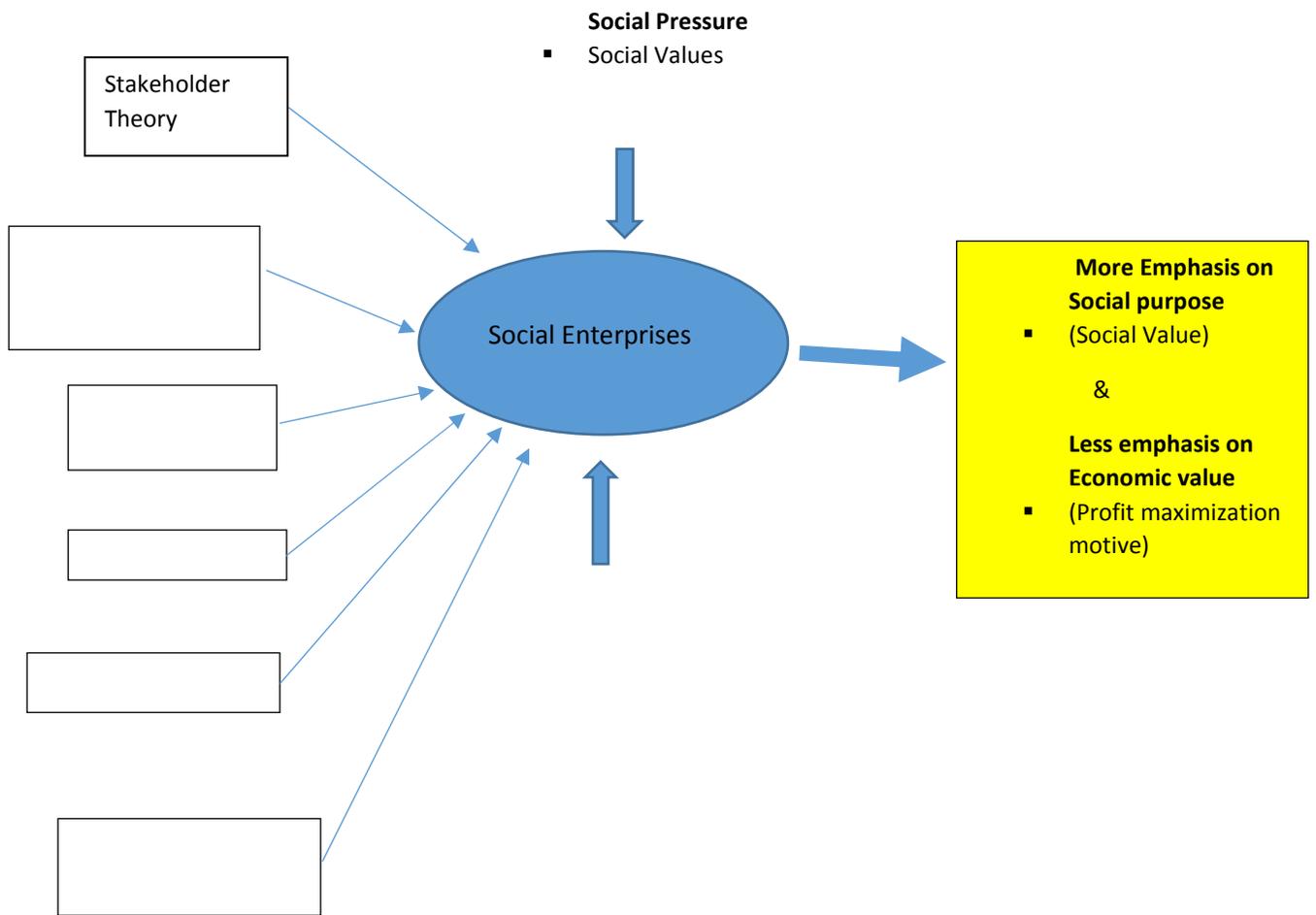
(Dees, 1998). Second, new models of public service delivery have created market opportunities for new entrants, including social enterprises (Perrini, Vurro, & Constanzo, 2010; Fawcett & Hanlon, 2009; Haugh & Kitson, 2007; Chell, 2007; and Brandsen, van de Donk, & Putters, 2005). Thirdly, the interest in alternative economic systems and novel forms of capitalism has directed attention and resources towards the market potential of social enterprises (Wilson & Post, 2013; Hudson, 2009; and Amin, 2009). Finally, policy and practitioner responses to deficiencies in economic justice and rising inequality increasingly look to social enterprise as a solution to market failure ((VanSandt, Sud, & Marmé, 2009; and Austin, Stevenson, & Wei-Skillern, 2006). A review of the literature reveals two important contextual considerations. First, a historical review finds that the meaning of social enterprises has changed over time (Teasdale, 2012). From a temporal perspective, social enterprise is not a new organizational form, but a product of the evolutionary development of nonprofit or voluntary organizations, cooperatives and mutual organizations. This evolution blurs the boundaries between different organizational forms and positions social enterprises at the intersection of the private, public and nonprofit sectors (Kerlin, 2010; Peattie & Morley, 2008; and Nyssens, 2006). This increasing blur can be attributed to the marketization of the nonprofit sector, in which nonprofits are encouraged to focus on generating commercial income from service delivery contracts, thus distinguishing between enterprises that have evolved from classical, or pure, voluntary organizations to social enterprises and organizations that are established as social enterprises from inception (Mullins, Czischke, & van Bortel, 2012; and Liu & Ko, 2012). According to Teasdale et al (2013), as the category of social enterprises gains widespread traction in policy and practice there is some evidence of

relabeling by organizations to self-define as social enterprises. The second contextual consideration is shaped by country-level institutional factors such as the environment within which social enterprises operate, their location at the intersection of the economic sectors characterized by different norms and practices as well as the increasing competition between organizations in the nonprofit and private sectors and between nonprofit distributing organizations (Chetkovich & Frumkin, 2003). These institutional differences between countries is evident in the varied transnational and national policies aimed at promoting social enterprises. For instance, in the US, rising policy interest has led to the establishment of the Office of Social Innovation and Civic Participation, while in the UK they have an Office for Civil Society that has implemented the Big Society initiative aimed at furthering the agenda of social enterprises.

From the literature, I contend that social enterprises are indeed nonprofits and that the legitimacy of social enterprises though premised on institutional theory among a host of other theories denotes an attribution of social acceptability by stakeholder groups because their activities are likely to be of value to those concerned. For example, government, foundation or federated funders may find social enterprise activities pragmatically legitimate because such activities could reduce social-purpose organizations' need for these groups' funding, or because such activities offer innovative solutions to social problems. On the other hand, nonprofit organizations could find social enterprises legitimate to the extent that it provides access to new targeted public-sector and foundation funding in a variety of different political jurisdictions. According to Dart (2004), empirical evidence is scant on whether social enterprises produce outcomes that make it pragmatically legitimate. He argues that even though there are funding programs

to develop social enterprises internationally and nationally in the United States, United Kingdom, Canada etc. their pattern of surpluses and losses over time would influence institutional beliefs regarding the value and social standing of social enterprises. This I term as “social pressures” in my conceptual framework. On the other hand, Institutional isomorphism and the gradual but continuous change in socio-political values have seen an emergence of a renewed faith in market and business-based approaches and solutions leading to an evolution of organizational forms that are encouraged to address social needs through market mechanisms. In order to secure resources, social enterprises seek legitimacy in their institutional environments by looking like other nonprofit organizations, or private-sector businesses. Tight coupling between institutional environments and enterprises is theorized to be critical in organizational survival because engaged communities, influential stakeholders, and resource providers offer legitimacy, support, and resources. This I term as “environmental pressures” in my conceptual framework. Even though some scholars maintain that social enterprises operate on a continuum between traditional and for-profit organizations, it is worthy to mention that it is only the nonprofit organization that has the motivation to evolve into a social enterprise or create a social enterprise due to the varied reasons elaborated above especially the issue of funding constraints. For-profit institutions on the other hand can operate under corporate social responsibility monikers if they are concerned with providing some form of public good or alleviating societal problems where they operate from. Social enterprises are seen as the solution to nonprofit financial and operating problems by promoting financial independence and utilizing effective organizational systems.

**Figure 7**



## **Chapter 3: Methodology**

### **3.1: Introduction**

In recent years, the application of entrepreneurial approaches to social issues has been institutionalized in an innovative concept called social enterprises. Generally social enterprises are defined as businesses with social objectives where focus is on generating social value instead of profit maximization for shareholders and other stakeholders. In spite of this generally agreed definition there is still no agreement on what constitutes social enterprises and what does not. As the vehicle through which social entrepreneurs operate this “fuzziness” can be attributed to the ambiguity associated with the social entrepreneurship concept evident in numerous scholarly contributions (Dees & Anderson, 2006; Dorado, 2006; Light, 2008; Short, Moss, & Lumpkin, 2009). Like the entrepreneurship field in its early days it is mainly phenomenon driven, its boundaries with respect to other fields of research are fuzzy and lacks a unifying paradigm (Mair, Robinson, & Hockert, 2006). As a result most publications consist of a conceptual setup with an intuitive touch and aim to define key constructs and explore why and how these constructs are related. As such there are very few articles on social entrepreneurship based on empirical research. Empirical research is obviously of considerable significance for social entrepreneurship as a field of scientific inquiry. Research connected to empirical reality allows for the development of a testable and valid theory (Eisenhardt, 1989) and is indispensable for the evolution of any field of research. Also most of the case studies, story-telling and anecdotes that have filled academic articles about social entrepreneurship and social enterprises have taken knowledge development only so far. Thus, there is the need for greater advances supported by verifiable data on the

characteristics, motives, strategies, behaviors, results, and impacts of social entrepreneurs and their organizations (Bloom & Clark, 2011)

### **3.2 Ontological position**

The ontological position as applied to entrepreneurship is that entrepreneurship and entrepreneurs are subjectively and inter-subjectively understood by human beings. People can be regarded as active in the sense that they interpret and construct reality at the same time as these interpretations and constructions usually take place within the taken-for-granted boundaries of institutionalized cultural norms (Giddens, 1984a). This implies that entrepreneurship and the entrepreneurs exist through the interpretations made by individuals, groups of individuals and different cultures in society. This means that what and who are included or excluded from these conceptual categories may vary depending on which group of people you ask (Lindgren & Packendorff, 2009). Given this ontology, entrepreneurship as a scientific field is also seen as a social construction based on a set of inter-subjectively shared beliefs amongst practitioners, policy-makers and scientists, rather than a set of laws and indisputable truths (Astley, 1985). This paper explicitly embraces an ontological commitment grounded in scientific realism. From this perspective, explaining a social phenomenon is to exhibit or assume the sets of mechanisms that make a social system work the way it does (Bunge, 2004; Sayer, 1992).

### **3.3 Epistemological position**

This epistemological position is the view of what knowledge about entrepreneurship means and how such knowledge is produced and it stems directly from the influence of the ontological position. Scientific knowledge on entrepreneurship is thus produced through the articulating and understanding how these individuals and collectives subjectively and inter-subjectively construct their entrepreneurial actions as unfolding processes (Fletcher, 2006; Drakopoulou Dodd, S. & Anderson, 2007). Given that entrepreneurship is a socially constructed concept, it becomes more meaningful to observe and understand the interactions in which the concept thrives. Furthermore, since knowledge and concepts are created in interaction between people and their interpreted environment it reaffirms the social entrepreneurship as relatively subjective construct.

### **3.4 Research Design**

Research on social enterprises is limited in the scientific literature, as it is based on qualitative research methods such as analysis of terms, descriptions of practical examples, and case study analysis. The underlying reason being that the phenomenon of social enterprises is comparatively new. My research design is informed by a pragmatic philosophical worldview. According to Creswell (2009), pragmatism as a philosophical world view arises out of actions, situations, and consequences. Its concern is with solutions to problems rather than antecedent conditions. This philosophical view is important as it focuses attention on the research problem and then uses pluralistic approaches to derive knowledge about the problem. Thus, this worldview is the purpose

for my adoption of mixed methods research. The case study analysis as the most appropriate design for this study as it assists in understanding complicated and less-researched topics (Eisenhardt, 1989; Eisenhardt & Graebner, 2007; Yin, 1984). This design is of immense relevance when the focus of the study is on extensively exploring and understanding rather than confirming and quantifying. It provides an overview and in-depth understanding of a case, process and interaction within a unit of study but cannot claim to make any generalizations to a population beyond cases similar to the one studied (Kumar, 2014, p. 155). One of the advantages of this method is the different data collection ways (surveys, interviews, documentary analysis, observations etc.) and the various sources used during the conducting of the research; in the result data obtained is expected to be both quantitative and qualitative. Given the exploratory nature of this study in the Commonwealth of Virginia my objective is to compare and enrich the theoretical approaches in order to generate new propositions. This is the rationale for adoption of a mixed method approach to the case study. To achieve this I adopt an exploratory sequential design process. The intent is to explore the social enterprise phenomenon by initially doing so through a qualitative data collection and analysis the outcome of which will inform my quantitative study. A first major advantage of the mixed method approach is that it enables the researcher to generate and verify theory in the same study. Secondly, mixed methods research provides stronger inferences. This is corroborated by several authors that postulate that using mixed methods approach can offset the disadvantages that certain methods have by themselves. Johnson and Turner (2003) refer to this as the fundamental principle of mixed method research: methods should be mixed in a way that has complementary strengths and non-overlapping

weaknesses. Thirdly, mixed methods provides the opportunity for presenting a greater diversity for divergent views. Divergent views are often valuable and could lead to a re-examination of the conceptual frameworks and the underlying assumptions of each of the two (qualitative and quantitative) components (Molina-Azorin, Lopez-Gamero, Pereira-Moliner, & Pertusa-Ortega, 2012). Other advantages of a mixed method approach include triangulation, development, initiation and expansion (Greene, Caracelli, & Graham, 1989). The case-study approach will also provide a detailed description of the as-is-state (and relevant past events).

Prior to the collection of data I reviewed secondary data on the number of firms/businesses assisted by the SBDC to determine if there was a pattern or business type that they often counseled. I also interviewed in-depth two of the directors of the SBDCs in central Virginia about social enterprises in the region. To assist in the collection and collation of information, an e-mail survey was created using Qualtrics and sent to all the 29 SBDCs in the Commonwealth of Virginia.

### **3.4.1 Research Instrument**

This is an exploratory sequential design and as such the qualitative study which involved the interview of some directors of the SBDC revealed 5 thematic areas which was incorporated in the development of a questionnaire to assist in testing the hypothesis. As indicated earlier this is an exploratory study and there is the tendency and strain of trying to be “original” in the academic and research world. Thus, the potential of including existing questions that have been tried in different contexts is often overlooked even

though it is a feasible thing to do. Using pre-existing questions has many advantages such as savings in both time and money. Another advantage is that, since pre-existing questions would have already been tested at the time of their first use, researchers can be fairly confident that they are effective indicators of their concepts of interest (Hyman, Lamb, & Bulmer, 2006).

The research instrument adopted some pre-existing questions as well as introduced a few “new” questions all developed to assess the awareness and knowledge of the social enterprise concept by SBDC staff in the Commonwealth of Virginia as well as gauge the strategic leadership/management potential available to foster the development of such social enterprises if any. The strategic management component was adopted from the Association Management & Evaluation Services (AMES) formed in 1996 aimed at helping associations and nonprofits out of Canada. Also, the survey instrument was categorized into 5 thematic areas namely: knowledge and awareness of social enterprises; organizational training and capacity in social enterprises; community support and involvement in social enterprises; nonprofit engagement; and strategic leadership in order to help address the research questions and hypothesis. The research instrument utilized a 5-point Likert scale used to rate items in terms of importance.

### **3.5 Research Questions and Hypotheses**

Given the exploratory nature of this study and the interest in finding out more about the development of social enterprises as well as its unique organizational form, a case study design incorporating a mixed methods approach was adopted to provide better and

stronger inferences. It also provides the opportunity for presenting a greater diversity for divergent views (Johnson, Onwuegbuzie, & Turner, 2007)

The following research questions guided this study:

Are there specific training programs for the development and growth of social enterprises?

What types of social enterprises exist within the region?

What types of intellectual resources are required for development of social enterprises?

What kinds of support do the social enterprises receive within their various communities if any?

Subsequently a hypothesis was developed for testing below:

H<sub>1</sub>: Business counselors recognize social enterprises as distinct from other organizational types such as nonprofits, public organizations or traditional business organizations

### **3.6 Sample**

The sample was derived from the directors and counselors of the Virginia SBDC offices across the commonwealth of Virginia. There are a total of 29 SBDCs in the commonwealth in Virginia. A purposive sampling approach was adopted for this study given that it is very useful for situations where you need to reach a targeted sample quickly and where sampling for proportionality is not the primary concern. With a purposive sample, one can always gauge the opinions or views of the target population.

For this study however, my sample (N= 14) represented 48% of the centers and approximately 20% of the staff of the SBDC in the Commonwealth of Virginia.

### **3.7 Data Analysis and Analytical Framework**

As discussed previously, this study is primarily exploratory and as such the data analysis was informed by the outcome of the survey. The qualitative study made it possible to formulate better propositions, and it also made operationalization of these propositions more precise. This made it possible to test the propositions as outlined in the research questions. As earlier mentioned, there are 29 SBDCs in the Commonwealth of Virginia and all of them were sent the survey. The data obtained was analyzed using the SPSS package version 22. Given that my data obtained was categorical in nature and the responses did not offer an opportunity to run a factor analysis to test the survey instrument exhaustively, I employed contingency table to assist in tabulating the frequencies and within the categories. Subsequently, I explored the relationship within the categories (in this case roles) using Fisher's exact test. According to Field (2009), in small samples, the approximation is not good enough, making significance tests of the chi-square distribution inaccurate. Thus Field suggests computing Fisher's exact test as an alternative to the chi-square statistic since with small samples the sampling distributions of the test statistic is too deviant from a chi-square distribution to be of any use.

The study unfolded in two phases. The purpose of phase one was to answer the research questions defining social enterprises and its development within the Commonwealth of

Virginia. This was accomplished by asking organizational members to describe their experiences dealing with social enterprises. Phase two involved constructing and validating a questionnaire that could be used to measure opinions on the social enterprise phenomenon. Given resource and time constraints I was successful in interviewing 2 of the directors to find out the views on social enterprises within the Commonwealth of Virginia. The directors were located in the Central Region of Virginia and thus it was convenient to travel and discuss social enterprises from the perspective of the SBDCs. Appendix 1 shows the interview protocol used in the qualitative study. The first three questions (1-3) required the participants to describe social enterprises and gauged their knowledge of the social enterprise phenomenon. The next two questions, required the participants to involved describing the kind of training and capacity their organization had put in place for social enterprises. The next two questions entailed the description of the type of institutional support and engagement they (SBDC) received within their various communities. Also, I sought to find out their opinions on the relationship between nonprofits and social enterprises and so the next two questions sought to examine the SBDCs engagement with nonprofits. Finally, the last question in the protocol sought to gauge the type of leadership inherent within the SBDC that would help develop social enterprises. Participants were assured that the interviews would not be shared with management, and, if quoted in the research results, no identification would be established. Participants were asked to reflect on their experiences and tell stories that they believe illustrated their characterizations. Questions were often followed by additional questions to probe for detailed explanations. The researcher took detailed field notes which led to the identification of 5 thematic areas. According to Miles and

Huberman (1994), prior instrumentation is usually context-stripped and in exploratory studies the parameters are often unknown. The themes were identified by sorting out concrete categories and subcategories. These initial themes emanating from the discussions were reviewed to determine how they relate to the existing theories of social enterprises and how they might contribute to understanding the social enterprise phenomenon. Knowledge and awareness, organizational training and capacity, community support & engagement, nonprofit engagement and strategic leadership were the 5 thematic areas identified from the qualitative study.

In Phase two, a 40 item questionnaire was developed to represent the five thematic areas. Unfortunately, the response rate was not as anticipated and as such a factor analysis was unable to be performed to create a generalizable measure of what social enterprises are. All members of the SBDC were encouraged to participate but as mentioned in the limitations, timing and the rigor associated with the questions led to review of the statistical tool.

### **3.8 Validity and Reliability**

Validity refers to whether an instrument measures what it is designed to measure. Therefore the identifying factor of good research is the validity of the data and the results. Regardless of the approach, validity serves the purpose of checking the quality of the data and its results (Holton, & Burnett, 2005). In quantitative research this suggests that the data is stable and consistent and the researcher can draw meaningful inferences from the results to a population. It refers to the appropriateness, meaningfulness and, usefulness of

evidence that is used to support the interpretations. The decisions made and actions taken on the basis of the assessment scores also add to validity (Cooper & Schindler, 2003). In this case study as established above, the multiple sources of evidence during the data collection phase as well as inferences or explanations built during the data analysis phase helped in establishing the validity of the construct. Given that this is an exploratory study, the two most important forms of validity essential for this study are construct validity and external validity. Construct validity is mitigated by clearly defining social enterprises in the context of this study as well as utilizing a chain of evidence during the data collection period using my interaction with the directors of the SBDC. One of the interesting criticisms leveled against external validity is that single cases offer a poor basis of generalization. However, unlike survey research that relies on statistical generalization, case studies usually rely on analytical generalization. That is, the researcher is striving to generalize a particular set of results to some broader theory.

Reliability on the other hand indicates that an instrument can be interpreted consistently across different situations. Thus, measurement error reduces the reliability and generalizability of the scores obtained for a researcher from a single measurement (Gall, Gall & Borg, 2007). As reiterated throughout this study, this is an exploratory research and as such the instrument as presented has not been tested on a broader and wider population prior to this research, however, the composite survey instrument is an adaptation of already tested constructs in the 5 thematic areas mentioned. If most of the respondents to the survey had responded relative to the number of people and not centers available it would have been an opportunity to test the robustness of the instrument.

## **Chapter 4: ANALYSIS OF FINDINGS**

### **4.1 Introduction**

The growth in a myriad of organizations identifying as social enterprises have generated questions about its conceptualization, development and scope. As I discuss in the literature, the term social enterprise is often associated with the social economy in a much broader and wider context. In the U.S, different groups interested in the social enterprises from an organizational perspective have coalesced around a broader definition that includes both nonprofit and for-profit business forms. To provide some clarity around the social enterprise concept a series of research questions were posed as well as a hypothesis.

Questions:

What types of intellectual resources are required for the development of social enterprises?

Are there specific training programs for the development and growth of social enterprises?

What types of social enterprises exist within the region (Commonwealth of Virginia?)

What kinds of support do the various communities provide to these social enterprises?

Hypothesis:

H<sub>1</sub>: Business counselors recognize social enterprises as distinct from other organizational types such as nonprofits, public organizations or traditional business organizations

## 4.2 Population Profile and Population Sample

As indicated earlier, the unit of analysis of this study is the SBDC of Virginia. There are a total of 29 SBDC centers scattered across the state of Virginia. Participation was voluntary and the questionnaires were completed anonymously. In order to assess variability if any on their understanding of the social enterprise concept each respondent was asked to indicate their current role as of the time of responding to the questionnaire. Each SBDC center has a director and at least one counselor. Unfortunately out of a total of 16 respondents, two elected not to provide any information leading to the exclusion of those two.

A total of 10 directors representing 34% of the total number of SBDC directors responded, while 3 counselors and 1 individual identified as other which in some cases may represent a consultant or staff member of the SBDC responded. Thus on the whole there were 14 respondents representing a response rate of 20% out of a total of about 70 employees. Given the supervisory role of the directors, it will be fair to assume that their views represent that of their respective SBDC centers.

Prior to the dissemination of the questionnaire, I conducted in-depth interviews with two of the directors in the central Virginia area to ascertain to gauge the SBDC's understanding of the concept and to better inform me on how to structure my questionnaire to illicit the required information on their views on the social enterprise concept. Interestingly, one of the directors mentioned that they had recently been taken through the certified B-Corp training and was aware of the social enterprise concept.

The questionnaire comprised of 40 questions. The first 13 questions sought to measure their awareness and knowledge of the social enterprise concept. The next 9 questions sought to access whether the organization had the training and capacity to develop social enterprises. The next 3 questions looked at community involvement in the development of social enterprises. The next 5 questions looked at nonprofit engagement by the SBDC and finally the last batch of question sought to access the strategic leadership available at the SBDC that would help promote social enterprises as an alternative to traditional businesses.

It is important to mention that having obtained commitment of the state director of the SBDC of their participation in the study, the questionnaires were electronically sent via the state director directly to her employees. On completion of the questionnaire, each respondent submitted it electronically to the researcher. The responses were anonymous, which afforded the respondents the opportunity to be candid in their scoring.

#### **4.3 Description of Statistical Results**

. The SPSS version 22 software was used to answer the research questions and the hypothesis posed in this study. Below is a restatement of the hypothesis and questions that informed the research:

- What types of intellectual resources are required for the development of social enterprises?
- Are there specific training programs for the development and growth of social enterprises?

- What types of social enterprises exist within the region (Commonwealth of Virginia?)
- What kinds of support do the various communities provide to these social enterprises?

Hypothesis:

- Business counselors recognize social enterprises as distinct from other organizational types such as nonprofits, public organizations or traditional business organizations Social enterprises are unique organizational forms.

Descriptive statistics were then applied to the collated data to determine their relationships and test the propositions and hypothesis. This was done using contingency tables via crosstabs on SPSS. Subsequently, a chi-square exact test was applied to test the relationships but given the small sample obtained from the questionnaires the chi-square results were not accurate.

As mentioned earlier, a total of 16 people responded to the questionnaire however, 2 were not attempted at all and as such was classified as missing as shown in the SPSS output below in table 5.

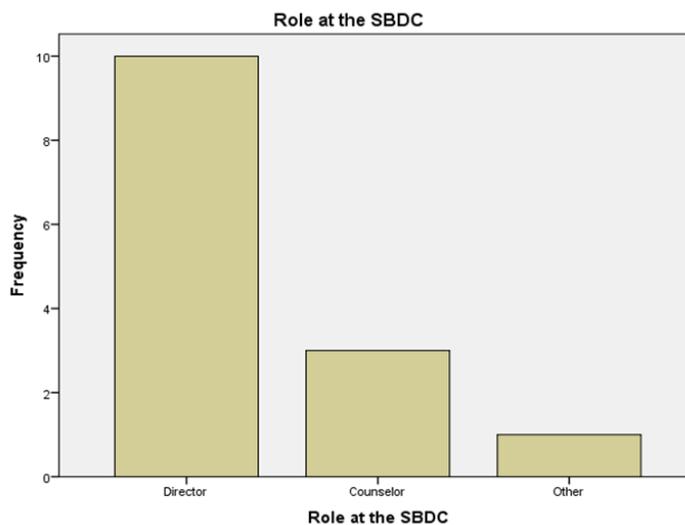
**Table 5**

**Role at the SBDC**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Director	10	62.5	71.4	71.4
	Counselor	3	18.8	21.4	92.9
	Other	1	6.3	7.1	100.0
	Total	14	87.5	100.0	
Missing	System	2	12.5		
Total		16	100.0		

Figure 8 is a graphically presentation of the total number of respondents who actually answered the questionnaire. That is, 10 directors, 3 counselors, and 1 other staff member.

**Figure 8**



### 4.3.1 Knowledge and Awareness of Social Enterprises

In trying to assess the knowledge and awareness of SBDC staff, 64.2% of staff members interviewed were confident (agree & strongly agree) that when they review a client's business plan it is easy to identify those with a social purpose. Of the 64.2% that claimed confidence, 7 were directors and 2 were counselors. On the other hand, 35.8% of the staff members were not confident (strongly disagree & neither disagree or agree) that upon the review of a client's business plan they could identify those with a social purpose. Of 35.8%, 3 were directors, 1 counselor and 1 other staff member. Subsequently when asked if they agreed that social enterprises has a dual purpose mission such as social and income-focused mission, 21.4% of the respondents were of the opinion (strongly disagree & disagree) that statement was not true. 28.6% of the respondents didn't have any opinion on the veracity of the statement (neither agree nor disagree), while 50% of the respondents were of the opinion that the statement aptly described social enterprises. Figures 9 and 10 display the bar charts below:

Figure 9

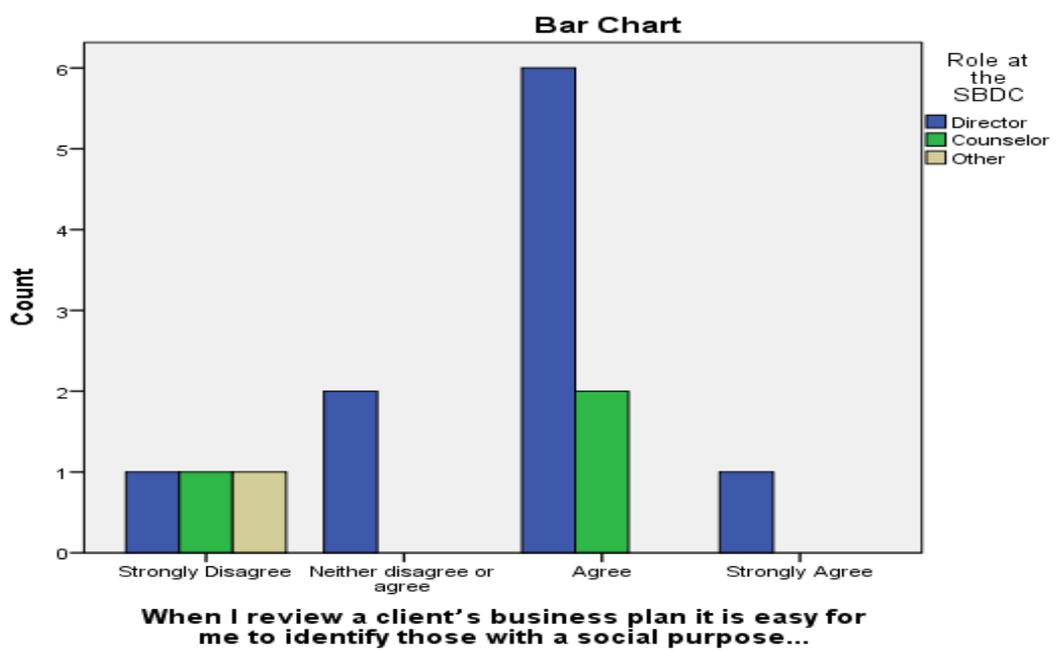
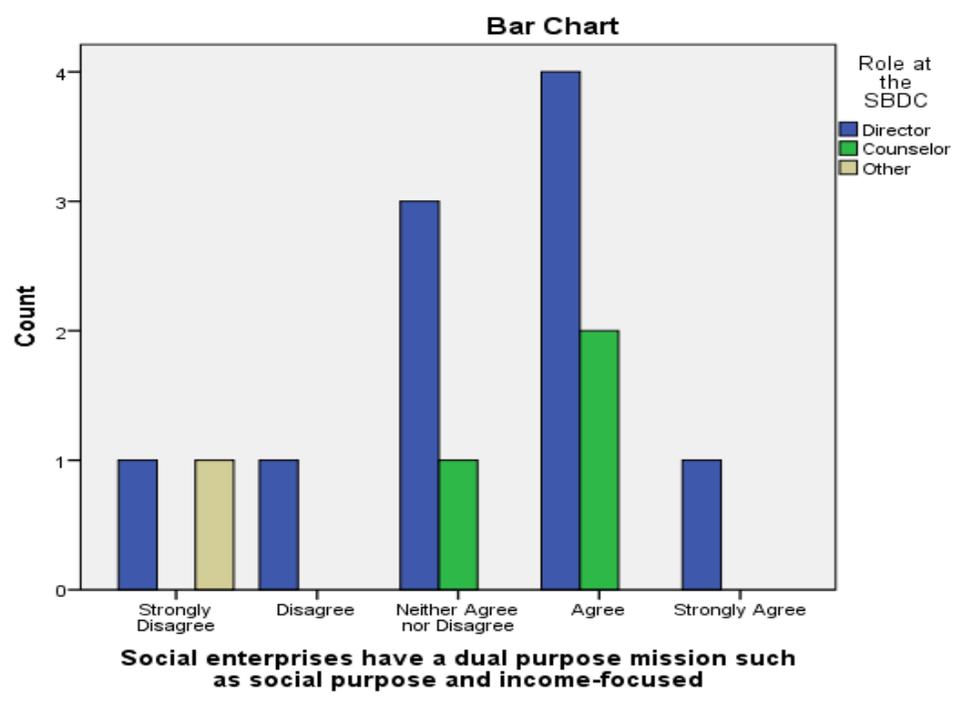


Figure 10



As part of the effort to establish knowledge and awareness of the social enterprise among the staff members at the SBDC, a series of 11 questions were posed and respondents were asked to rate them on a continuum from 1 to 10. The extremes of the continuum had traditional nonprofit and for-profit institutions and the middle represented hybrid organizations or social enterprises. Below is a summary of how these questions were ranked on the continuum. I have ordered all ranks from 1 to 3 as the traditional nonprofit, 8 to 10 as the traditional for-profit and 4 through 7 as the social enterprises/hybrid organizations.

**Table 6**

		1 to 3	4 to 7	8 to 10	
	Questions	Traditional nonprofit organizations	Social Enterprises/Hybrid organizations	Traditional for-profit organizations	Total # of Respondents
1	What type of organizations are referred to as innovative hubs?	1	8	3	12
2	The financial and fiscal crises and the need to innovate more creatively in design and delivery of public services led to creation of this organizational	5	7	0	12
3	Organizations that have arisen out of change in social dynamics and societal value	3	9	0	12
4	The decline of the state in the planned provision of services in society and the reevaluation of the markets has led to the increase in these organizations	10	2	1	13
5	Businesses that focus on sustainability and social benefits	3	9	0	12
6	This organization provides access to a daycare facility within the community at a cost to help the day-to-day running of the facility	5	6	1	12
7	Nonprofits that engage in commercial activity	3	8	1	12
8	A cooperative organization that looks out for its members such as the Women's Bean Project	3	8	1	12
9	Corporate Social Responsibility offered by large for-profits	2	6	4	12
10	Organizations driven by social value rather than private value	3	4	0	12
11	Business owners who come to the SBDC who want to use their business to support the community within which they operate	3	8	0	11

### **4.3.2 Organizational Training and Capacity**

The next thematic area I sought measure through the survey was the organization's training and capacity to assist clients with a social enterprise mission. 57.1 % of the respondents made up of 6 directors and 2 counselors were confident (agree & strongly agree) that with their existing training there could identify social enterprises. On the other hand 42.9% of the respondents made up of 4 directors, 1 counselor and 1 other staff member were not confident (neither agree or disagree) that with their existing training they could identify social enterprises. About 92.8 % of the respondents made up of 9 directors, 3 counselors and 1 staff member claimed that the SBDC did provide one-on-one counseling for social business planning whereas 7.1% made up of 1 director did not think the SBDC provided that kind of service. To strengthen their earlier claim 78.6 % of the respondents made up of 7 directors, 3 counselors and 1 other staff member agreed that the SBDC provides one-on-one social enterprise planning for their clients. 14.3 % of the respondents made up of 2 directors neither agreed nor disagreed while 7.1 % made up of 1 director disagreed. To better understand their training needs and capacity I asked the respondents if there were any specific training modules/models for developing social enterprises. 35.7% of the respondents made up of 3 directors, 1 counselor and 1 other staff member were certain that there were no specific training modules/models for social enterprises at the SBDCs. 42.9% of the respondents made up of 4 directors and 2 counselors did not have an opinion on whether they were any such training modules/models available while 21.4% of the respondents made up of 3 directors were certain that there are specific training module/models for social enterprises at the SBDCs.

To get an understanding on the nonprofit/for-profit divide, I asked if social enterprises that come to the SBDCs are often nonprofits. 35.7% of the respondents made up of 3 directors, 1 counselor and 1 other staff member disagreed with that assertion. 35.7% made up of 5 directors neither disagreed nor agreed with the assertion while 28.6% made up of 2 directors and 2 counselors agreed with the assertion that most of the social enterprises that came to the SBDCs were nonprofits. Following their responses, I also asked if the SBDC often counsels for-profit clients with social purposes. 64.3% of the respondents made up of 5 directors, 3 counselors and 1 other staff member agreed with the assertion while 14.3% of the respondents made up of 2 directors neither agreed nor disagreed with the assertion. On the other hand, 21.4% of the respondents made up of 3 directors disagreed with the assertion that SBDCs often counsels for-profit clients with a social purpose mission. Finally in effort to gauge their knowledge of the trends in the social enterprise space I asked if they had any knowledge of new legal forms such as Benefit Corporations, flexible purpose organizations and low limited liability companies (L3Cs). 42.8% of the respondents made up of 5 directors and 1 counselor did not have any knowledge of such legal forms. 21.4% of the respondents made up of 3 directors did not say whether or not they knew about such new legal forms while 35.2% of the respondents made up of 2 directors, 2 counselors and 1 other staff member had some knowledge of such new legal forms. In an effort to understand the kind of knowledge they claimed to possess about such new legal forms, I further asked three questions about each of the new forms outlined earlier. With L3Cs, 28.6% made up of 4 directors were not familiar at all with the concept. 21.4% of the respondents made up of 1 director and 2 counselors claimed to be slightly familiar while 21.4% made up 1 director and 2

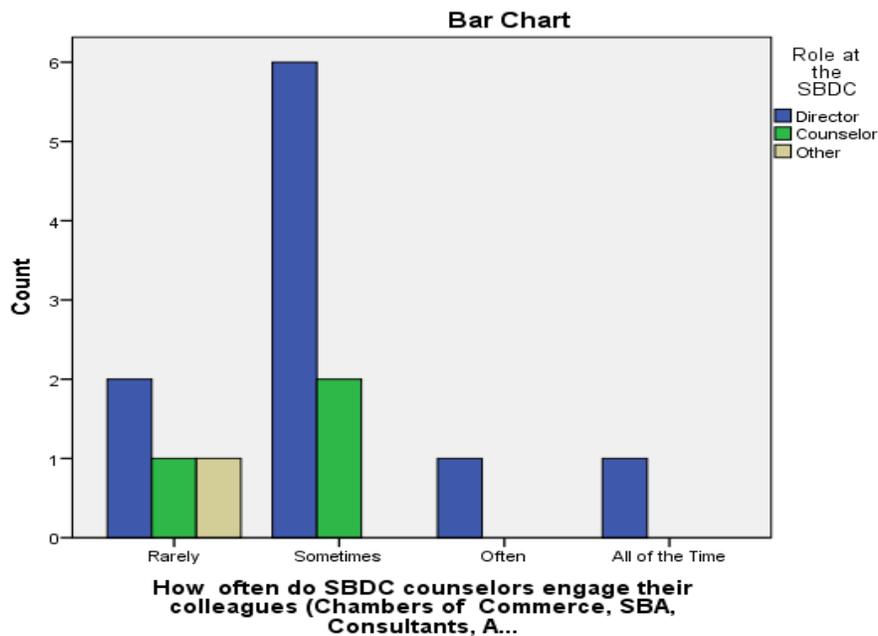
counselors claimed to be somewhat familiar with the concept. On the other hand, 14.3% of the respondents made up of 2 directors claimed to be moderately familiar while 14.3% of the respondents made up 2 directors claimed to be extremely familiar with the concept. On their knowledge of benefit corporations, 14.3% of the respondents made up of 1 director and 1 counselor were not at all familiar with benefit corporations. 42.9% made up of 5 directors and 1 counselor were slightly familiar with the concept while 14.3% of the respondents made up of 1 director and 1 counselor were somewhat familiar with the concept. On the other hand, 14.3% of the respondents made up of 2 directors were moderately familiar with the concept while 14.4% of the respondents made up of 1 director and 1 other staff member were extremely familiar with the concept of benefit corporations. Flexible purpose organizations was the last legal form I inquired about on the questionnaire. 57.1% of the respondents made up of 5 directors and 3 counselors were not at all familiar with the concept whereas, 14.3% of the respondents made up of 2 directors were slightly familiar with the concept. Also, 21.4% of the respondents made up of 2 directors and 1 other staff member were somewhat familiar with the concept. On the other hand, 7.1% of the respondents made up of 1 director was moderately familiar with the concept of flexible purpose organizations.

#### **4.3.3 Community Support and Involvement**

As mentioned earlier in the literature social enterprises thrive and blossom with community support and involvement in most cases and as such the third section of the questionnaire sought to elicit information on any community support available from the perspective of the SBDC staff members. To help gauge community support I first sought

to find out how often SBDCs engaged their colleagues (Chambers of Commerce, SBA, Consultants, Academic Hosts, and Local Economic Development Partners) in other areas within the community to share ideas on emerging trends such as social enterprises. 28.1% of the respondents made up of 2 directors, 1 counselor and 1 other staff member claim they rarely engaged their colleagues whereas 57.1% of the respondents made up of 6 directors and 2 counselors claim to sometimes engage their colleagues. On the other hand, 7.1% made up of 1 director claimed to often engage colleagues while 7.1% of respondents made up of 1 director also claimed to engage colleagues all the time on emerging trends such as social enterprises. Figure 11 below shows engagement with colleagues in other area within the community

**Figure 11**



From my earlier in-depth interviews in my qualitative study I discovered that the SBDC did encounter social enterprises from time-to-time and as such I wanted to find out how prevalent such enterprises were in the respective areas. 57.1% of the respondents made up of 6 directors, 1 counselor and 1 other staff member claim to sometimes encounter these enterprises, 28.6% of the respondents made up of 3 directors and 1 counselor claim to often encounter such social enterprises in the region while 14.3% of the respondents made up of 1 director and 1 counselor claim to encounter social enterprises all the time in their region. In my earlier conversation with the directors, I was made aware of the relationships between host institutions which in some cases are either academic (universities or community colleges) or corporate like the chambers of commerce and the likelihood of receiving some intellectual or training resources. When asked how often the respondents approached such institutions for help, 61.6% of them made up of 6 directors and 2 counselors claim to never approach such institutions for intellectual or training resources whereas 23.1% made up of 2 directors and 1 other staff member admitted to approaching such institutions once a month for resources. On the other hand, 7.7% of the respondents made up of 1 director admitted approaching such institutions 2 to 3 times a month for resources while 7.7% of them made up of 1 counselor admitted approaching such institutions daily for assistance and resources.

#### **4.3.4 Nonprofit Engagement**

All throughout the literature there has been mention of the fact that in most cases social enterprises are the product of a much bigger evolution within the social economy. According to the Roberts Foundation (1999), the concept of social purpose enterprises

which are revenue-generating businesses are often owned and operated by nonprofit organizations partly as a means of revenue generation as well as an effective means to serve clientele. Also, Altman (2007) in his social enterprise typology put it in the domain of the hybrid organizations albeit skewed towards the traditional nonprofits. Having established these facts, I sought to see if the SBDCs were actively engaged with the nonprofit community where they operated since some of these nonprofits could spurn into social enterprises. According to the respondents 14.3% made up of 2 directors claim that nonprofits rarely approach the SBDCs for financial training while 50% of them made up of 5 directors, 1 counselor and 1 other staff member claim that the SBDCs were sometimes approached by nonprofits for financial training. On the other hand, 35.7% of the respondents made up of 3 directors and 2 counselors claim that they often are approached by nonprofits for financial training. Following from the earlier questions I proceeded to inquire as to whether there were specific training modules for nonprofits at the SBDCs. 50% of the respondents made up of 5 directors, 1 counselor and 1 other staff member said there were no specific training modules for the nonprofits whereas 28.6% of the respondents made up 3 directors and 1 counselor did not know if there were any or no training modules available for nonprofits. However, 21.4% of the respondents made up 2 directors and 1 counselor were certain that they had training modules available for nonprofits.

According to the respondents surveyed, 58.3% of them made up of 6 directors and 1 counselor served/counseled between 1 to 5 nonprofits last year. 16.7% of the respondents made up of 1 director and 1 counselor served between 6 to 10 nonprofits last year while 25% of the respondents made up of 2 directors and 1 counselor served between 21 and 25

nonprofits last year. To contrast this, I asked an alternate question regarding how many firms other than nonprofits that the respondents served last year. Out of the total number of respondents surveyed, 72.7% made up of 5 directors and 3 counselors admitted serving between 21 to 25 other firms last year while 27.3% made up of 3 directors admitted serving between 1 to 5 other firms last year.

#### **4.3.5 Strategic Leadership**

Strategic leadership focuses on the people who have overall responsibility for the organizations and includes not only the titular head of the organization but also members of what is referred to as the top management team or dominant coalition (Boal & Hooijberg, 2000). Also, given the “fuzzy” nature of social enterprises a strategic leadership paradigm is the most appropriate lens through which to assess leadership given that it thrives in an atmosphere of embedded ambiguity, complexity and informational overload all of which aptly describe the social enterprise phenomena. As a result I adapted a strategic leadership tool used by the Association Management & Evaluation Services (AMES) formed in 1996 aimed at helping associations and nonprofits out of Canada to assess the level of strategic leadership within the SBDC given that it is a nonprofit organization.

Understanding issues influencing the organization (SBDC) from the perspective of the members who in this case are counselors, staff members and the directors provide a perspective as to how open and proactive an organization can be. When asked of members understood issues influencing the organization, 7.7% of the respondents made

up of 1 director believed that members were not at all familiar with the issues influencing or confronting the SBDCs. Similarly, 7.7% of the respondents made up of 1 director believed members were slightly familiar with issues influencing the SBDCs. On the other hand, 38.5% of the respondents made up of 3 directors and 2 counselors believed that members were somewhat familiar with issues influencing the SBDCs while 23.1% made up of 2 directors and 1 counselor believed that members were moderately familiar with the issues influencing the SBDC. Also, 23.1% of the respondents made up of 2 directors and 1 other staff member believed that members were extremely familiar with issues that influence the SBDCs.

On the same issue, 9.1% of the respondents made up of 1 director believed that the advisory boards of the SBDCs were not at all familiar with issues that influence the SBDCs while 18.3% of the respondents made up 2 directors believed that the advisory boards were slightly familiar with the issues that influence the SBDCs. 45.5% of the respondents made up of 3 directors and 2 counselors believed that the advisory boards were somewhat familiar with the issue influencing the SBDCs. On the other hand, 9.1% of the respondents made up of 1 director believed that the advisory boards were moderately familiar with the issue influencing the SBDCs whereas 18.2% of the respondents made up of 1 director and 1 other staff member were of the opinion that the advisory board was extremely familiar with the issues influencing the SBDCs.

Decision-making is an essential part of leadership and as such respondents were asked to assess on a scale how they would rate the SBDCs attention to issues facing it. On the whole about 83.3% of the respondents made up of 7 directors, 2 counselors and 1 other staff member rated the SBDC as very good to good. On the contrary, 16.6% of the

respondents made up of 2 directors rated as between poor and fair the SBDCs decision making with respect to issues confronting the organization. Following from the preceding question, respondents were asked to if the SBDCs were successful in generating strategies to deal with issues. 72.8% of the respondents made up of 5 directors and 2 counselors and 1 other staff member agreed that the SBDCs were successful in generating strategies for the issues confronting it. On the other hand, 9.1% of the respondents made up of 1 director disagreed with the notion that SBDCs were successful in generating successful strategies to deal with issues while 18.2% of the respondents made up of 2 directors neither agreed nor disagreed with the notion that the SBDCs were successful in generating strategies to address issues.

Respondents were also asked to rate the importance of the SBDCs current organizational policies to current activities being pursued. 9.1% of the respondents made up of 1 director did not think that the SBDCs policies had any bearing on their current activities while 18.2% of the respondents made up of 2 directors did not have an opinion on the issue. On the other hand about 72.7% of the respondents made up of 5 directors, 2 counselors and 1 other staff member were confident that current SBDC policies were either very important or extremely important to their current activities. On the issue of whether the SBDC boards were committed to implementing strategic initiatives, 10% of the respondents said the board's commitment was short of expectations, 80% of the respondents made up of 6 directors and 2 counselors said that the board's commitment met their expectations while 10% of the respondents claimed that the board's commitment far exceeded their expectations.

Adaptation and change is an integral part of strategy and as such respondents were asked a series of questions on their willingness to accept and implement change as well as their levels of participation in strategy evaluation. 8.3% of the respondents made up of 1 director did not believe that staff members were willing to accept and implement change while 25% of the respondents made up of 2 directors and 1 other staff member did not have an opinion on whether members were willing to accept and implement change. On the other hand, 50% of the respondents made up of 4 directors and 2 counselors believed that members were willing to accept and implement change whereas 16.7% of the respondents made up of 2 directors believed that staff members were very likely to accept and implement change within the SBDCs. Subsequently, a follow up question on the willingness of the Executive director to accept and implement change was asked of the respondents. 25 % of the respondents made up of 3 directors did not think most Executive directors were likely to accept and implement change while 33.3% made up of 2 directors and 2 counselors were of the opinion that most Executive directors were very likely to accept and implement change at the SBDCs. Also, 41.7% of the respondents made up of directors and 1 other staff member believe that most Executive directors are very likely to accept and implement change at the SBDCs.

Regarding their levels of participation in strategy evaluation, 8.3% of the respondents believed that the management staff fell short of their expectations in strategy evaluation at the SBDCs. 83.3% of the respondents made up of 7 directors, 2 counselors and 1 other staff member were of the opinion that the management staff exceeded expectation with regards their level of participation in strategy evaluations while 8.3% of the respondents

also made up of 1 director believed that the management staff participation in strategy evaluation far exceeded expectations.

Finally, since the SBDC in tandem with other stakeholders work together to foster business growth in the various communities where they are present, I sought to find out from the respondents which of their stakeholders they found to be most important in fostering business growth within the communities. According to the SBDCs own charter they are required to have a host institution and as such most of them are hosted by leading universities, colleges and in some cases state economic development agencies, and funded in part by the United States Congress through a partnership with the U.S. Small Business Administration. Of the respondents surveyed, 66.7% made up of 7 directors and 1 other staff member believed that the academic institutions were either very important or extremely important partners in fostering business growth. 25% of the respondents made up of 1 director and 2 counselors did not have an opinion on the importance of academic institutions in fostering business growth while 8.3% of the respondents made up 1 director did not see academic institutions as an important partner to help in fostering business growth.

Chambers of Commerce scattered across the commonwealth are also deemed as important partners this was garnered from the initial qualitative interview. 77% of the respondents made up of 8 directors, 1 counselor and 1 other staff member believed that the Chambers of Commerce were either very important or extremely important in fostering the growth of businesses in the communities. On the other hand, 23.1% of the respondents made up of 2 directors and 1 counselor did not have an opinion on the

importance of the Chambers of Commerce in fostering business growth in the communities.

Over the years the SBDC has established relationships with the economic development partners in their communities. These partners are either commercial and as such sell directly to the SBDC or sell products and services used by SBDC clients or economic development partners whose main goal is job creation and bringing new businesses into the locales where they operate. Of the respondents surveyed, 83.3% made up of 8 directors and 2 counselors believed that their economic development partners were either very important or extremely important in fostering business growth whereas 16.7% of the respondents made up of 1 director and 1 other staff member did not have an opinion on the role of the economic partners.

Local governments such as local politicians and other local governmental agencies know the importance of business to their communities as well as local economies and as such have long been partners of the SBDCs. In order to gauge the strength of their relationship, respondents were asked about the importance of local governments. 7.7% of the respondents made up of 1 director did not believe that local governments were necessarily important in fostering business growth. Similarly, 7.7% of the respondents made up of 1 other staff member did not have an opinion on the importance of local government in fostering business growth while 84.7% of the respondents made up of 9 directors and 2 counselors believed that local governments were either very important or extremely important partners in fostering business growth.

The SBDC program recognizes that there are many different types of small business in their communities and as such these businesses are their most important partners. This

notion is reflected in the answer offered by the respondents to this partnership arrangement. Of the respondents surveyed, 100% made up 10 directors, 2 counselors and 1 other staff member believed that either the local entrepreneurs were very important or extremely important to the growth of businesses in their various communities.

The State SBDC is the overseer of all the individual SBDCs scattered in the Commonwealth of Virginia. As was done for other SBDC stakeholders respondents were asked about the importance of the State SBDC in fostering business growth in their communities. 92.3 % of the respondents made up of 10 directors and 2 counselors held the opinion that the State SBDC was either very important or extremely important in fostering business growth within the local communities while 7.7% of the respondents made up of 1 other staff member maintained that the State SBDC was very unimportant in fostering business growth within the local communities.

The U.S SBA (small business administration), uses the SBDCs to provide assistance to business communities across America. The SBDCs provides SBA with four critical assets: Leverage which involves the SBDCs serving as a central point for the SBA to bring together federal, state, local and private sector programs that help small businesses; local presence, this is harnessed through the over 1,000 SBDCs across the nation with at least one center in every state; information and data, this is done through the reports from the offices of the various SBDC where a database is provided annually on the impact of small businesses on the economy; finally, SBDCs across the country are an important resource for small and local businesses by providing support and resources to access capital and training. Of the respondents surveyed, 76.9% made up of 9 directors and 1 counselor were of the opinion that the U.S. SBA was either very important or extremely

important in the fostering business growth in the communities whereas 15.4% made up of 1 director and 1 counselor did not have an opinion on the importance of the U.S SBA in fostering business growth. 7.7% made up of 1 other staff member did not believe that the U.S SBA was important any way in fostering business growth within the local communities.

#### **4.4 Hypothesis test**

The hypothesis for this study is restated and outlined below:

H<sub>1</sub>: Business counselors recognize social enterprises as distinct from other organizational types such as nonprofits, public organizations or traditional business organizations

As indicated earlier in the knowledge and awareness section of the instrument, respondents were asked to indicate on a slider where they felt statements proffered about organizational types fell along a continuum with values between 1 and 10. With the value 1 being traditional nonprofits and 10 traditional for-profit while 5 represented hybrid organizations or social enterprises. The data was then aggregated to show how respondents generally rated the various statements along the continuum. After which, the ranking along the continuum was coded with values between 1 and 3 representing the traditional nonprofit, values between 4 and 7 representing the hybrid or social enterprises, and values between 8 and 10 representing the traditional for-profit organization.

Unfortunately, given that the respondents were skewed towards the director role (10 directors, 3 counselors and 1 other staff member), I used the IP addresses of the respondents to further categorize the data and arrive at a more relevant data set. The

Virginia SBDC Network is organized into five regions, with each having a regional center with local centers operating under subcontracts to them. The state network is divided into five regions each lead by a regional representative. The five regions and their respective participating centers are listed below:

1. Potomac Region:

- (Host Institution – George Mason University – Mason Enterprise Center)
- Regional Center -- SBDC at the Community Business Partnership
- Mason SBDC
- Loudoun SBDC
- Alexandria SBDC
- University of Mary Washington SBDC
- University of Mary Washington SBDC -Warsaw

2. Central Region: (Host Institution – James Madison University)

- Regional Center -- Shenandoah Valley SBDC at James Madison University
- Shenandoah Valley SBDC at Blue Ridge Community College
- Central Virginia SBDC,
- Lord Fairfax SBDC,
- Lord Fairfax SBDC at Warrenton
- Lord Fairfax SBDC at Culpepper
- Greater Richmond SBDC

3. Hampton Roads Region (Host Institution – Hampton Roads Chamber of Commerce)

- Regional Center – SBDC of Hampton Roads
- Eastern Shore SBDC of the Hampton Roads SBDC
- Hampton SBDC of the Hampton Roads SBDC
- Norfolk SBDC of the Hampton Roads SBDC
- Williamsburg SBDC of the Hampton Roads SBDC

4. Southern Region (Host Institution – Longwood University)

- Regional Center – Longwood SBDC: Farmville
- Longwood SBDC: Martinsville
- Crater SBDC of Longwood University
- Longwood SBDC: South Boston
- Longwood SBDC: Danville
- Region 2000 SBDC

5. Southwest Region (Host Institution – Radford University)

- Regional Center – Radford University, New River Valley SBDC
- Roanoke Regional SBDC
- Southwest Virginia SBDC
- Virginia Highlands SBDC
- Mountain Empire SBDC

- Crossroads SBDC

The table 7 presented below shows and an aggregate of the responses by region:

**Table 7**

**Aggregate Responses by Region and Business Type**

<b>Region</b>	<b>Nonprofit</b>	<b>Hybrid</b>	<b>For-profit</b>	<b>Total</b>
South-West	17	28	5	50
Potomac	10	17	3	30
Hampton	5	14	1	20
Southern	9	5	2	16
Central	2	3	0	5
<b>Total</b>	43	67	11	121

My interest was to see if there were any variations on how each region ranked statements along the continuum. I further went on to conduct a nonparametric test to test if there was any relationship or association between the region and the type of enterprises identified along the continuum. I used mini-tab software to assist in analyzing the aggregate data since SPSS did not have a tool to analyze the regions and business type as an aggregate. The initial output is shown in figure 12 below:

Figure 12 (Original Model)

Chi-Square Test for Association: Outcomes by Location Report Card		
Check	Status	Description
Validity of Test		<p>There are expected counts less than 1. The p-value for the test may not be accurate. One or more samples are not large enough to obtain sufficient expected counts. Use the table on the Diagnostic Report to identify low expected counts. To ensure validity of the test, do one of the following:</p> <ol style="list-style-type: none"><li>1. Increase the following sample sizes:<ul style="list-style-type: none"><li>• Central: The sample size cannot be calculated because the observed count is 0.</li></ul></li><li>2. Combine outcomes to obtain expected counts of at least 1. If the outcomes are naturally ordered, you should only combine adjacent ones. When you combine them, you lose information about the individual outcomes. You should only consider this option when you cannot increase your sample sizes.</li></ol>

### Chi-Square Test for Association: Outcomes by Location Summary Report

Do the percentage profiles differ?

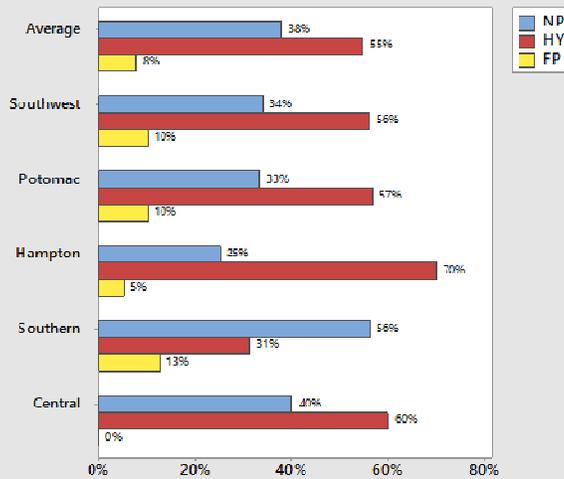


Differences among the outcome percentage profiles are not significant ( $p < 0.05$ ). You cannot conclude there is an association between Outcomes and Location.

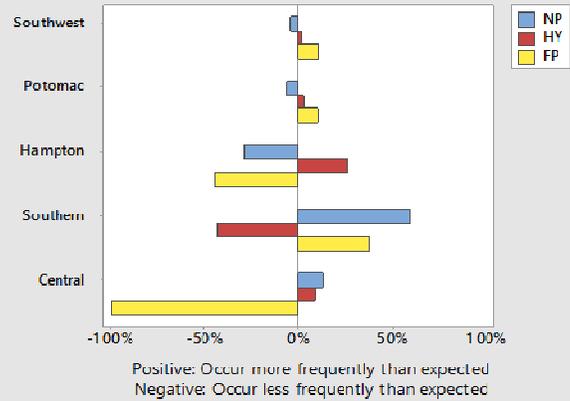
Comments

There is not enough evidence to conclude that there are differences among the outcome percentage profiles at the 0.05 level of significance.

Percentage Profiles Chart  
Compare the profiles.



% Difference between Observed and Expected Counts



### Chi Square Test for Association: Outcomes by Location Diagnostic Report

Observed and Expected Counts

	Southwest		Potomac		Hampton		Southern		Central	
	Obs	Exp	Obs	Exp	Obs	Exp	Obs	Exp	Obs	Exp
NP	17	18	10	11	5	7.1	9	5.7	2	1.8
HY	28	28	17	17	14	11	5	8.9	3	2.8
FP	5	4.5	3	2.7	1	1.8	2	1.5	0	0.15*
Total	50		30		20		16		5	

\* Indicates a violation.

Expected counts should be at least 1 to ensure the validity of the p-value for the test.

The initial test showed that there was no significant association between the region and type of business form or organizational types, however the central region has an expected count of zero and as such will affect the validity of the p-value in the test. Thus, I delete the Central Region to provide a refined model for assessment. The refined model is shown in Figure 13 below:

**Figure 13 (Refined Model)**

Chi-Square Test for Association: Outcomes by Location Report Card		
Check	Status	Description
Validity of Test		All samples are large enough to obtain sufficient expected counts. The p-value for the test should be accurate.

### Chi-Square Test for Association: Outcomes by Location Diagnostic Report

#### Observed and Expected Counts

	Southwest		Potomac		Hampton		Southern	
	Obs	Exp	Obs	Exp	Obs	Exp	Obs	Exp
NP	17	18	10	11	5	7.1	9	5.7
HY	28	28	17	17	14	11	5	8.8
FP	5	4.7	3	2.8	1	1.9	2	1.5
Total	50		30		20		16	

Expected counts should be at least 1 to ensure the validity of the p-value for the test.

### Chi-Square Test for Association: Outcomes by Location Summary Report

Do the percentage profiles differ?

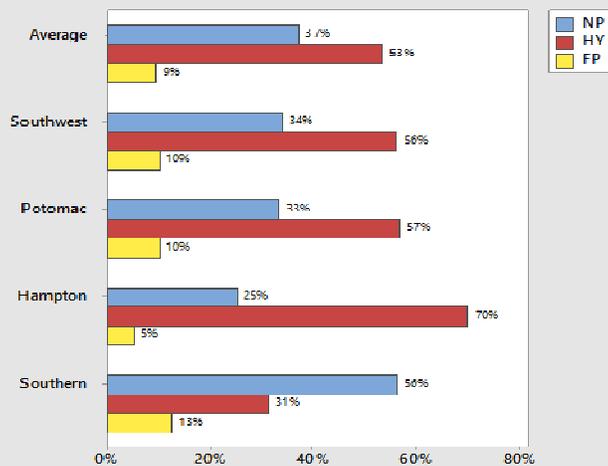


Differences among the outcome percentage profiles are not significant ( $p < 0.05$ ). You cannot conclude there is an association between Outcomes and Location.

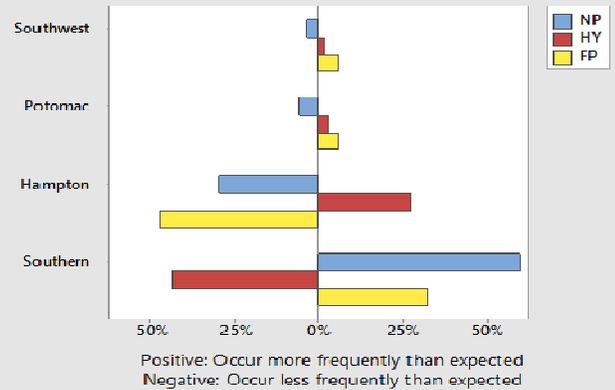
Comments

There is not enough evidence to conclude that there are differences among the outcome percentage profiles at the 0.05 level of significance.

Percentage Profiles Chart  
Compare the profiles.



% Difference between Observed and Expected Counts



Rows: Location\_1 Columns: Worksheet columns

	NP_1	HY_1	FP_1	All
Southwest	17	28	5	50
	17.672	27.586	4.741	
	0.02558	0.00621	0.01411	
Potomac	10	17	3	30
	10.603	16.552	2.845	
	0.03434	0.01214	0.00846	
Hampton	5	14	1	20
	7.069	11.034	1.897	
	0.60555	0.79698	0.42382	
Southern	9	5	2	16
	5.655	8.828	1.517	
	1.97834	1.65962	0.15361	
All	41	64	11	116

Cell Contents: Count  
Expected count  
Contribution to Chi-square

Pearson Chi-Square = 5.719, DF = 6, P-Value = 0.455

Likelihood Ratio Chi-Square = 5.808, DF = 6, P-Value = 0.445

\* NOTE \* 4 cells with expected counts less than 5

Having refined the initial model with the deletion of the central region, the test shows that there was no significant association between the region and the type of business form or organizational type  $\chi^2(6) = 5.719, p > 0.05$ .

We can therefore conclude that our hypothesis,  $H_1$ : Social enterprises are unique organizational forms would have to be rejected in favor of the null hypothesis  $H_0$ : Social enterprises are not unique organizational forms. Thus the null hypothesis is retained.

## **Chapter 5: Discussions, Conclusions and Recommendations**

### **5.1 Discussions**

Are social enterprises indeed unique organizational types as outlined and discussed in the literature extensively? As earlier discussed, there seems to be a convergence around the notion that social enterprises include both nonprofit and for-profit ventures. Thus social enterprises would include a variety of organizational forms along the continuum, from for-profit-oriented businesses engaged in sizeable social commitments to dual-purpose businesses that mediate profit goals with social objectives to nonprofit organizations engaged in mission-supporting commercial activity (Young, 2006). Respondents from the survey seem to corroborate the literature that asserts that there is no perfect correspondence between identity as a social purpose organization and choice of business form and as such businesses could be organized either as nonprofits or for-profits and still be identified as social purpose institutions. The view of social enterprises by the respondents did not reflect any of the initial typologies outlined earlier. Most of the respondents clearly understood that organizations undertake social purposes from time to time and were very hesitant to classify them as unique organizational forms.

From the data obtained one can generally conclude that there is generally some knowledge of the social enterprise concept by staff members. Respondents seem to be caught up in the pragmatic interpretation and not the nuances around the conceptual differences. In the survey, even though there were marked differences on how the statements were scored or rated on the slider, the differences were not significant enough to conclude that there social enterprises encountered by the SBDC members were indeed unique organizational forms. Given their stance most of the respondents did not seem to

think that there was the need for specific or new training modules for social enterprises. This was corroborated by the fact that according to the respondents, nonprofits often approached the SBDCs for financial training and as such their existing models and modules were enough in counseling social enterprises or social-purpose organizations. Respondents vaguely had knowledge of the new legal forms emerging in the social enterprises arena such as L3Cs, benefit corporations and flexible purpose organizations. Interestingly, not many SBDC staff engaged and counseled nonprofit organizations often. Of the respondents surveyed, only 25% counseled 21 to 25 nonprofits last year as against 72.7% that engaged and counseled the same number (21-25) for-profit organizations last year.

From the data, respondents were obviously actively engaged with the stakeholders within the community to foster business growth including organizations with social-purpose missions. Most of the respondents believed that there were social enterprises throughout the Commonwealth of Virginia. Unfortunately, most of the respondents did not indicate any enthusiasm in sharing and or approaching their host institutions or other partners for intellectual resources. This I found rather disheartening.

From a strategic leadership view, most of the respondents seem to agree on the importance of an absorptive and adaptive capacity all essential elements of strategic leadership. The absorptive capacity reflects the willingness to learn while the latter, adaptive capacity reflects the willingness to change (Cohen & Levinthal, 1990). All these must be done in concert with managerial wisdom (Malan & Kriger, 1998) which involves the ability to perceive variation in the environment and an understanding of the social actors and their relationships.

From the literature, it is obvious that the roles of the public sector, nonprofit organizations, and the private sector vary and are constantly reconstructed depending on the environment, societal values as well as demanding needs within the communities. This process is influenced by established practices and can be sometimes chaotic. The arguments raised about these types of organizations “social enterprises”, signal a movement away from a dependency of public grants for individuals and organizations. Thus, revealing an increased dependence on market conditions which are invariably set by public policies and economic factors. This dependence will continually change in character and as such the institutional forms highlighted could change due to the blurring of the boundaries between private, public and third sectors, referring to movement of services across sectoral boundaries (Seanor, Bull, Baines, & Purcell, 2014). Consequently, the changing landscape of public sector environment through the extensive use of commercialization, competition and the diminishing fiscal support from government and foundations have helped grow these organizational types (social enterprises).

## **5.2 Conclusion**

The results of the hypothesis test led to a rejection of the hypothesis. Thus, we can infer from the results that business counselors do not easily recognize social enterprises as distinct from other organizational types such as nonprofits, public or traditional business organizations. Most of the recent literature on social enterprise have advanced new theories to explain their emergence and management (Doherty, Haugh, & Lyon, 2014).

A review of the literature as outlined in my research gap analysis, finds the meaning of social enterprises has changed over time and as such social enterprises are not a new organizational form as having been argued by some scholars. It is the process of evolutionary development of nonprofit or voluntary organizations, cooperatives and mutual organizations. This evolution blurs the boundaries between different organizational forms and positions social enterprises in the intersections of the private, public and nonprofit sectors as shown earlier in figure 1. It is important to understand social enterprises in the larger context of the social economy. As the diversity of the social economy grows it further blurs the distinction between social enterprises, nonprofits, for-profits etc. As I argued earlier, I contend that social enterprises are not unique organizational types but rather occur as a result of institutional isomorphism, change in socio-political values as evidenced in the White House Office of Innovation and Civic Engagement, social pressure borne out of communities legitimizing such causes as well as existing legal frameworks within various communities all help in spurring out social enterprises. The issue however remains as whether there are pragmatically legitimate. As shown in this study even though the sample is too small for generalization I can conclude that overall the outcome of the study supports my view that these organizations have emerged out of necessity and would continue to morph as the complexity within the social economy increases and our understanding of the various actors within the sector is improved and enhanced with more information. The survival of businesses often times require new organizational strategies that start off characterizing successful business models such as has been done by the likes of Ashoka and the Skoll Foundations in praising social enterprises. These organizational types are purported to

create innovation and legitimacy stemming from the mistrust of the state and businesses leading to a vehicle more in tune with the problems of the needy in society. For instance, a more social orientation is opening up in companies through the focus on corporate social responsibility as well as more collaboration between nonprofits and private and public sectors. Social enterprises show a special ability to occupy the space that is a crossroads between the public, business and social worlds. Thus, creating what has been referred to as hybrid organizations that transcend traditional sector boundaries and resist easy classification within the three traditional sectors. They are characterized by how they regard society as a whole and use participatory and collaborative strategies to help detect and analyze new problems which they address and resolve effectively according to numerous anecdotes drawn from the literature.

### **5.3 Contribution of the Study**

The major contribution of this study is that it is the first empirical test of the relationship between social enterprises and other enterprises across regions in America. A review of the literature identify hybridity as the explanatory concept that captures the complexity of the social enterprise management. These organizational types are said to span institutional boundaries (Pache & Santos, 2012; Smith, 2010) and operate in multiple functional domains (Ruef, 2000). The literature corroborates the conflicting institutional demands on social enterprises and attributes it to their location at the intersection of economic sectors characterized by different norms and practices (Cooney, 2006).

Overall a scan on the internet as well in the library database did not reveal any study comparing relationships between social enterprises and other traditional business forms. Even though the sample size obtained was very small it is worth mentioning that this study is an attempt at testing the veracity of the theories in the real world.

The implications of the findings of this study suggests that there is really no difference in the organizational types identifying as social enterprises and the traditional organizational forms. Even though respondents indicated some variability it was not statistically significant. The benefit of this research is that it indicates areas that could be further explored as possible opportunities in better understanding these organizational forms referred to as social enterprises.

#### **5.4 Limitations of the Study**

In this study, the case used was convenient but then the sample was too small. Future research should involve case studies with larger samples in order to confirm the results and make them more generalizable. For example, it would be interesting to compare SBDCs across states etc.

The study required a target number of at least about 58 respondents from the SBDC sample. The researcher experienced great difficulty in obtaining commitment from SBDC staff members to participate in this study. The following reasons were given for the low participation: the questionnaire was too long; individuals were busy; timing was not suitable among a host of others. Regardless of these challenges, one of the directors interviewed during the qualitative interview stated that “it would be interesting to see

how colleagues deal with social enterprises in their region”. Also, the fact the research required a more rigorous response from individual SBDC members is seen as further contributing to low levels of participation by the intended respondents. Also, the study did not seek to pre-define social enterprise categorically even though statements about the concepts were loosely thrown into the mix to ascertain respondents’ knowledge of the concept. This could also have contributed to the poor response rate. It is worth noting that in spite of such challenges the outcome challenges the underlying notion of social enterprises as a new organizational form.

### **5.5 Recommendations**

This study confirms the view held by Dart (2004), which concludes that empirical evidence is scant on whether social enterprises produce outcomes that make it pragmatically legitimate. The legitimacy of social enterprises is further challenged within the context of institutional isomorphism and the evolution of socio-political values within the public space.

This study builds on the existing social enterprise theories outlines in the literature and argue that the theories should be viewed through the lens of the evolving socio-political values and the institutional isomorphism paradigm to better align the social enterprise concept as well as establish its legitimacy as an alternative organizational form.

The following research topics arise from the empirical findings:

1. The study could be replicated but with a much larger sample of SBDCs across different states.

2. A study of how the SBDC stakeholders who also have a stake in the development of social enterprises perceive social enterprises would provide a broader context for theory development.
3. How the nonprofit/for-profit divide influence social enterprise

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## **Appendix 1 (Sample Questionnaire)**

### **Survey Instrument**

#### **Role at the SBDC**

- a. Director
- b. Counsellor
- c. Consultant

#### **Awareness or knowledge of Social Enterprises**

1. When I review a client's business plan it is easy for me to identify those with a social purpose mission  
Strongly disagree  
Disagree  
Neither disagree nor agree

Agree

Strongly disagree

2. Social enterprises have a dual purpose mission such as social purpose and income-focused

Strongly disagree

Disagree

Neither disagree nor agree

Agree

Strongly disagree

From the statements provided in questions 3 to 13 please indicate on the slider where they each fall on the continuum provided below:

Non-distribution of profits

Distribution of profits to investors or shareholders



3. What kind of organizational types are referred to as innovative hubs
4. The financial and fiscal crises and the need to innovate more creatively in design and delivery of public services have led to the creation of this organizational type

5. Organizations that have arisen out of a change in social dynamics and societal values
6. The decline of the state in the planned provision of services in society and reevaluation of the markets has led to the increase in these organizations
7. Businesses that focus on sustainability and social benefits
8. This organization provides access to day care facility within the community at a cost to help in the day-to-day running of the facility
9. Nonprofits that engage in commercial activity
10. A cooperative organization that looks out for its members such as the Women's Bean Project which provides training for its members by selling products made by their members these include: gourmet food and beverages, gift baskets, handcrafted jewelry etc.
11. Corporate social responsibility offered by large for-profit organizations
12. Organizations that are driven by social value rather than private value

13. Business owners who come to the SBDC who want to use their business to support the community within which they operate

**Organizational training and capacity in social enterprise development**

14. My training allows me to easily identify social enterprise firms

Strongly disagree

Disagree

Neither disagree nor agree

Agree

Strongly disagree

15. Given your training, are business ventures owned and operated by nonprofit organization that sell goods or provide services in the market for the purpose of creating a blended return on investment such financial, social, environmental or cultural social enterprises?

Strongly disagree

Disagree

Neither disagree nor agree

Agree

Strongly disagree

16. The SBDC provides free one-on-one counseling for social business planning

Strongly disagree

Disagree

Neither disagree nor agree

Agree

Strongly disagree

17. The SBDC provides free one-on-one counseling on financing social enterprises.

Strongly disagree

Disagree

Neither disagree nor agree

Agree

Strongly disagree

18. Social enterprises that come to the SBDC are often nonprofit organizations

Strongly disagree

Disagree

Neither disagree nor agree

Agree

Strongly disagree

19. You often encounter for-profit clients with a social purpose

Strongly disagree

Disagree

Neither disagree nor agree

Agree

Strongly disagree

20. You have participated in training on counseling models for social enterprises

Strongly disagree

Disagree

Neither disagree nor agree

Agree

Strongly disagree

21. The SBDC has knowledge of new legal forms such Benefit corporations, L3Cs  
and flexible purpose corporations

Strongly disagree

Disagree

Neither disagree nor agree

Agree

Strongly disagree

22. Please indicate below your level of knowledge of the business forms below:

a. Low-income limited liability company

Not at all familiar

Slightly familiar

Somewhat familiar

Moderately familiar

Extremely familiar

b. Benefit corporations

Not at all familiar

Slightly familiar

Somewhat familiar

Moderately familiar

Extremely familiar

c. Flexible purpose corporations

Not at all familiar

Slightly familiar

Somewhat familiar

Moderately familiar

Extremely familiar

(5- Extremely familiar. 1 – Not at all familiar)

**Community support and involvement in social enterprises**

23. How often do SBDC counselors engage their colleagues (Chambers of Commerce, SBA, Consultants, Academic Hosts, and Local Economic

Development Partners) in other areas to share ideas on emerging trends such as social enterprises?

Never

Rarely

Occasionally

A moderate amount

Every time

(5 – Every time. 1 – Never)

24. To what degree do you believe that there are social enterprises in your region?

Not at all aware

Slightly aware

Somewhat aware

Moderately aware

Extremely aware

25. How often do you approach your host institution for intellectual resources for training?

Never

Rarely

Occasionally

A moderate amount

Every time

(5 – Every time. 1 – Never)

**Nonprofit engagement**

26. The SBDC provides counselling advice to nonprofit organizations

Strongly disagree

Disagree

Neither disagree nor agree

Agree

Strongly disagree

27. Nonprofits often approach the SBDC for financial training/education?

Never

Rarely

Occasionally

A moderate amount

Every time

(5 – Every time. 1 – Never)

28. Your SBDC has specific financial training modules for nonprofits?

Strongly disagree

Disagree

Neither disagree nor agree

Agree

Strongly disagree

29. How many nonprofits organizations did you serve last year?

1	2	3	4	5
1-3	4-6	7-9	10-12	13 or more

30. How many firms other than nonprofits did the SBDC actually serve last year?

1	2	3	4	5
1-3	4-6	7-9	10-12	13 or more

### **Strategic Leadership**

31. How would you rate the understanding of issues that influence the organization by

the:

a. Membership

Not at all familiar

Slightly familiar

Somewhat familiar

Moderately familiar

Extremely familiar

b. Advisory Board

Not at all familiar  
Slightly familiar  
Somewhat familiar  
Moderately familiar  
Extremely familiar

c. Executive Director

Not at all familiar  
Slightly familiar  
Somewhat familiar  
Moderately familiar  
Extremely familiar

(5 – Extremely familiar, 1 – Not familiar at all)

32. Relative to the decision making process, how would you rate your organization's

attention to issues that influence the organization? (1            2            3            4

5)

Poor

Fair

Good

High

Very High

(5- very high, 1- poor)

33. Rate your association's success/practice of generating strategies to deal with

issues. (1      2      3      4      5)

Not successful

Slightly successful

Somewhat successful

Successful

Very successful

(5- very successful. 1- not successful)

34. How important is it to generate strategies to deal with issues for your

organization? (5 -very important 1 -not important at all)

Not important at all

Slightly important

Somewhat important

Important

Very important

35. Rate the importance of selecting strategic solutions to address issues that confront  
your organization.

Not important at all

Slightly important

Somewhat important

Important

Very important

(5-very important 1 -not important at all)

36. Rate the relevance of your organization's policies to current organizational activities?

Not Relevant

Somewhat relevant

Neutral

Relevant

Very Relevant

(5 -very relevant 1 -not relevant at all)

37. Rate your board's commitment and support to the implementation of strategic initiatives.

Not committed

Slightly committed

Somewhat committed

Committed

Very committed

(5 – very committed; 1 – not committed)

38. Rate the willingness to accept and implement change (5 –extremely likely 1 – extremely unlikely) by the:

## a. Membership

Extremely unlikely

Unlikely

Neutral

Likely

Extremely likely

## b. Advisory Board

Extremely unlikely

Unlikely

Neutral

Likely

Extremely likely

## c. Executive Director

Extremely unlikely

Unlikely

Neutral

Likely

Extremely likely

39. Rate the level of participation in strategy evaluation (5 -very involved 1 -not involved at all) by the:

## a. Advisory Board

Not involved at all

Somewhat involved

Neutral

Involved

Very Involved

## b. Executive Committee

Not involved at all

Somewhat involved

Neutral

Involved

Very Involved

## c. Executive Director

Not involved at all

Somewhat involved

Neutral

Involved

Very Involved

## d. Management Staff

Not involved at all

Somewhat involved

Neutral

Involved

Very Involved

(5-very involved. 1 – not involved at all)

40. Who are your most important partners in fostering business growth within the community?

a. Academic Hosts

Least important

Slightly important

Somewhat important

Important

Most important

b. Chamber of Commerce

Least important

Slightly important

Somewhat important

Important

Most important

## c. Economic Development Centers

Least important

Slightly important

Somewhat important

Important

Most important

## d. Local government authorities

Least important

Slightly important

Somewhat important

Important

Most important

## e. Local entrepreneurs

Least important

Slightly important

Somewhat important

Important

Most important

## f. State SBDC

Least important

Slightly important

Somewhat important

Important

Most important

g. U.S. SBA

Least important

Slightly important

Somewhat important

Important

Most important

(5 most important; 1 least important)

### **Interview Protocol**

1. Do you know about social enterprises?
2. Can you describe what they (social enterprises) are in your opinion?
3. Describe the social enterprises that come to the SBDC.
4. Does your organizations react differently to social enterprises than to other organizations?
5. What training modules do you provide to social enterprises?
6. Who are your community partners for business development within the region?
7. Describe the collaboration between your community partners and the SBDCs.
8. Describe the services you provide to nonprofits within your community.
9. What training do you provide for nonprofits?
10. What leadership strategies are integrated into the SBDCs plan to assist businesses?