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New England Journal of Entrepreneurship



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New England Journal of Entrepreneurship

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- The entire submission (including references) must be double-spaced in 12-point or larger font with margins of one inch or more.
- The abstract must be 200 words or less and should precede keywords (maximum six).
- The submission contains few and only necessary footnotes (not endnotes).
- There is nothing in your file that identifies the authors.
- Any hypotheses are explicitly identified as such.
- Constructs and variables are identified in words, not abbreviations.
- Any prior publication of the data featured in the manuscript is explicitly acknowledged either in the manuscript or in the transmittal letter to the editor. Any forthcoming or "in press" articles that use the data should be forwarded to the editor.
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Relating Cultural Values with Opportunity Evaluation

Evidence from India

A. Banu Goktan
Alka Gupta
Subhendu Mukherjee
Vishal K. Gupta

Abstract

The link between social interaction and entrepreneurial activity has attracted considerable attention in the entrepreneurship literature. In this study, we focus on individual cultural values, shaped by interactions in the social space, as they relate to opportunity evaluation, a cornerstone of the entrepreneurial process. We test our predictions in India, a non-Western society that has sustained one of the highest rates of entrepreneurial activity in the world. Our findings suggest that value orientation of high power distance is negatively associated with opportunity evaluation whereas uncertainty avoidance, collectivism, and femininity are positively associated with opportunity evaluation.

Keywords: cultural values, opportunity evaluation, India

After the so-called Great Recession that followed the global financial crisis at the end of 2007 (Bell & Blanchflower, 2011), interest in entrepreneurship from policy makers and business leaders around the world increased. Entrepreneurship is viewed as a means to revitalize the economy and stimulate growth (Thomas & Mueller, 2000). Researchers have seen renewed interest in understanding entrepreneurial activity across societies worldwide. They have also recognized that findings of the studies conducted in the United States and Western Europe may not always be transferable to the rest of the world (Thomas & Mueller, 2000).

Culture is an important contextual factor that affects potential entrepreneurial activity in a society at the macro level (Hayton, George, & Zahra, 2002). At the individual level, on the other hand, cultural values influence the degree to which entrepreneurial behaviors are considered desirable by entrepreneurs. They represent the values and beliefs that provide the immediate context in which entrepreneurial behavior emerges. The association between culture and entrepreneurship has been drawing attention since the 1990s. Only a few entrepreneurship studies have focused on the individual level, although

individual level studies are common in culture research (Kirkman, Lowe, & Gibson, 2006). In addition, none of these studies have investigated the influence of cultural values on opportunity evaluation, even though evaluation of new business opportunities is considered a cornerstone of entrepreneurship research (Shane & Venkataraman, 2000). Consequently, examination of the relationship between individually held cultural values and the factors and processes associated with assessments of entrepreneurial opportunities is largely ignored in the literature (Haynie et al., 2009). Identifying and understanding factors that influence why, when, and how some people, but not others, favorably assess new opportunities to introduce novel goods and services has emerged as an important research agenda in the last decade (Eckardt & Shane, 2003). Understanding the relationship between cultural values and entrepreneurship can provide valuable information for governments to develop programs through which new ventures are created and employment increased (Thomas & Mueller, 2000).

We theoretically elaborate and empirically examine the relationship between cultural values and opportunity evaluation in this study. Our research seeks to contribute to the small but engaging literature on antecedents of opportunity evaluation (Foo, 2011). We also extend research on values and beliefs to entrepreneurship in general, and opportunity evaluation in particular. We empirically test our predictions in India, extending opportunity evaluation research to non-Western societies. Most research in the field of entrepreneurship has been generated in the U.S. and Western Europe. However, "transferability of U.S. research to non-U.S. contexts is not universal" (Thomas & Mueller, 2000, p. 289). India has one of the highest rates of entrepreneurial activity in the world (Khanna, 2008), which makes it a suitable country to examine our predictions.

Theory and Hypotheses

Entrepreneurship research is multidisciplinary in nature, which is particularly appropriate as the field of entrepreneurship is “complex, dynamic and interactive... [with] the entrepreneur at the center” (Etemad, 2004, p. 8). Schumpeter (1934) was the first to suggest that the entrepreneur is a generator of economic growth. Entrepreneurship cannot exist without individuals who see opportunities where others cannot (Shinnar et al., 2012) and without individuals who show intent and act upon those opportunities (Liñán & Chen, 2009).

At the macro level, some of the factors that affect entrepreneurship include industry, competition, social institutions, networks, and financial resources, among others (Brandstätter, 2011). At the individual level, the focus has been on personality including risk propensity (Rauch & Frese, 2007; Stewart & Roth, 2001; Zhao & Seibert, 2006; Zhao, Seibert, & Lumpkin, 2010), achievement motivation (Collins, Hanges, & Locke, 2004; Stewart & Roth, 2007) and the Big Five personality theory (Zhao & Seibert, 2006). However, cognitive processes and values, although equally important, have been neglected (Brandstätter, 2011). In this study, we address both issues by focusing on cultural values and the cognitive process of opportunity evaluation.

Opportunity Evaluation

The entrepreneurial process involves the complex and intertwined functions, activities, and actions associated with recognizing and pursuing new business opportunities (Keh et al., 2002). Opportunity evaluation is a behavioral task involving analysis and intuition to identify meaningful patterns in ambiguous information about emergent events and trends (Baron & Ensley, 2006). Entrepreneurs often see opportunities where others do not, and envision future possibilities that others fail to recognize. Deciding whether a situation is a business opportunity involves judgments made under conditions of uncertainty and complexity (Shane & Eckhardt, 2005). Whether it is to start a company or introduce novel goods and services to the market, opportunity evaluation is at the heart of the entrepreneurial process (Shepherd & DeTienne, 2005). An enterprising individual can be immensely creative and hardworking, but unless a business opportunity is perceived to be desirable or feasible, it will not be acted upon, and new products, technologies, and services will not be introduced (Eckhardt & Shane, 2003). A particular opportunity is evaluated favorably when “individuals recognize opportunities for themselves and make the decision to act on these opportunities in the face of uncertainty” (Mitchell & Shepherd 2010, p. 140).

One of the factors that shape the assessment of new opportunities is the values and beliefs of the enterprising individual (Goktan & Gunay, 2011). Indeed, values and beliefs have been shown to impact several work-related attitudes and behaviors, such as motivation to lead (Chan & Drasgow, 2001), attitudes toward cooperative strategies (Steensma et al., 2000), and organizational citizenship behaviors (Moorman & Blakely 1995), among others (Kirkman et al., 2006). Therefore, individual cultural values, which often represent the way people see the world and behave, are likely to affect whether an opportunity is perceived as favorable or not.

Individual Cultural Values

Research from a variety of perspectives suggests that outcomes on cognitive tasks like evaluation of new opportunities are influenced by core values that people hold. Values are beliefs that pertain to desirable end states and they guide individuals in choosing behaviors and determining priorities (Schwartz & Bilsky, 1987, 1990). Values emerge in response to basic issues of survival and growth (Kirkman et al., 2006), help individuals understand and manage the “complex reality of our social world” (Hofstede, 2006, p. 895) and are shaped by interactions with others (van Maanen, 1989; Ashforth & Mael, 1989). Social interactionism holds that values are learned and acquired from the verbal and nonverbal interactions of individuals (Fine, 1993) whereas symbolic interactionism theory (Fine, 1993) suggests that individuals acquire values and beliefs through social and cultural interactions.

Several researchers have tried to classify values (e.g., Rokeach, 1973; Levitin, 1973; Schwartz, 1992) with varying degrees of success. There are a variety of frameworks to capture core values and beliefs, but perhaps the most influential, especially in regards to the interactional nature of values, is the one offered by Geert Hofstede. The majority of culture studies have used Hofstede’s (1980) conceptualization of cultural values and frequently adopted his four-dimensional framework (Hayton, George, Zahra, 2002). Hofstede (1980) deconstructed the individual value system into four basic core dimensions: power distance, uncertainty avoidance, individualism, and masculinity. These four facets, Hofstede (1991, p. 35) argued, represent “core elements” of the value system, and can be used to meaningfully describe values and beliefs worldwide (Hofstede, 2002).

A fifth dimension of long-term versus short-term orientation was developed by Michael Harris Bond in 1991, and a sixth dimension of indulgence versus restraint

was developed by Michael Minkov in 2010 (Hofstede, 2001; Hofstede et al., 2010). However, these dimensions are neither part of the original Hofstede model nor have they been embraced as widely as the four original dimensions (Taras, Steel, & Kirkman, 2012). The “time orientation” dimension, which was designed by Chinese scholars, for example, has proven to have limited validity outside China, and therefore its application has been limited (Hofstede, Hofstede, & Minkov, 2010). Despite some criticism (e.g., Baskerville, 2003; McSweeney, 2002), the four-dimensional conceptualization has become the dominant paradigm in cross-cultural studies (Kirkman et al., 2006; Taras et al., 2010).

Contemporary researchers generally consider the four-dimensional framework as “a reasonable way” to make sense of values and beliefs (Ralston et al., 2007, p. 2). More than three decades have passed since the introduction of the framework, and in this time it has gained tremendous popularity in psychological and organizational research (Hofstede, 2006). The four-dimensional cultural framework is not without its critics (e.g., Baskerville, 2003; McSweeney, 2002) who charge that the methodology Hofstede used to come up with the four dimensions is flawed as it relies on small sample sizes, assumes homogeneity within the country, and reflects the views of respondents employed within one large, multinational corporation. Yet, the four-dimensional conceptualization has continued to be the dominant paradigm in research on cultural values in the social sciences (Kirkman et al., 2006). This is likely because hundreds of independent studies—including a large number in recent years—have heavily replicated Hofstede’s typology and found support for its four-dimensional framework (Taras et al., 2012). According to Hofstede (2006), “the dimensions paradigm... has become the ‘normal science’ approach” to cultural values research in business and organizational studies (p. 883). The scale of acceptance of the Hofstede framework (average 90+ SSCI citations per annum since 1980 and more than 25,000 total citations in 30 years) has led many to claim that it is a modern classic (Venaik & Brewer, 2010) that has heralded “a true paradigm shift” in cultural values research (Hofstede, 1998, p. 480), especially in organizational and psychological studies (Smith, 2002).

When conceived as individual-held cultural values, endorsement of the four descriptors—power distance, uncertainty avoidance, individualism, and masculinity—reflect a “pattern of construct variation unique to the individual” (Triandis et al., 1990). *Power distance* is the extent to which unequal distribution of power is

considered acceptable and legitimate (Smith & Hume, 2005). The notion of power distance is manifested in obedience to people in authority versus striving for egalitarianism. *Uncertainty avoidance* refers to lack of tolerance for ambiguity and absence of structure (Dorfman & Howell, 1988). It indicates discomfort with and unacceptability of operating in unstructured and uncertain situations. *Individualism* is the degree to which individual interests are considered subordinate to the interest of the group (e.g., family) (Kagitcibasi, 1997). It involves elevating personal aspirations ahead of group goals, as opposed to making the self clearly subservient to the group (Robert et al., 2000). *Masculinity* indicates preference for “tough” concerns such as competition and achievement (Emrich et al., 2004). It corresponds to the male stereotype of having a higher proclivity for autonomy, exhibition, and dominance, as opposed to a preference for “soft” characteristics such as agreeableness and affiliation (Hofstede, 1998). These values shape the way individuals organize knowledge and social behavior into a fairly consistent set of psychological orientations that reflect “a broad tendency to prefer a certain set of affairs over others” (Mitchell et al., 2000, p. 979). Robert and Wasti (2002, p. 545) note that cultural values “help one organize and interpret the world by focusing attention on certain patterns or themes in the subjective elements of the environment.” Prior research has considered these individual-level cultural values in within-country research (Colquitt, 2004; Colquitt et al., 2002) as well as in cross-country studies (Gomez et al., 2000; Kirkman & Shapiro, 2001).

Thus, the present study focuses on the four core dimensions that have been the most relevant to management researchers, including those studying entrepreneurial phenomenon (Hayton, George, Zahra, 2002). Hofstede’s cultural framework involves multi-dimensional conceptualization of bi-polar cultural factors (Sharma, 2010). Each cultural dimension ranges from, for example, extreme masculinity at one end to extreme femininity at the other (Constantinople, 2005). Past research suggests that the four core values may be particularly pertinent in understanding business-related attitudes and behaviors (Kirkman et al., 2006). Indeed, researchers have specifically confirmed the relevance of Hofstede’s cultural dimensions to business issues (including studies in fields as diverse as management, finance, and MIS) and also found them to be practically useful for managers and practitioners working in international settings (Taras et al., 2012). We now link the

four values of power distance, uncertainty avoidance, individualism, and masculinity with opportunity evaluation, a cognitive task that requires individuals to “connect the dots” between seemingly disparate bits of information (Baron & Ensley, 2006).

Power distance. Power distance refers to the acceptance of inequality in power and authority between individuals. Everyone is believed to have a place in society—some are high, some are low—and powerful people are entitled to privileges not available to others. The idea that power is distributed unequally is expected and accepted (Hofstede & Hofstede, 2005). In this worldview, those in power are seen as having a higher place in society, and individuals who are in the lower echelons of the society are expected to obey those in power (Hofstede, 1980). Research suggests that dependence on people of higher authority is likely to limit the autonomy of the individuals (Goktan & Gunay, 2011). Previous studies suggest that entrepreneurship is cultivated when individuals perceive that they have autonomy and control over their work and ideas (Amabile et al., 1996), whereas entrepreneurial activity decreases when individuals perceive their environment as constraining or controlling (Kurtzberg & Amabile, 2000-2001).

According to the social network theory, social interactions among members in a network results in flows of resources (Burt, 1992; Granovetter, 1973). Social networks comprise a set of connections, such as friends, relatives, and business partners who know and trust each another. These connections help entrepreneurs recognize, evaluate, and exploit opportunities by combining the resources of the network members (Burt, 1992). When there is high power distance, the class, power, and status of members of the society determine who has access to resources (Luczak et al., 2010). In high power distance societies, such as India, resources and networks are more available to upper-class individuals (Chen & Tan, 2009; Drori et al., 2009; Patel & Conklin, 2009). The stratified social system determines the social status of individuals in the Indian society and individuals have advantages or disadvantages depending on the position occupied by their group within the social hierarchy (Dumont, 1970; Joseph & Selvaraj, 2010). Researchers have suggested disadvantages of certain groups in business activities due to their group membership (Vaid, 2014).

Resources provided by the network may come in the form of financial, intellectual, or emotional support

(Muzychenko, 2008). Individuals who perceive a high power distance believe that the powerful have privileges and access to resources and mobility (Schnell et al., 1999; Zhou, 2004). We argue that power distance may influence opportunity evaluation by shaping an individual’s perception of autonomy and their perspective on the availability of resources. For example, those who endorse high power distance are likely to view starting a new venture as something only the elite do and, therefore, they may not have the necessary mental models to scan for and evaluate new opportunities. Similarly, they are likely to feel alienated from the upper-class individuals and perceive that they don’t have access to the network and resources that the elite have access to (Luczak et al., 2010; Zhou, 2004). Therefore, we hypothesize:

Hypothesis 1. *Power distance will be negatively associated with a favorable evaluation of entrepreneurial opportunity.*

Uncertainty avoidance refers to lack of tolerance for ambiguity and absence of structure (Dorfman & Howell, 1988). People vary in their tolerance for ambiguity and risk (Hofstede, 1980). Some individuals are more anxious in accepting uncertainty than others. For those who avoid uncertainty, change and risk generate anxiety. Such individuals feel uncomfortable operating in unstructured and uncertain situations. They try to avoid uncertainty by setting strict rules and regulations, and prescribing guidelines for every possible scenario. Individuals who embrace uncertainty, on the other hand, demonstrate more risk taking as well as more tolerance toward unstructured, ambiguous situations (Hofstede & Hofstede, 2005; Steensma et al., 2000).

The tendency to avoid uncertainty is likely to influence entrepreneurial behavior (Mitchell et al., 2002; Steensma et al., 2000). Opportunity evaluation, by definition, is fraught with ambiguity and uncertainty and it usually demands judgments made under complex or uncertain conditions. Opportunity evaluation is risky because the outcomes are unclear. When pursuing new opportunities, enterprising individuals are vulnerable to failure and loss. Individuals who avoid uncertainty are likely to perceive entrepreneurial opportunities as risky and, therefore, not favorable. Entrepreneurs are more likely to evaluate an opportunity favorably when they perceive less risk in that opportunity (Keh et al., 2002). Thus, individuals high on uncertainty avoidance are likely to stay away from favorably evaluating new opportunities. We hypothesize:

Hypothesis 2. *Uncertainty avoidance will be negatively associated with a favorable evaluation of entrepreneurial opportunity.*

People differ in terms of their focus on the self as compared to the interest of the collective. As defined by Hofstede (1991), individualism is characterized by a belief in loose ties between individuals who are expected to look after themselves ahead of everyone else. Collectivism, on the other hand, pertains to believing in integrating people into strong, cohesive in-groups. These groups protect people in exchange for unquestioning loyalty. Individualists desire independence from any sort of group affiliation, whereas collectivists search out and value long-term group ties that are similar to an extended family (Triandis, 1993). Individualists give priority to personal goals over group goals whereas collectivists prioritize the welfare of the group. Collectivists are connected to their social networks from birth onwards and feel attached to groups of individuals they can trust and rely on (Luczak et al., 2010).

The protection and support provided by the group creates a safety net for the entrepreneur and reduces the uncertainty and the risk associated with starting a new business. These social networks create opportunities for entrepreneurs and help them acquire resources in the form of information, professional knowledge and skill, cultural capital, opportunities, and advice (Burt, 1992; Bratkovic & Antoncic, 2009; Drori et al., 2009; Granovetter, 1973; Muzychenko, 2008; Portes et al., 1999). Networks (Shane et al., 1991; Todorovic & Ma, 2008) and resource leverage provided by the group (Tiessen, 1997) are among the most cited factors that support entrepreneurship. Therefore, individuals who do not have collectivist values and are not a part of a collectivist group are both less likely to find the support to start an entrepreneurial venture and less likely to favorably assess new opportunities as worth pursuing. Therefore, we hypothesize:

Hypothesis 3. *Collectivism will be positively associated with a favorable evaluation of entrepreneurial opportunity.*

Masculinity refers to an overall preference for “toughness” and competitiveness, as opposed to modesty and humility, which form the opposite pole of femininity. Masculine values, also called instrumental values, are composed of assertiveness, competitiveness, independence, and aggressiveness. Feminine values, also called expressive values, refer to an affective concern for the welfare of others, cooperation, caring, nurturing, and the harmony of the group (Constantinople, 1973; Spence & Helmreich, 1980; Bem, 1981; Williams & Best, 1982).

Findings regarding the role of masculinity in the entrepreneurial process seem to be mixed. Research suggests that different qualities (i.e., masculine and feminine) are instrumental in different stages of the entrepreneurial process (Hamilton, 2013). We expect feminine values to be positively associated with the earlier, opportunity evaluation stage of the entrepreneurial process. Entrepreneurs face an uncertain and constantly changing environment, especially during the early stages of the entrepreneurial process. Adaptability and flexibility are essential to successfully perform many entrepreneurial tasks. The entrepreneur must possess feminine qualities of adaptability, flexibility, and resilience. While searching and evaluating opportunities, entrepreneurs rely on creative skills, which are feminine values, to develop novel ideas and evaluate market opportunities to create a product, a service, or a new venture (Mueller & Dato-on, 2008). For example, while a masculine emphasis on assertiveness may be a required quality when bargaining with suppliers, it may play a negative role in the opportunity evaluation stage of the entrepreneurial process. During the opportunity evaluation process, which involves searching for, connecting, and making sense of information, we expect relational qualities to be critical. Feminine qualities have been positively linked to perseverance, mutual empowerment, achievement, and the creation of teams (Fletcher, 1998). Individuals who persevere are more likely to evaluate opportunities favorably, and those who can create empowered teams and mutual cooperation are likely to pool resources and build a network of support for themselves. Therefore, we hypothesize:

Hypothesis 4. *Femininity will be positively associated with a favorable evaluation of entrepreneurial opportunity.*

To summarize, we predict that power distance and uncertainty avoidance will be negatively related to a favorable evaluation of new business opportunities, whereas femininity and collectivism will be positively related to a favorable evaluation of new business opportunities (at least, in high power distance societies like India as we discussed earlier). In the next section, we discuss the methodology used to test our predictions.

METHOD

Data and Sample

We collected data from business students at a large private university in southern India. A total of 267 students (164 men, 56 women, and 47 unreported) completed

the English-language survey in class. In our sample, 6% of the respondents identified themselves as upper class, 74% identified themselves as middle class, and about 20% identified themselves as working class or lower. Twenty-eight percent of the respondents were graduate students and 72% of the students were undergraduate students. The average age of our sample was 22 years, which is consistent with the age at which early-stage entrepreneurial activity is most common (Hisrich et al., 2007). According to the Global Entrepreneurship Monitor, global trends show that both entrepreneurial intentions and entrepreneurial activity are the highest among the 18–44 age group. GEM National Expert Survey suggests that India has an advantage in entrepreneurship with its young population: about 63% of the population is in the 15–59 age group.

We chose business students as our sample for several reasons. First, we sought participants who are familiar with the business world and with the concept of entrepreneurship (Begley et al., 2005). Second, we wanted respondents who have not yet decided on a corporate career and are likely to be interested in starting their own business in the future (Mueller & Thomas, 2000). Lastly, business students are believed to represent a significant share of the pool of entrepreneurially oriented individuals in developing countries (Gupta & Fernandez, 2009), and there exists a strong emphasis among policy makers on encouraging business students to be entrepreneurial (Hisrich et al., 2007). GEM National Expert Survey also lists education as one of the main constraining factors for entrepreneurship in India. For these reasons, we believe that our sample of business students in India with average age of 22 years is an appropriate context for our study. No extra credit was given for participating in this study, but students were promised summary findings for participation.

Measures

Although Hofstede (1980) conceived culture at the societal level, there has been a growing trend in the literature to assess individual-level cultural values. Dorfman and Howell (1988) were the first to apply Hofstede's cultural dimensions to the individual level (Culpepper & Watts, 1999; Mancheno-Smoak et al., 2009). Their scales are based on Hofstede's original definitions and are reliable at the individual level (Nicholson, 1991). This scale provides "insight to an individual's perception of culture as their personal values" (Mancheno-Smoak et al., 2009, p. 12). It is based on the assumption that nationality is not a direct determinant of cultural orientation but rather there may

be value differences among individuals within a society. Various studies have validated the reliability and the validity of Dorfman and Howell's (1988) scale (Mancheno-Smoak et al., 2009; Culpepper & Watts, 1999) to measure cultural dimensions at the individual level.

The Dorfman and Howell (1988) measure of cultural value orientation was used to measure respondents' ascriptions to the four values considered here on a five-point Likert scale. The following two items from the original Dorfman and Howell (1988) collectivism scale were deleted after factor and reliability analysis: "Being accepted by the members of your work group is very important"; "Individuals may be expected to give up their goals in order to benefit group success". The scales had reliabilities (Cronbach alpha) of .63 (collectivism), .77 (uncertainty avoidance), .74 (femininity), and .75 (power distance) in our data. Although within the acceptable range, collectivism scale had relatively low reliability in this study as it did in the original Dorfman and Howell's (1988) study. It is possible that collectivism statements were interpreted differently in India. The collectivism scale has had low reliability in multiple studies conducted in cross-cultural contexts due to interpretation differences (Schwarz & Oyserman, 2001; Shulruf et al., 2011).

Demographic questions asked participants to report their gender, age, work experience, socioeconomic status, and other such information. Following the vignette approach advocated in the opportunity evaluation literature (Keh et al., 2002; Gupta et al., 2014), we used a set of three opportunity evaluation vignettes that were adapted directly from Highhouse and colleagues (2002). These business-related scenarios "illustrate strategic issues and were shown to clearly represent opportunities" (Highhouse et al., 2002, p. 46). Participants responded to each of the three opportunity scenarios using a scale that ranged from 1 = strongly disagree to 5 = strongly agree. Previous research has often either used a singular scenario (e.g., Keh et al., 2002) or conducted separate statistical tests on each scenario (e.g., Conroy & Emerson, 2004). Researchers have not yet offered a priori predictions based on theoretical considerations that the independent variable or predictor should be related to some but not other scenarios. Therefore, departing from past research, we adopted an analytic approach that combined responses to the three scenarios adopted from Highhouse et al. (2002), such that one common score served as the dependent variable (see Appendix). In addition, factor

analysis of the three scenarios revealed a single factor with a good reliability of the measure as expected, since all questions pertain to opportunity evaluation. Our multi-scenario approach offers a more conservative test of the relationships (that is, higher reliability and validity) than is possible with single-scenario studies.

Analyses and Results

The primary statistical techniques used to analyze data in this study included descriptive statistics, correlations, t-tests, and multivariate hierarchical regression. Table 1 presents descriptive statistics including means, standard deviations, and reliability for all measures as well as the correlation matrix (Pearson product moment correlations) for the variables in the study. The intercorrelations among the variables in this study were in line with expectations. All dimensions of culture including collectivism, uncertainty avoidance, femininity, and power distance were significantly related to opportunity evaluation. However, contrary to expectations, uncertainty avoidance had a positive relationship with opportunity evaluation.

None of the control variables other than socioeconomic status were significantly related to the dependent variable. Respondents to our survey were predominantly male. Therefore, we checked for homogeneity by conducting an independent sample t-test. We did not find any significant differences between males and females in terms of cultural values and opportunity evaluation.

Table 2 reports the results of hierarchical multivariate regression analyses for the dependent variable. To clearly distinguish control variables from independent variables, Socio Economic Status (SES) was entered first and independent variables were entered next into the regression model. SES was the only control variable included in the analyses. None of the other control variables were significantly related to opportunity evaluation; therefore, they were not included in the regression analysis. Model 1 presents regression results of the control variable on the dependent variable and Model 2 presents regression results of the independent variable on the dependent variable (see Table 2).

Table 1

	Mean	Std. Deviation	Alpha	1	2	3	4	5	6	7	8
Gender (1)	.25	.44		1							
Age (2)	22.12	2.01		-.19**	1						
Socio-Economic Status (SES) (3)	2.85	.84		.04	.00	1					
Collectivism (4)	3.91	.67	.63	.10	.02	-.12	1				
Femininity (5)	2.69	.90	.74	.11	.11	-.16*	.12	1			
Power Distance (6)	2.67	.92	.75	.05	-.19**	.20*	-.14*	.62**	1		
Uncertainty Avoidance (7)	4.27	.72	.77	-.05	.05	-.16*	.44**	-.23**	-.28**	1	
Opportunity Evaluation (8)	3.86	.64	.89	.02	.11	-.18*	.26**	.55**	-.52**	.55**	1

Notes:

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

Results show a significant negative relationship between power distance and opportunity evaluation as predicted in hypothesis 1 ($\beta = -.196$, $p < .01$). Results also suggest a significant positive relationship between femininity ($\beta = .229$, $p < .01$) and opportunity evaluation. Therefore, hypothesis 4 was supported. Although there was a significant relationship between uncertainty avoidance

and opportunity evaluation ($\beta = .41$, $p < .001$), contrary to expectations it was a positive relationship; therefore, hypothesis 2 was not supported. There was no significant relationship between collectivism and opportunity evaluation and hypothesis 3 was not supported. In all, we found empirical support for H1 and H4 in our data, but H2 and H3 failed to be supported.

Table 2

Results of the Hierarchical Regression Analysis for all Independent Variables

Variables	Independent Variables	
	Model 1 (Controls only)	Model 2 (Independent Variables)
<i>Control Variable</i>		
SES	-.113	.015
<i>Independent Variables</i>		
Power Distance		-.196*
Uncertainty Avoidance		.410***
Femininity		.229**
Collectivism		-.020
Constant	4.231***	2.455***
F	1.782	30.301***
R ²	.013	.484
Adjusted R ²	.006	.464
Change in R ²	.013	.471
Number of Observations	253	253

Notes: Table presents standardized coefficients. + $p < .1$, * $p < .05$, ** $p < .01$, *** $p < .001$

Post-hoc Analyses

We conducted a post-hoc test to increase confidence in our findings. We ran regression with each of the four cultural values entered separately and opportunity evaluation as the dependent variable. We find that, as predicted, power distance ($\beta = -.52$, $p < .001$) and femininity ($\beta = .53$, $p < .01$) were positively related to opportunity evaluation. Uncertainty avoidance was also significantly related to opportunity evaluation ($p < .001$); however, contrary to the hypothesis, it was a positive relationship. We did not find a significant relationship between collectivism and opportunity evaluation.

DISCUSSION

Entrepreneurial activity is a result of individuals favorably evaluating business opportunities to introduce new goods and services (Chiles et al., 2007). Although conventional economic wisdom advocated an objective value-based perspective of business opportunities, recent research recognizes individual differences in the evaluation of opportunities (Mitchell & Shepherd, 2010). In this study, we examined the relationship between individual cultural values and opportunity evaluation. We found that the power distance value is negatively associated with opportunity evaluation, whereas the femininity value is positively associated with opportunity evaluation. Our results suggest that those who view the world in an egalitarian way and show a preference for agreeableness and relationships are more likely to evaluate new opportunities favorably. As such, we contribute to the knowledge of factors underlying opportunity evaluation (Eckhardt & Shane, 2003) as well as the impact of individual cultural values on opportunity evaluation (Kirkman et al., 2009).

Contrary to our expectations, there was a significant and positive relationship between uncertainty avoidance values and opportunity evaluation. One possible explanation of this finding is that entrepreneurs are "risk eliminators" rather than "risk takers" (Zimmerer, Scarborough, & Wilson, 2008), and that they plan and take calculated risks. A high uncertainty avoidance orientation may be associated with attention to detail and a motivation to study the situation in detail. After studying the situation and eliminating risks, self-efficacy of enterprising individuals may increase such that they become more likely to perceive opportunities (Goktan & Gunay, 2011). Another explanation is that the positive relationship between uncertainty avoidance and opportunity evaluation we found is a result

of collecting data in a country that usually scores high on uncertainty avoidance as a national characteristic (Hofstede, 1980). Perhaps, the strong emphasis on uncertainty avoidance at the national level motivates a stronger proclivity toward opportunity evaluation in individuals who tend to avoid uncertainty. Clearly, more research is needed to cast light on the role of uncertainty avoidance in evaluating new opportunities.

In recent years, researchers have focused on androgynous orientation in relation to entrepreneurship. Studies in the area suggest that both feminine and masculine values are related to entrepreneurship (e.g., Goktan & Gupta, 2015; Heilman & Chen, 2003; Jennings & McDougald, 2007) despite the perception that business ownership is stereotypically masculine (Gupta et al., 2009). Studies suggest that masculine and feminine values play different roles in different phases of the entrepreneurial process (Hamilton, 2013). Some tasks in the entrepreneurial process require feminine qualities (Mueller & Dato-on, 2008), such as concern for the welfare of others, harmony of the group, cooperation, adaptability, flexibility, caring, and nurturing (Brescoll et al., 2012; Hofstede & Bond, 1984). Some situations (e.g., dealing with suppliers or investors), on the other hand, call for masculine qualities such as assertiveness (Mueller & Dato-on, 2008). Future studies should examine the comparative role of masculine, feminine, and androgynous values in relation to opportunity evaluation.

Researchers draw attention to the fact that there is confusion around the meaning of collectivism and individualism. According to Brewer and Chen (2007), collectivism has "been criticized as being ill-defined and 'a catchall' to represent all forms of cultural differences" (p. 133). Voronov and Singer (2002) add that "individualism–collectivism research is characterized largely by insufficient conceptual clarity." For example, in a meta-analysis of 83 studies, Oyserman, Coon, and Kimmelmeier (2002) identified eight major domains relating to collectivism (sense of duty to group, relatedness to others, seeking others' advice, harmony, working in groups, sense of belonging to a group, contextual self, valuing hierarchy). Collectivism scale has had low reliability issues especially in studies conducted in cross-cultural contexts (Dorfman & Howell, 1988; Schwarz & Oyserman, 2001; Shulruf et al., 2011) and it may partially be explained by its multi-dimensionality and the lack of a clear construct definition. Future studies should further examine the relationship between collectivism and opportunity evaluation.

The cultural values literature involves a paradox: Although Hofstede (1980) was clear that his framework was intended only for the country level, researchers have liberally adapted it to derive and test theories about the cultural antecedents of individual outcomes in the workplace (Taras et al., 2010). Prior research on individual-level cultural values preferred to focus on singular dimensions (Kirkman et al., 2006), and few studies have been published in this area using all four Hofstede (1980) cultural dimensions (Niranjan et al., 2013). Furthermore, research often tends to fall back on Hofstede's (1980) country scores as proxies for individual-level cultural values rather than directly assess beliefs and values at the individual level (Kirkman et al., 2006). To construct a more complete picture of the effects of cultural values, we developed a coherent theory about different cultural value effects at the individual level and tested it using data collected in a specific country. Our findings suggest a significant relationship between individual cultural values and opportunity evaluation while also suggesting that this relatively new area requires further attention.

LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

We acknowledge certain limitations of our study, which also open directions for additional research. Although the four-dimensional cultural framework dominates research in the international arena (Niranjan et al., 2013), there are several other cultural values that have been proposed over the years (Taras et al., 2009). It is highly unlikely that a single model will cover all aspects of such a highly complex, multidimensional and multi-layered phenomenon as cultural values. Future research should examine the additional variance contributed by other values (perhaps borrowing from less popular frameworks) in explaining the evaluation of new business opportunities. Comparative research weighing the relative contributions of different cultural frameworks (such as GLOBE or Schwartz) would be helpful in unraveling their usefulness in understanding new opportunity evaluation.

While Hofstede (1980) conceptualized cultural dimensions as bipolar, recent studies have proposed that these bipolar dimensions may actually be independent unipolar dimensions (Constantinople, 2005; Sharma, 2010). In other words, for example, masculinity and femininity may be independent dimensions rather than two ends of the same spectrum. Several studies indicate that masculinity is implicit in entrepreneurship (Lewis, 2006;

Marlow, 2002). However, researchers also emphasize that feminine qualities are also crucial in the entrepreneurial process (Brescoll et al., 2012; Mueller & Dato-on, 2008). Future studies should examine androgyny, which refers to equal endorsement of both masculine and feminine identity, in relation to entrepreneurship (Goktan & Gupta, 2015; Spence & Helmreich, 1980). We theorized and tested our predictions in one country. Our approach has the advantage of holding extraneous factors constant (e.g., laws related to participation of men and women in the workforce). Yet, following Cook and Campbell (1979) who noted that external validity is best viewed as a characteristic of a stream of research and not a single study, we encourage future research to examine the generalizability of our results to other societies. It would be especially helpful to explore the relationships between cultural values and opportunity evaluation in countries that are very different from the Indian context in which we conducted the present study.

Finally, generalizability of results reported in this study to populations with more experience in evaluating new opportunities cannot be assumed and needs to be empirically confirmed. Prior research indicates some differences between novice and experienced entrepreneurs in assessing new venture ideas (Baron & Ensley, 2006). Future research could test the validity of the relationships proposed here in populations with entrepreneurial experience.

Notwithstanding the limitations of our research, our study has several methodological strengths. First, we tested our hypotheses in India, which enabled us to respond to calls for research "in countries that are emerging as important global players and at the same time have sociocultural contexts very different from those of western countries" (Nadkarni & Herrmann 2010, p. 1067). Second, the participants of this research study fell in the 18–24 age group, which has the lowest proportion of people in India who attribute their pursuit of new opportunities to "push" factors such as lack of alternative employment (Manimala, 2002). Third, unlike prior research, we used a multi-vignette approach to measure evaluation of new business opportunities, which provides for a stronger and more robust measure of opportunity evaluation. Finally, although the nature of the research participants' experiences did not exactly mirror those of a real organizational situation, several features of this task and of our participants achieved what Berkowitz and Donnerstein (1982) referred to as "mundane

realism." To summarize, we have confidence that cultural values help explain variations in opportunity evaluation as we found in our study, and we encourage additional research in other settings to empirically examine the generalizability of our findings across populations, time periods, and dependent variables.

CONCLUSION

Our research advances extant literature by examining the relationship between cultural values and opportunity evaluation at the individual level. Entrepreneurship researchers seek to delve deeper into the linkages that connect cultural values like power distance, uncertainty avoidance, femininity, and collectivism with opportunity evaluation, as we theorized and validated in this study.

Our logic connecting cultural values directly with opportunity evaluation is supported for opportunity evaluation linking negatively with power distance and positively with femininity. Our findings also reveal that the association of uncertainty avoidance and collectivism with opportunity evaluation is more complex than previously realized. We acknowledge that our single-nation study—theorizing and testing predictions in India—may constrain the external validity of our findings. Comparative studies between different regions in the same country or between different countries will help extend the generalizability of our research.

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APPENDIX

Cultural Values Items:

Individualism/Collectivism

1. Welfare of the group is more important than individual rewards
2. Group success is more important than individual success
3. Being accepted by the members of your group (e.g., family, society) is very important (item deleted)
4. People should pursue their goals only after considering the welfare of the group
5. Managers should encourage loyalty to the group
6. Individuals may be expected to give up their goals in order to benefit the group (item deleted)
7. I believe that success of the group is more important than success of any one individual (item added)

Masculinity/Femininity

1. Meetings are usually run more effectively when they are chaired by a man
2. It is more important for men to have a professional career than it is for a woman to have a professional carrier
3. Men usually solve problems with logical analysis, woman usually solve problems with intuition
4. Solving organizational problems usually requires the active forcible approach that is typical of men
5. It is preferable to have a man in high level-position rather than a woman

Power Distance

1. Managers should make most decisions without consulting subordinates
2. Manager should use authority and power when dealing with subordinates
3. Managers should seldom ask for the opinions of employees
4. Managers should avoid off-the-job social contacts with employees
5. Employees should not disagree with management decisions
6. Managers should not delegate important tasks to employees

Uncertainty Avoidance

1. It is important to have job requirements and instructions spelled out in detail so that employees always know what they are expected to do
2. Managers should expect employees to closely follow instructions and procedures
3. Rules and regulations are important because they inform employees what the organization expects of them
4. Standard operating procedures are helpful to employees on the job
5. Instructions for operations are important to employees on the job

The 3 Opportunity Evaluation Scenarios and the questions following each scenario:

- 1) Imagine that you have decided to start a new printing and copying business. You have learned that a company that offers printing and copying services at very competitive prices is planning on eliminating some of its operations. Your location is one that it is considering leaving. This would leave a large base of potential customers for you. Your competitor is planning on cutting operations soon.
- 2) Imagine that you are the owner of a large movie theater. You have learned that a builder is considering some major construction in your immediate surroundings. This would include the building of an apartment complex and some restaurants, which would greatly increase your customer base. Should the builder decide to invest in your location, construction would begin soon.
- 3) Imagine that your family owns a large manufacturing company. You are one of the finalists for a government order that would ensure business throughout the decade. Such a contract would discourage potential competitors from entering into your unique product area. The government order would begin soon.

Please indicate the extent to which you agree with the following statements	<u>Strongly Disagree</u>	<u>Somewhat Disagree</u>	<u>Neutral</u>	<u>Somewhat Agree</u>	<u>Strongly Agree</u>
1. This situation is likely to result in a successful outcome for you	1	2	3	4	5
2. This situation represents an opportunity	1	2	3	4	5
3. This situation is positive	1	2	3	4	5
4. You may gain in this situation and are unlikely to lose	1	2	3	4	5

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Doing Well and Good:

An Exploration of the Role of Mindfulness in the Entrepreneurial Opportunity Recognition and Evaluation Process

Louise Kelly
Marina Dorian

The purpose of this conceptual paper is to integrate two previously disparate areas of research: mindfulness and the entrepreneurial process. This present study conceptualizes the impact of mindfulness on the choices entrepreneurs face. Specifically, the research theorizes the positive effects of mindfulness on the opportunity recognition process, including evaluation of entrepreneurs. Furthermore, we propose that metacognition mediates this relationship, and emotional self-regulation moderates it. This conceptual research also suggests that mindfulness is positively related to the ethical decision-making and opportunity recognition and evaluation. Finally, compassion is proposed as a factor that mediates the relationship between mindfulness and ethical choices in opportunity recognition.

Keywords: mindfulness; ethics; opportunity recognition; entrepreneurs; emotional self-regulation; metacognition; compassion

The relationship between mindfulness and strategic choices among entrepreneurs has not been extensively researched (Bryant, 2009). This topic merits further examination, as mindfulness practices are being adopted widely in corporate settings (Capel, 2014; Bazarko, Cate, Azocar, & Kreitzer, 2013). Mindfulness refers to the state of actively having one's attention on experiences occurring in the present moment without judgment. There has been an increase in the integration of mindfulness and business with the formation of the Institute for Mindful Leadership as well as an influx of mindfulness programs and conferences used by technology and business leaders from companies such as Google and Twitter (Hardman, 2010). Empirically supported mindfulness-based interventions, such as Mindfulness Based Stress Reduction (MBSR), combined with the positive results of numerous efficacy studies in recent mindfulness research show that mindfulness can have significant positive benefits in a business setting (Hülshager, Alberts, Feinholdt, & Lang, 2013). However, few studies have looked at the effect of mindfulness on entrepreneurs as a subset of the larger business population (Amit & Zott, 2015). Opportunity

recognition, evaluation, and ethical decision-making are key parts of the entrepreneurial process (Zahra, Pati, & Zhao, 2013; Bosma & Levie, 2010; Yan, 2010; Baron, 2006) and this present research focuses on the effect of mindfulness on these dimensions. The purpose of this paper is to conceptually explore the potential contribution of mindfulness practice on ethical decision-making, opportunity recognition, and evaluation among entrepreneurs.

There are an increasing number of scholarly articles on mindfulness and how it affects decision-making equally in small and large firms (Oly Ndubisi, 2012). Many of these articles provide fascinating reviews of the latest research on mindfulness in general (Bergomi, Tschacher, & Kupper, 2013). Oly Ndubisi (2012) uses secondary data to track the effect of mindfulness on quality and reliability in small and large firms, which give some insight into mindfulness in the business context. Their findings suggest that mindfulness enhances quality. Their review of secondary data also suggests that mindfulness in business generates a more resilient and sustainable approach to quality and reliability issues in organizations, as opposed to a more routine-based approach.

Scholars have examined the personalities, capabilities, and contexts underlying the contributions of entrepreneurs (Agokei, 2014; Gupta, Ibrahim, Guo, & Markin, 2016; Felin, Foss, Heimeriks, & Madsen, 2012). As Miller (2014) points out, the positive entrepreneurial attributes such as energy, self-confidence, need for achievement, and independence may sometimes devolve naturally into aggressiveness, narcissism, ruthlessness, and irresponsibility, all of which can lead to unethical choices by entrepreneurs (Bourne, 2009). Furthermore, successful entrepreneurs are able to navigate the open-ended process of opportunity recognition (Estrin, Mickiewicz, & Stephan, 2016; Chell, 2007). Through mindfulness courses, thousands of attendees have learned to focus their attention and free up mental space for creative thinking (Hargadon & Bechky, 2006).

Literature Review

So what exactly is mindfulness, and what are its benefits? One definition of mindfulness is “the awareness that emerges through paying attention on purpose, in the present moment, and non-judgmentally to the unfolding of experience, moment by moment” (Kabat-Zinn, 2003, p. 145). “Mindfulness involves intentionally bringing one’s attention to the internal and external experiences occurring in the present moment, and is often taught through a variety of meditation exercises” (Baer, 2003). Meditation is the formal expression of mindfulness and is one of the most thoroughly researched self-help interventions to date (Walsh & Shapiro, 2006). Mindfulness training has been shown to have many benefits. It not only reduces stress and elevates well-being (Baer, 2003), but it also increases awareness, empathy, compassion, and the ability to self-observe (Germer, 2005), as well as providing cognitive and behavioral flexibility (Shapiro, 2009).

Shapiro, Carlson, and Astin (2006) postulate a working model to elucidate the core components of mindfulness. “The Axioms” (Intention, Attention, and Attitude [IAA]) as they refer to them, are based on the definition of mindfulness put forward by Kabat-Zinn: “paying attention in a particular way: on purpose, in the present moment, and non-judgmentally” (1994, p. 4). These mechanisms, or axioms, act as the “building blocks of mindfulness” and are broken down as follows (Shapiro, Carlson, & Astin, 2006, p. 374–375): “On purpose” or intention, “Paying Attention” or attention, “In a particular way” or attitude.

Intention involves the “why” you are practicing. At a basic level, the purpose of practicing mindfulness is to simply pay attention or “attend” (Shapiro et al., 2006). Attention, the second axiom, is at the core of mindfulness (Shapiro et al., 2006). Maintaining an attentive presence is essential to successful opportunity recognition and scanning of the environment (Elkins, 2012; Gordon & King Schaller, 2014). The ability to attend is a prerequisite of all of the mindfulness skills, as paying attention is essential to being in the present moment. Attention is thought to have a mediating role between mindfulness and self-efficacy (Greason & Cashwell, 2009). Successful entrepreneurs speak of “being in the zone,” the same way that athletes and artists can be while working (Dacin, Dacin, & Matear, 2010; Haynie, Shepherd, & Patzelt, 2010). This ability to be present, pay attention, and avoid distractions is related to mindfulness. This presence entails an “empathic witnessing,” which leads into the final axiom Shapiro et al. (2006) posit, the “how,” attitude.

The very definition of mindfulness delineates an attitude of non-judgment and openness. By cultivating an attitude of non-judgment, we generate acceptance—an “extension of non-judgment” (Germer, 2005, p. 7). A non-judgmental, accepting attitude sets the stage to develop empathy, a necessary component in relationships (Hick & Bien, 2008). Empathy is defined by Rogers (1980) as one’s ability to understand another’s feelings moment to moment. He emphasized that these are not simply a set of tools or techniques but a way of being. Mindfulness-based practices allow an individual to embody these humanistic ideals, evident in all relationships, including business (Dahan, Doh, Oetzel, & Yaziji, 2010; Christopher & Maris, 2010).

Mindfulness and the Entrepreneurial Opportunity Recognition and Evaluation Process

One of the most important topics of entrepreneurship is the recognition of new opportunities by recognizing patterns (Baron & Ensley, 2006). Opportunity recognition and evaluation is a conceptual process, which is typical of the strategic management process, particularly necessary in the entrepreneurial context (Baron, 2006). Baron and Ensley (2006) make the argument that the ability to recognize shifts in technology, markets, or government policy and to integrate those insights into meaningful connections is how new product ideas emerge—and is essentially a pattern-recognition process. Baron and Ensley (2006) further make the argument that mindfulness enhances the pattern-recognition process and individual qualities that can help facilitate the identification and processing of information necessary for market and opportunity analysis (Gaglio & Katz, 2001). When we consider the entrepreneurial process, there is a need to look at idea creation, entrepreneurial action, entrepreneurial discovery, and opportunity recognition and evaluation (Chell, 2013; Shane & Venkataraman, 2000). Gordon and Schaller (2014) found that there is a definite relationship between mindfulness and the market analysis that is necessary for entrepreneurial discovery and idea creation.

Opportunity evaluation is a challenging cognitive task for the entrepreneur (Keh, Foo, & Lim, 2002). The entrepreneur has to manage risk by accurately assessing an opportunity. Entrepreneurs can evaluate an opportunity using their contextual awareness of both the external conditions as well as the internal capabilities of the organization needed to achieve a good value proposition (Pryor, Webb, Ireland, & Ketchen, 2016). This contextual awareness implies seeing things clearly without

being unduly swayed by one's own biases. Mindfulness enhances the metacognition of entrepreneurs, which aids in opportunity evaluation under risky conditions (Cho & Jung, 2014).

In this paper, we propose that mindfulness training can help the entrepreneur to become more successful by improving the opportunity recognition and evaluation process, as noted in the following:

Proposition 1: There is a positive relationship between mindfulness and entrepreneurial opportunity recognition and evaluation.

Metacognition is a term used to describe self-awareness and understanding of one's own thinking. Haynie and Shepherd (2009) define metacognitive knowledge as the degree to which the individual can reflect on their own thinking process. Metacognition also applies to an understanding and awareness other people's thought processes (Haynie, Shepherd, & Patzelt, 2010). Furthermore, metacognition is particularly needed to deal with evolving situations where there is significant uncertainty. Haynie and Shepherd (2009) suggest that the beneficial effect of metacognition may be especially important for entrepreneurs who need to access different cognitive strategies given their dynamic environment. With the increased metacognition that comes from mindfulness, ideas can be considered with less emotional bias clouding the decision-making process (Jankowski & Holas, 2014).

Shapiro et al. (2006) propose metacognition as a key mechanism of mindfulness also known as re-perceiving, which is described as a "significant shift in perspective" (Shapiro et al., 2006, p. 377). Perspective-taking enables us to dis-identify from thoughts and feelings in order to engage in the present moment with increased objectivity. Marlatt and Kristeller (1999) claim that the process of self-observing, which entails objectivity, is inherent in mindful awareness and is possibly the most significant capacity as it facilitates self-monitoring, which helps avoid over-identifying. Research suggests this cognitive adaptability enabled by metacognition is especially important in the dynamic environment of an entrepreneur (Haynie and Shepherd, 2009; Gemmell & Kolb, 2013). Greater metacognition will increase the entrepreneur's ability to become aware of an opportunity and then to evaluate that opportunity in a way that corrects for their biases and emotional reactions.

Proposition 2: Metacognition mediates the relationship between mindfulness and entrepreneurial opportunity recognition and evaluation.

Emotion is linked to the intention to pursue these ideas (Hayton & Cholakova, 2011; Fayolle & Liñán, 2014). Shapiro et al. (2006) completed their analyses of potential mechanisms of mindfulness by adding self-management, values clarification, exposure, and cognitive, emotional, and behavioral flexibility. It is evident that mindfulness practice develops core mental processes that lay a foundation for opportunity recognition and evaluation in entrepreneurs (Uslay, & Erdogan, 2014). The entrepreneurial experience is represented by a series of interdependent events with challenging decisions often rooted in personality and emotion (Morris et al., 2011). Cardon et al. (2012) posit the existence of entrepreneurial emotion—the affect, emotions, moods, and feelings that are concurrent with or a consequence of the entrepreneurial process.

These feelings can help significantly in the opportunity recognition and evaluation stages. However, they need to be modulated through a process of emotional control to achieve superior financial performance (Munoz & Cacciotti, 2014). Foo (2009) has shown emotions to be a major factor of how entrepreneurs evaluate business opportunities. Furthermore, "by understanding where they stand on their trait emotions, entrepreneurs can take steps to counteract the tendencies linked to the emotions" (Foo, 2009, p. 388). Entrepreneurs could benefit from learning how to delay decision-making while experiencing strong emotions that could influence their actions.

There is research linking emotion to entrepreneurial idea perception through its influence on attention, memory, and creativity (Gundry, Ofstein, & Kickul, 2014). Furthermore, emotion is linked to the intention to pursue these ideas (Hayton & Cholakova, 2011; Fayolle & Liñán, 2014). Our present research suggests that a mindful approach means entrepreneurs can regulate their emotions and thereby succeed in looking at the evidence, including failure, in a curious and nonjudgmental way in order to derive lessons that will be useful for improving future entrepreneurial endeavors.

Emotional self-regulation is the ability to respond to the ongoing challenges of life and regulate one's range of emotions in a way that one's behavior is acceptable within society's norms but also spontaneous when needed (Koole, 2009). The entrepreneur, often under strong pressure to get the maximum output from limited resources, is exposed to a variety of potentially arousing stimuli (Bryant, 2009). For example, it may look like the

entrepreneur is going to close the deal and get the financing, but then the deal falls through. In addition, customers can change their minds and the internal processes of the business may not be as efficient or as organized as entrepreneurs would like them to be. In order to cope with this high level of uncertainty and sometimes frustration or disappointment, the entrepreneur has to regulate their emotions.

High levels of emotional regulation are associated with greater social competence (Camras & Halberstadt, 2017). A process model of emotional regulation includes becoming aware of the situation, evaluating it, and finally choosing an emotional response and coordinating that response with action (Harley, Lajoie, Frasson, & Hall, 2017). Emotional self-regulation is a key component of emotional intelligence and has been linked to entrepreneurial success (Cross & Travaglione, 2003).

Improved attention, focus, and increased creativity as well as awareness of both opportunities and one's own biases result from increased mindfulness (Khedhaouria, Gurău, & Torrès, 2015). These are key components of entrepreneurial cognition essential for success (Fillis & Rentschler, 2010; Khedhaouria, Gurău, & Torrès, 2015; Tang, Kacmar, & Busenitz, 2012). These outcomes follow from Shapiro's Axioms of Mindfulness with intention leading to clear intention for the business, attention leading to focus and creativity, and the attitude being one of non-judgment, fostering potential opportunity recognition and recognition of biases (Tomassini, 2016). Also, mindfulness has been linked to emotional self-regulation, and this emotional self-regulation can modulate the risk-taking behavior of the entrepreneur, so there is neither too little nor too much risk-taking (Hayward, Shepherd, & Griffin, 2006).

Proposition 3: Emotional self-regulation positively moderates the relationship between mindfulness and entrepreneurial opportunity recognition and evaluation.

Mindfulness and Ethical Decision-Making in Opportunity Recognition

Decision-making is a critical entrepreneurial activity in opportunity recognition and evaluation, and there are suggestions that mindfulness can enhance this aspect of entrepreneurship.

When considering the impact of mindfulness and mindfulness training on entrepreneurs, one area that deserves attention is ethical decision-making. We have discussed the importance of entrepreneurs perceiving

the entrepreneurial opportunity and evaluating those opportunities. This perception is based on their interpretation of reality and the meaning that they give to that reality. This argument can come from their sense of an identity and their level of awareness. Hunter (2011) and Daly, Cobb, & Cobb (1994) make the argument for a new paradigm of ethics that can be predicated on the idea of a sustainable society and that this sustainability can only be achieved by training individuals to achieve humility and personal mastery. We make the argument that greater mindfulness would result in more creative and productive entrepreneurs who integrate ethics and sustainability into their worldview and choices (Dutton & Spreitzer, 2014; Benkler, 2006).

Traditionally, ethics taught in a business context deals with the context of large corporations. A significant portion of the population is now pursuing entrepreneurship. These budding entrepreneurs and small businesses are more aware of the social implications of their activities and choices (Estrin, Mickiewicz, & Stephan, 2013; Chhokar, Brodbeck, & House, 2013; Carr, 2003). As a result, if we want to improve ethics in business, then the entrepreneurial context merits significant attention (Chell & Allman, 2003).

There are sometimes unintended consequences in promoting entrepreneurship. For example, a study looking at the Brazilian context found that entrepreneurship and innovation coupled with weak institutions created some negative ethical outcomes, especially if economic policies were based solely on economic indicators (Hall et al., 2012). There is an argument that as developing countries turn to entrepreneurship as a way of increasing inclusion in the workforce, attention must be paid both to the ethical choices that these entrepreneurs are faced with and ways to help them to make better moral decisions.

Mindfulness has been linked to increased self-compassion and compassion for others (Elices et al., 2017). This paper argues that mindfulness practices will contribute to increasing awareness of opportunities and that the increased compassion will translate into more ethical decisions that involve others. With greater mindfulness, individuals can become aware of choices that they were not aware of previously. Mindfulness can create an increased awareness of multiple perspectives by allowing the entrepreneur to look at things from others' points of view, which creates more empathy, and in turn can lead to more compassionate and ethical decisions.

There is empirical support for the relationship between mindfulness and compassion as an increase in mindfulness has been shown to raise levels of compassion (McCollum & Gehart, 2010; Shapiro, Brown, & Biegel, 2007; Shapiro et al., 2005; Shapiro et al., 2007). Compassion is described as an awareness of suffering and a genuine desire to end that suffering (Neff, Kirkpatrick, & Rude, 2007). Essentially, self-compassion is a mindfulness of self-kindness (Neff, 2009), crucial for self-care. Furthermore, research has established a link between self-compassion and compassion for others, psychological well-being, optimism, curiosity, and connectedness in addition to decreased anxiety, depression, rumination, and fear of failure (Neff, 2009), elemental qualities to engender in the entrepreneur. There has also been a link established between compassion and the outcomes of social entrepreneurs (Grimes, McMullen, Vogus, & Miller, 2013). From the literature integration, the present research generates the following propositions:

Proposition 4: There is a positive relationship between mindfulness and ethical decision-making in the opportunity recognition process and evaluation.

Proposition 5: Compassion mediates the relationship between mindfulness and ethical decision-making in the opportunity recognition process and evaluation.

Improved attention, focus, and increased compassion as well as awareness of opportunities and one's own biases all result from increased mindfulness. These are key components of entrepreneurial cognition essential for success (Tang, Kacmar, & Busenitz, 2012). These outcomes follow from Shapiro's Axioms of Mindfulness with intention leading to clear intention for the business, attention leading to focus and creativity, the attitude being one of non-judgment, fostering potential opportunity recognition and recognition of biases (Tomassini, 2016). Also, mindfulness has been linked to emotional self-regulation, and this emotional self-regulation can modulate the risk-taking behavior of the entrepreneur, so there is neither too little nor too much risk-taking (Hayward, Shepherd, & Griffin, 2006).

There is an argument that a significant aspect of the entrepreneurial labor is emotional (Zampetakis, Kafetsios, Lerakis, & Moustakis, 2017). The entrepreneur has to deal with a veritable rollercoaster of emotions from the highs of successful product launch to the lows of rejection by a customer or investor. To manage these extremes, the entrepreneur has to practice significant emotional regulation. There have been some high-profile examples

of entrepreneurs not regulating their emotions effectively and losing their positions and damaging their company as a result. Two examples are Martin Shkreli of MSMB, who increased the price of a life-saving drug by 4,000%, and Travis Kalanick of Uber, whose relentless pursuit of competitive strategy ended up creating a corporate culture where sexual harassment by managers was rampant. This lack of compassion in the ethical decision-making could be remedied by increased regulation of emotions such as greed and aggressiveness.

Proposition 6: Emotional self-regulation positively moderates the relationship between mindfulness and ethical decision-making in the opportunity recognition process and evaluation.

Discussion

The entrepreneurial process, as defined by McMullen and Shepherd (2006), involves the ongoing successful recognition of or creation of an opportunity. The pursuit of new opportunities and the possibility of failure are inherent to the entrepreneurial process (Munoz & Cacciotti, 2014). The primary purpose of this paper is to explore the impact of mindfulness on an entrepreneur's cognitive ability to recognize and evaluate opportunities and to make ethical decisions in the opportunity recognition and evaluation processes. The present research integrates multiple research streams: the mindfulness research on the benefits of mindfulness practice for psychological health and resilience, the entrepreneurial cognition literature on the process of opportunity recognition and evaluation, and the work on compassion and entrepreneurs. Integrating these three streams of research have brought new insights into some of the intervening variables between mindfulness and opportunity recognition and evaluation. This research helps entrepreneurs and academicians understand the unique impact of mindfulness on entrepreneurial opportunity recognition and ethical decision-making.

In particular, the study introduces the concept of metacognition as a mediating variable between mindfulness and opportunity recognition and evaluation. Also emotional self-regulation, which is closely associated with mindfulness, may have a further positive impact on the opportunity recognition and evaluation process. Specifically, the emotional self-regulation that arises from mindfulness may positively moderate the relationship between mindfulness and opportunity recognition and evaluation by allowing the entrepreneur to see his or her

own emotions and detach from those emotions, rather than over-identifying with the feelings. For example, the entrepreneur may discount an excessively risky approach or, conversely, may be risk-avoidant, and will consequently correct his or herself for either situation. This self-correction through mindfulness and emotional self-regulation means that mindfulness will help entrepreneurs to take an appropriate amount of risk.

An essential part of the opportunity recognition and evaluation process involves making ethical decisions about opportunities. Not all entrepreneurial opportunities should be pursued if, for example, they are violating basic moral precepts. Through the mechanism of self-compassion, mindfulness allows entrepreneurs to non-judgmentally see their pain and as a result to be more open to the pain, suffering, or negative impact on others brought about by any given entrepreneurial decision. Moral decisions may involve decisions about an impact on the environment or an impact on the workforce or a specific social issue. Even if this altruistic perspective is not the primary focus of the entrepreneurial venture, there may be ethical components affected by the entrepreneurial decision-making process.

Emotional self-regulation is also hypothesized as having an impact on ethical decision-making. This conceptual paper takes the research on compassion that is developing in the social entrepreneurship area and extends it into the general entrepreneurship process where compassion can increase ethical decision-making. When there is increased emotional self-regulation, this allows entrepreneurs to use mindfulness to successfully recognize and evaluate opportunities. Mindfulness allows entrepreneurs to manage risk for their business by pursuing ethical practices and avoiding unethical choices that may in fact jeopardize the success of their venture and damage the reputation of their enterprise.

The exploration of mindfulness on the entrepreneurial opportunity recognition process is still in its infancy. A next step would be for researchers to empirically test these relationships using primary or secondary data. It is a significant limitation of this paper that we do not yet have empirical evidence. However, the intent is to lay out a set of relationships that would lend themselves to empirical testing.

For entrepreneurs who are starting new ventures or already running entrepreneurial ventures, this research gives some insight into how the popular practice of mindfulness is being accepted by the business community and may be applied in their entrepreneurial context. Many

entrepreneurs may not be conversant or knowledgeable of the potential effects of mindfulness, and this study will help them to understand some of the documented effects mindfulness has in the opportunity recognition and evaluation process, which are fundamental components of launching new ventures and ensuring the continued success of enterprises. The integration of these two disparate research streams brings some surprising results. In particular, the idea of metacognition and emotional self-regulation having an influence on the entrepreneurial opportunity recognition and evaluation processes through mindfulness is a surprising and understated set of relationships deserving of further research and consideration.

Mindfulness can help with many aspects of opportunity recognition and evaluation, and the research of the Scandinavian group (Baron & Ensley, 2006; Byrne, 2017) suggests that entrepreneurs would benefit in particular from the mindfulness approach. Furthermore, emotion is linked to the intention to pursue these ideas (Hayton & Cholakova, 2011; Fayolle & Liñán, 2014).

This conceptual paper suggests that entrepreneurs who are interested in improving their opportunity recognition and evaluation ability would do well to pursue mindfulness training. There are two popular approaches that have been adopted in the corporate milieu that could also be helpful for entrepreneurs. These include Mindfulness Based Stress Reduction (MBSR), originally developed by Jon Kabat-Zinn. Another option is to independently develop a daily meditation practice using one of the many meditation apps. Entrepreneurs could benefit significantly from these initiatives. Our present research suggests that a mindful approach means entrepreneurs can look at evidence, including failure, in a curious and nonjudgmental way to derive lessons that will be useful for improving future entrepreneurial endeavors.

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Catalyzing Social Innovation:

Leveraging Compassion and Open Strategy in Social Entrepreneurship

Thomas G. Pittz
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Abstract

We implement an inductive, case study approach to explore the motivations and methods of five successful social entrepreneurs. Our findings show that founders noticed, felt, and responded to someone else's pain, demonstrating compassion as the genesis of the business venture. Successful social innovation, however, was the result of the creation of an organization structured to include diverse stakeholder input and participation in the decision-making process. Thus, compassion motivates entrepreneurs to pursue broad gains as opposed to singular interests and enhances a willingness to incorporate others' ideas through an open-strategy process. Our study suggests that interaction with stakeholders can impact the structure of the firm, the business model it employs, and intended and unintended business consequences.

Keywords: social entrepreneurship; open strategy; compassion; stakeholders; positive externalities

Introduction

Social entrepreneurship has captured the attention of researchers and the public because of the ways in which it harnesses business practices to generate social and environmental value (Haugh, 2007; Mair & Marti, 2006; Peredo & McLean, 2006; Shaw & Carter, 2007). In research, social entrepreneurs are characterized as heroic (Dacin et al., 2011), visionary (Nga & Shamuganathan, 2010), and other-oriented (Dees, 2007). Many of the definitions of social entrepreneurship hinge on these characteristics, suggesting that the distinctive factor is a social entrepreneur's motivation to create value for society rather than capture value for him or herself (Santos, 2012). Miller and colleagues (2012) suggest that compassion predicts the likelihood of engagement in social entrepreneurship because compassion focuses on the alleviation of another's suffering (Kanov et al., 2004). In a debate about the appropriateness of compassion as a motivation for social entrepreneurship (Arend, 2013), these scholars posit that the role of compassion in the opportunity recognition process in social entrepreneurship works in

combination with other institutional factors that sustain social entrepreneurship (Grimes et al., 2013). Consequently, this study aims to explore the relationship between compassion and social entrepreneurship by considering the relationship between the two as suggested in Miller and colleagues' (2012) framework. From their work, we formed the basis of our first research question: how does compassion motivate social entrepreneurship?

Beyond studying the motivation for social entrepreneurship, we are interested in examining the factors that influence the execution of social entrepreneurship (Corner & Ho, 2010; Montgomery et al., 2012), particularly through the lens of strategic openness (Chesbrough and Appleyard, 2007) in sustaining the venture. We find that when compassion motivates social bricoleurs into localized entrepreneurial action (Zahra et al., 2009), cooperation between stakeholders can sustain an open-strategy decision-making platform that can generate positive externalities on a larger social scale (Sarasvathy & Dew, 2008). In addition, we consider the role of a continued dialog with stakeholders in supporting different kinds of value creation, and find evidence that more is not necessarily better when it comes to stakeholder engagement (Greenwood, 2007). This research builds to our second research question: how does engagement with stakeholder groups impact social entrepreneurship?

To investigate these topics, we use an inductive, comparative case study approach, which allows us to compare the narratives of five social entrepreneurial ventures. In so doing, we offer contributions to several streams of literature. First, we answer calls within the social entrepreneurship and compassion literatures related to the motivations of social entrepreneurs to create social value (e.g., Choi & Majumdar, 2014; Miller et al., 2012), particularly as they are related to the actions taken to relieve suffering (Kanov et al., 2004). Additionally, our examination of the open-strategy format and its impact on social entrepreneurship contributes insight to the literature on the effects of interaction and dialog with stakeholders (Chesbrough & Appleyard, 2007; Greenwood, 2007), and the benefits that accrue for compassion-centric

social enterprises that adopt open strategies when they incorporate feedback from a variety of stakeholders. Finally, our comparative case study methodology adds nuance to the literature on social value creation and maintenance (Santos, 2012; Ramus & Vaccaro, 2014).

Theoretical Framework

Social entrepreneurship. Despite the growing popularity of social entrepreneurship as a field of research, it remains a contested concept with competing definitions and no unifying framework (Choi & Majumdar, 2014). This lack of agreement stems, in part, from disparities between the organization of social entrepreneurship and the social entrepreneur himself. In fact, Venkataraman (1997, p. 120) has stated that “consensus on a definition of the field in terms of the entrepreneur is perhaps an impossibility”; consequently, we retain a more process-focused definition of social entrepreneurship in which a prospective social entrepreneur who is motivated by compassion is also predisposed to collective approaches to problem solving (e.g., Grimes et al., 2013).

When motivated by compassion, the social entrepreneur evaluates the costs and benefits of an entrepreneurial venture from a prosocial perspective. In purely rational and economic terms, the personal risks are likely to be too high to generate sufficient momentum to commence a new venture (Miller et al., 2012). A prosocial perspective, conversely, entails calculating costs and benefits with a focus on the “other”, thus attenuating the rational self-focused calculation. With a prosocial perspective catalyzed by compassion, the cost/benefit analysis shifts and the risks associated with the venture become more palatable. Thus, the more that an entrepreneur attenuates personal risk through a prosocial mindset, the more likely he or she is to operate the venture in a genuinely open fashion. Conversely, the less that entrepreneur can shift his or her perspective away from personal risk to a prosocial consideration of risk, the less likely he or she is to relinquish control of the business in order to protect personal security.

If compassion identifies a social entrepreneur, then engagement with stakeholders through strategic openness identifies the social entrepreneurial organization. Plainly stated, the organization that includes varied input from diverse stakeholders is more prone to generating social innovation (Alvord et al., 2004; Zahra & Wright, 2016). Engaging with stakeholders through strategic openness can enhance the direct outcomes of social entrepreneurial

ventures in addition to increasing positive externalities (Roper et al., 2013). Positive externalities, another key facet of social entrepreneurship, represent the indirect benefits of work by social entrepreneurs that was not planned for. These positive externalities, or spillover effects, are an important part of distinguishing between social and commercial entrepreneurship endeavors. As an example, consider the value created by a social entrepreneur who develops a mobile application to alert low-income subscribers to expiring produce at grocery stores in order to promote nutritious food choice. The application is indirectly helping to make a dent in the single largest component of U.S. municipal solid waste, which accounts for a large portion of U.S. methane emissions (Gunders, 2012). As the network of a social entrepreneur is enhanced through strategic openness, these positive externalities can increase; for instance, strengthening partner relationships can cause an organization to “think further about...enhancing its scope” (Raufflet & Gurgel do Amaral, 2007, p. 124).

Compassion as a Motivation for Social Entrepreneurship.

Compassion is defined as a multi-stage social process of alleviating someone else’s suffering (Kanov et al., 2004) that starts when someone notices another person’s pain, an event called the pain trigger (Dutton et al., 2006). Following an empathetic feeling that promotes interpersonal relating (Way & Tracy, 2012), personal appraisals (Atkins & Parker, 2012), and courage (Kanov et al., 2016), a reactive response is coordinated. Within organizations, this response is a self-organized effort facilitated by leaders (Dutton et al., 2006) for the benefit of employees (Moon et al., 2016), customers (O’Donohoe & Turley, 2006), organizations (Lilius et al., 2008), and society (George, 2014).

Because of this, scholars suggest a link between compassion and social entrepreneurship (Arend, 2013; Grimes et al., 2013; Miller et al., 2012). Foundational literature streams in social entrepreneurship have helped to define the why, who, and what within the realm of social entrepreneurship. Although these questions are important for anchoring theory, how social entrepreneurs conduct business differently than their counterparts in nonprofit organizations or traditional entrepreneurial ventures is just as important. Miller and colleagues (2012, p. 617) dedicate their work to exploring “how compassion may be responsible for encouraging social entrepreneurship” and specifically highlight within their framework various ways in which compassion triggers

cognitive processes such as integrative thinking that rejects dichotomized solutions and instead promotes a more holistic recognition of problems and potential solutions. This way of thinking leads social entrepreneurs to engage in a unique process of opportunity recognition that begins to answer the question of how they conduct business differently. In particular, Miller and colleagues' (2012, p. 618) framework provides a lens on social entrepreneurial opportunity recognition as prosocially motivated when an "emotional connection to others fosters integrative solutions to seemingly intractable social problems, distorts cost-benefit analysis in other-serving ways, and encourages the commitment needed to undertake demanding and difficult responses." This supports previous theorizing on the virtue of compassion, which is defined as the process of noticing someone else's pain, empathetically understanding it, and responding in some way designed to alleviate it (Frost et al., 2000; Kanov et al., 2004). The impulse to be compassionate is innate (Frost et al., 2006), in that people are intrinsically moved to help when they see other people in pain by a prosocial motivation that produces empathy for a suffering individual or community (Goetz et al., 2010; Nussbaum, 1996). This motivation is key to social entrepreneurship (Miller et al., 2012), because it enhances awareness of vulnerable circumstances and leads to an understanding of the significance of suffering and the issues contributing to it (Nussbaum, 2003).

Compassion can also create personal relevance to the suffering of others that can be generalized broadly to people afflicted by similar circumstances (Ortony et al., 1988). The result is the pursuit of a scalable solution that can be extended to all who suffer from homogenous effects. This makes compassion important to collective social entrepreneurship because it inspires the entrepreneur to focus on ventures directed at solving broad social issues rather than isolated cases. In support of this, compassion has been shown to create "a distinct motivated reasoning process" (Grimes et al., 2013, p. 463) that establishes an "other"-focused evaluation of performance critical for sustaining social entrepreneurship. Furthermore, scholars have shown that compassion plays both a cognitive and affective role in "influencing the way entrepreneurs think, calculate and analyze personal costs, and commit to organizing for a cause" (Miller et al., 2012, p. 617). Given that social entrepreneurship is characterized by a compelling social mission motivated by a desire to address unmet, basic human needs (Brooks, 2009; Nga & Shamuganathan,

2010), a founder's compassion is central to the social entrepreneurial process (Barendsen & Gardner, 2004).

Open Strategy. Compassion motivates entrepreneurs to pursue broad gains as opposed to singular interests and enhances a willingness to incorporate other people's ideas into the organizational decision-making process. The result is the creation of an organization that is more open to capturing diverse information and incorporating varied perspectives during the opportunity recognition process and for-profit alternatives. This openness increases cognitive flexibility, the willingness to take risks, and receptiveness to complexity (Grant & Berry, 2011). In their theorizing, Miller and colleagues (2012) posit that stakeholders impact the likelihood of engagement in social entrepreneurship in several ways. First, compassion acts as a precursor to social entrepreneurship, but the likelihood that the entrepreneur moves beyond his or her other-oriented, prosocial motivation is influenced by several processes, including the extent to which the entrepreneur integrates ideas and information from others to address their problem. Given the pervasiveness of the idea that an entrepreneur's openness to diverse thinking can influence entrepreneurial engagement (e.g., De Dreu et al., 2008), an open-strategy lens can offer additional insight into the role of stakeholders in the process of social entrepreneurship.

The study of open strategy (Chesbrough & Appleyard, 2007) reflects a recent trend in practice toward greater participation in the strategy process by external and internal stakeholders. The concept follows a long tradition of scholarly attempts to understand the processes of innovation (Schumpeter, 1934) and stands in contrast to conventional notions of competitive strategy that understood knowledge and strategic decision-making as tightly protected heterogeneous intellectual property (Gold & Malhotra, 2001; Grant, 1996; Cohen & Levinthal, 1990). The development of open strategy has paralleled the wider recognition and adoption of open innovation approaches that have yielded promising new entrepreneurial opportunities by diffusing knowledge and inventions across sectors and industries (Pittz & Adler, 2016). As strategy can emerge from practice (Spear et al., 2009), increased stakeholder involvement in the organization can yield better results.

In particular, open strategy can be applied to collective social entrepreneurship where cooperation and interdependence are valued over ownership and control (Chesbrough & Di Minin, 2014). Open strategy

has additional implications for understanding how opportunities are recognized and evaluated by social entrepreneurs, and offers insights into the relational complexities inherent in collective organization for social change (Voorberg et al., 2015). As momentum builds around an innovative solution to a social problem and a stakeholder network begins to grow, a transparent governance structure is adopted in successful ventures that invites input and encourages disparate voices in the strategic decision-making process (Letaifa & Rabeau, 2013), and fundamental alterations of the business model can occur because of the inclusion of outside voices in the decision-making process. This allowance of strategic openness enabled the social entrepreneur to overcome the paradox of contradictory yet interrelated elements of business success and social impact (Michaud, 2014).

Conceptually, the open-strategy approach views strategy as emergent and, as such, it is similar to the effectuation process within entrepreneurship wherein an entrepreneur does not begin with a precise product, service, or venture in mind, but with a set of means to be used to address a good idea (Saravathy, 2001). Effectuation also corroborates the idea of collective social entrepreneurship as it demonstrates an interactive process involving negotiation between the entrepreneur and various stakeholders who collectively determine goals for the entrepreneurial venture (Saravathy & Dew, 2008). Therefore, research regarding open strategy has the potential to shed light on organizational decision-making mechanisms that encourage new information and the development of artful solutions, an attractive proposition for addressing obstreperous social concerns.

In tandem, the previously specified literatures overlap in compelling ways that inform our research. First, theoretical work on social entrepreneurship highlights the individual motivation to create shared value as its defining characteristic (Porter & Kramer, 2011). Research on compassion emphasizes the same initial conditions and motivations to respond to another person's suffering after a pain trigger is noticed (Madden et al., 2012), and even specifies compassion as an encouragement for social entrepreneurship as a way to meet societal needs that have gone unfulfilled (Miller et al., 2012). The alignment of these literature streams informs our first research question: how does compassion motivate social entrepreneurship?

Second, although social entrepreneurship lacks an agreed-upon definition (Choi & Majumdar, 2014), many

current conceptions hinge upon an organizations' use of recognized principles—such as collaboration with stakeholders—to enhance financial sustainability and mission effectiveness (Harding, 2004; Nicholls, 2010). The open-strategy literature likewise highlights the importance of cooperation in generating positive returns for stakeholders (Chesbrough & Appleyard, 2007; Saravathy & Dew, 2008). Our second research question is informed by this theoretical intersection: how does the interaction with internal and external stakeholders impact social entrepreneurship? The case study evidence of the process model is presented in the following section.

Methodology

Given the nascent nature (e.g., Edmondson & McManus, 2007) of research on the intersection of compassion and social entrepreneurship, we engaged in an in-depth, inductive, and comparative case study analysis (e.g., Rasmus & Vaccaro, 2014). We initially identified these cases through a local-area pitch competition in which founders offered a brief snapshot of their ideas to judges in hopes of advancing to state- and national-level competitions. We used a compassionate origin story as a selection criterion for inclusion in this study to ensure comparability across cases. We selected five cases that incorporated compassion as the motivation for the social entrepreneurship form: CollegePolitics, Food4Thought, DeltaBooks, ImmuNOcancer, and Underwater Farms.

Data Collection. We approached the founders after the competition ended and requested participation in open-ended interviews of thirty to seventy-five minutes each. Where possible, we interviewed multiple founders from each firm and, following interviews with the founders, we interviewed additional members of the organization if available. Finally, we solicited information from a business advisor if the founder(s) indicated that they had one. We collected supplemental archival data on our own and through participation with the founders from business plans, marketing materials, news outlets, and social media. Case descriptions were generated through an integration of these sources and provided to the founder and/or advisor for feedback. In each case, the following descriptions were judged acceptable by a representative of the organization.

Cases. *CollegePolitics* is a mobile application that seeks to educate young people in the political process. The application engages youth through peer-to-peer information sharing on current, relevant political topics

and provides in-depth analysis of current events.

CollegePolitics was founded in 2015 and, through the support of college faculty, the founder was able to form a team, develop the application, and compete at local- and statewide pitch competitions.

Food4Thought seeks to alleviate health problems caused by poor nutrition in low-income communities by providing individuals with a way to purchase fresh produce that is near expiration at a deep discount. A *Food4Thought* user signs up to receive alerts when produce is discounted and grocery stores benefit by moving inventory that would otherwise expire. A team of five high-school students started the company and they have continued to work together through their college careers to pursue this business. *Food4Thought* has won statewide and local start-up competitions.

DeltaBooks wants to redefine the textbook industry by offering an advertising-based model to subsidize or eliminate the cost of the textbook to the student. Similar to the Pandora model for music content, *DeltaBooks* relies on digital copies of textbooks and displays advertisements alongside each page as the user reads. *DeltaBooks* is in the pre-revenue stage but has developed a mobile website through a third-party developer and is negotiating license agreements with publishers and introducing representatives on college campuses.

ImmuNOcancer specializes in immunotherapy for cancer treatment. The company uses an innovative medical technique to fight cancer by stimulating the immune system to attack the cancerous cell, which is the equivalent of vaccinating against that cancer. *ImmuNOcancer* is pre-revenue and has several years before completing clinical trials but the company has received nearly \$3,000,000 in investment capital from founders and investors.

Underwater Farms seeks to recharge declining oyster populations through a new, environmentally safe process in which oysters are seeded onto biodegradable, moveable substrate in tidal flats that is designed to have optimal coverage of oyster spat before they are moved into waters where they do not spawn as easily. The substrate technology was developed through an educationally funded institute and the founder partnered with local oyster growers to develop a solution that would work in the marketplace.

Analysis

Following each interview, detailed notes were taken by the interviewer and distributed to the research team regarding the case's origin story. A second researcher who was not present at the initial interview undertook an in-depth, inductive coding exercise (e.g., Charmaz, 2014) on the basis of the recordings of each interview. Together, the researchers compared coding categories between notes and transcripts, which resulted in the identification of three broad themes that occurred across each case: compassion, stakeholders, and outcomes. These themes were compared to the theoretical literature related to compassion and social entrepreneurship, and then the researchers returned to the data to ensure that the codes matched definitions from the literature. These iterations were repeated several times as more interviews came in. This iterative process resulted in the identification of a fourth coding category: open strategy (e.g., Chesbrough & Appleyard, 2007). Table 1 provides representative details from our cases across each category. Following the identification of the fourth category, the interviews were coded again until the researchers began to see repetition in the themes. Table 2 contains details and sample quotations that show the patterning of thematic responses across interviews. Following this, a synthetic strategy (Langley, 1999) was employed to facilitate comparison across the cases.

Results

Tables 1 and 2 contain the results of our comparative study of social entrepreneurship. In regards to our first question about how compassion motivates social entrepreneurship, we found an interesting dichotomy in our narrative related to the source of the pain trigger (Dutton et al., 2006) for the compassionate event that spurred the founder to social entrepreneurship: social versus personal motivations. For all five of our cases, the founders noticed, felt, and responded to someone else's pain, but three cases mark as their genesis the founder(s)' exposure to a social problem, while the other two cite personal experiences with pain and suffering. For instance, *CollegePolitics*' founder was inspired to action by the events that followed the 2014 shooting of Michael Brown in Ferguson, MO, which evoked in him a profound desire to help the community heal from social woes and advocate for change. In his estimation, much of the problem was owed to the ambivalence and helplessness many young Americans felt toward government and politics. "Instead of whacking at the leaves, why not go ahead and pull the root out?" Likewise,

Table 1. Case Descriptions and Illustrative Quotes

Theme and Frequency	CollegePolitics	Food4Thought	DeltaBooks	ImmuNOcancer	Underwater Farms
Compassion	<i>Social:</i> Inspired by the events in Ferguson, MO, and a desire to help the community heal from social woes and advocate for change.	<i>Social:</i> The genesis was a desire to improve nutrition for low-income families “since unhealthy food is less expensive than healthy alternatives.”	<i>Social:</i> Originally, the founder wanted to facilitate the exchange of textbooks to alleviate the expense. “The bottom line is for students to have access to these textbooks that many students cannot afford.”	<i>Personal:</i> “I was first interested when I heard about the therapy, but it became personal with my wife...and I decided to move on it.”	<i>Personal:</i> The founder witnessed the decimation of the coastal oyster population during his undergraduate career and was motivated to find a solution.
Stakeholder involvement	<i>Medium:</i> The founder actively engages end users in the decision-making process and discusses his first priority currently as “growing the team.”	<i>High:</i> The leadership team integrated members with a social perspective with business-minded members to “leave no stone unturned.”	<i>Medium:</i> According to the founders, “student input has been invaluable to building the model.”	<i>Low:</i> The founder engaged stakeholders as needed to protect and develop the product: “I have interviewed or paid just about every high-priced attorney in town in order to make contacts and develop a team of people who could push this idea further and license the technology.”	<i>Medium:</i> Initially, “we pursued a research grant so that we could include commercial fishermen in the idea and advance the notion of a sustainable and renewable oyster farming solution.” Now, “multiple groups have helped make decisions and we have encouraged outside input.”
Strategic changes as a result of openness	<i>Structure and Business Model:</i> the premise of the venture changed from a debate forum to education based on external input. The original platform was deemed “too confrontational” and morphed into a rich content platform.	<i>Structure and Business Model:</i> The idea changed from a commission-based to a licensing-based revenue model as the result of input from customers and advisors brought in as voting members (non-equity) of the management team.	<i>Structure and Business Model:</i> Conversations with students using the service and a published news article generated new team members and fundamentally changed the model to an advertising-based model.	<i>Structure:</i> “My biggest mistake as CEO was not talking to potential partners years ago...but we are doing that now.”	<i>Mission:</i> The team attempts to engage local and national leaders in discussions of coastal conservation. “We don’t believe [our solution] can be successful without an advocacy component, and that means talking to as many people as possible.”
Positive Externalities	<i>New missions:</i> CollegePolitics’ platform for political education also gets members engaged in ideas such as responsible spending, the importance of education, and other underrepresented life skills for low-income populations.	<i>New mission:</i> In addition to helping provide nutritious food options for low-income families, this application reduces landfill waste from expired produce.	<i>New mission:</i> Reducing textbook costs concurrently reduces student loan debt, a growing concern in U.S macroeconomics.	<i>New markets:</i> The big potential for nanotherapy is to treat cancerous tumors, but it also has the potential to serve as a vaccination against future metastasis. Clinical tests in animals have also shown effectiveness against osteosarcoma.	<i>New markets:</i> The founder believes that this idea has application for other suffering coastal populations.

(continued on next page)

Table 2. Themes Emerging from the Research *(continued)*

Theme	Frequency	Case Study Evidence
Compassion	5	<i>CollegePolitics</i> : "Instead of whacking at the leaves, why not go ahead and pull the root out? That is how we can best affect social change."
Motivated by witnessing a social phenomenon	3	<i>Food4Thought</i> : "Since unhealthy food is less expensive than healthy alternatives," the genesis of this business came from a desire to improve nutrition for low-income families. <i>DeltaBooks</i> : "The bottom line is for students to have access to these textbooks that many students cannot afford." <i>ImmuNOcancer</i> : "My father passed away in 1998 from liver cancer and my wife was diagnosed with triple negative breast cancer in 2009... Then I started thinking, my wife's not alone, if 15% or 16% of women have triple negative, this is very important... I was first interested when I heard about the therapy, but it became personal with my wife... and I decided to move on it."
Motivated by personal experience	2	<i>Underwater Farms</i> : "In my lifetime, I have watched the decimation of the oyster population."
Integrative Thinking	5	<i>CollegePolitics</i> : "With my mindset and passion to affect change in the local community and desire to branch out nationally, I feel it is a shared passion with the people I meet... and it is not about the money but about connecting with the right people."
Solicitation of internal stakeholder input	5	<i>Food4Thought</i> : To "leave no stone unturned" in regard to growing their business, the leadership team integrated members with a social perspective with business-minded members. <i>DeltaBooks</i> : "Incorporating the opinions of others is important since this business is complex and competitive." <i>ImmuNOcancer</i> : "I reached out to my connections in [country redacted] to seek alternatives for treatment outside of the traditional therapy options in the U.S."
Solicitation of external stakeholder input	3	<i>Underwater Farms</i> : "We pursued a research grant so that we could include commercial fishermen in the idea and advance the notion of a sustainable and renewable oyster farming solution."
Strategic Openness	5	<i>CollegePolitics</i> : "Growing the team" is the founder's first priority. He actively engages external stakeholders and end users in the decision-making process and the premise of the venture changed from a debate forum to education based on external input. The original platform was deemed "too confrontational" and it morphed into a rich content platform.
Transparency	4	<i>Food4Thought</i> : "The idea changed from a commission-based to a licensing-based revenue model" as the result of input from customers and advisors were brought in as voting members (non-equity) of the management team. <i>DeltaBooks</i> : "Student input has been invaluable to building the model" as, originally, DeltaBooks was designed as an exchange for students to transfer used textbooks in an effort to save money.
Inclusiveness	4	Conversations with students using the service and a news article published generated new team members and ideas, however, that fundamentally changed the model to an advertising-based model. <i>ImmuNOcancer</i> : "I have interviewed or paid just about every high-priced attorney in town" in order to make contacts and develop a team of people who could push this idea further and license the [country redacted] technology. "Nanotherapy, by itself will not be able to take it to the next level. Nanotherapy with a partner in this industry will definitely make it an industry standard."
Participation in Decision-Making	5	<i>Underwater Farms</i> : "Multiple groups have helped make decisions and we have encouraged outside input in growing our business model from the start. We don't believe it can be successful without an advocacy component, and that means including as many people as possible."
Prosocial Benefit	5	<i>CollegePolitics</i> : "The goal is to build a big enough team to help continue to fund the venture with money, but more importantly with effort and time to continue to broaden horizons."
Financial Risk Propensity	4	<i>Food4Thought</i> : "We don't want to become a traditional business." Opportunities to monetize the application based on a for-profit revenue model were rejected by management in favor of a more sustainable social model.
Scalability	3	<i>DeltaBooks</i> : "We have eyes on a screen that can generate advertisement revenue so that, ultimately, we can provide textbooks free to students." <i>ImmuNOcancer</i> : "I have spent over \$750k of my own money in this business so far, but it is worth it for the potential legacy of this technology."
Legacy	2	<i>Underwater Farms</i> : "Regardless of money, this will be the last job I ever have because it is so important."

Table 2. Themes Emerging from the Research

Theme	Frequency	Case Study Evidence
Positive Externalities	5	<i>CollegePolitics</i> : "Not only educates for social change but also gets members engaged in ideas such as responsible spending, the importance of education, and other underrepresented life skills for low-income populations."
Anticipation of Spillovers	3	<i>Food4Thought</i> : "In addition to helping provide nutritious food options for low-income families, our application reduces landfill waste from expired produce." <i>DeltaBooks</i> : "Reducing textbook costs also can reduce student loan debt," a growing concern in U.S. macroeconomics. <i>ImmuNOcancer</i> : "Clinical tests in animals have also shown effectiveness against osteosarcoma.
<u>Unexpected Spillovers</u>	2	The big potential for nanotherapy is to treat cancerous tumors, but it also has the potential to serve as a vaccination against future metastasis." <i>Underwater Farms</i> : "This can also help other suffering coastal populations."

Note: Higher-order factors are boldfaced

Table 3. Data Source Descriptions and Counts

CASE	FOUNDER INTERVIEWS	ADVISOR INTERVIEWS	PRESENTATIONS	NEWS ARTICLES	WEB-BASED PLATFORMS
<i>ImmuNOcancer</i>	2 interviews with CEO; 3 with CFO	3 interviews with lead investor	2 pitch presentations to angel investors; 5 update presentations to investors	0	0
<i>DeltaBooks</i>	2 interviews with each of 2 founders	1 interview with business counselor	4 pitch competition presentations	3	2
<i>Underwater Farms</i>	5 interviews with CEO	2 interviews with lead industry partner	1 grant award presentation	2	2
<i>Food4Thought</i>	2 interviews with one founder	1 interview with business counselor	4 pitch competition presentations	12	5
<i>CollegePolitics</i>	5 interviews with founder	1 interview with each of 2 business counselors	3 pitch competition presentations	1	2

Food4Thought's founders were encouraged to create their venture in response to the injustice of food deserts and *DeltaBooks'* founder responded to the burden imposed on students by the rising cost of supplies in higher education. In each case, the empathy that led the founder to social entrepreneurship was based on exposure to a social issue. In the other two cases, the founders experienced or witnessed the pain trigger themselves. For *Underwater Farms*, the founder witnessed the death and decline of the oyster population during research activities and was inspired to act by the pain and fear that caused him to feel

for the future. For *ImmuNOcancer*, the founder dedicated considerable personal effort and expense to his venture after the founder personally experienced the pain trigger that led to his venture: "My father passed away in 1998 from liver cancer and my wife was diagnosed with triple negative breast cancer in 2009... I started thinking, my wife's not alone... 15% or 16% of women have triple negative, this is very important... it became personal with my wife... and I decided to move on it." The founders' emotional closeness to the pain trigger—in combination with other factors such as stakeholder interaction—impacted the cases profoundly.

We also found differing amounts of stakeholder interaction and integrative thinking that generated open strategy in relation to our second research question. In some of our cases, the founder(s) spoke about soliciting input specifically from stakeholders internal to their organization, even to the extent that they would invite stakeholders into the firm, and in others, the founder(s) specifically chose input from external stakeholder groups. The strategic openness that resulted included subthemes of transparency, inclusiveness, and participation in decision-making, such that several organizations substantively redesigned themselves to take full advantage of stakeholders' feedback.

The *Food4Thought* team sought input from as many stakeholders as they could find, including teachers, parents, customers, suppliers, technology developers, and business experts, in addition to networking through local and national pitch competitions and social entrepreneurship conferences. Their goal was "to leave no stone unturned" in the pursuit of the best solution they could design to address nutrition issues in low-income households. Consequently, the team appointed a board of business advisors as voting, but non-equity, members of their management team. Through repeated interactions with this team, the business morphed from an initial commission-based revenue model to a licensing-based fee structure. In addition, the team opted to reject offers to monetize their application in favor of maintaining a more sustainable social model that meets their goals and objectives. *DeltaBooks* also received feedback from a broad set of stakeholders that produced changes to the leadership team. Originally, *DeltaBooks* was designed as an exchange for students to transfer used textbooks in an effort to save money. After a news article about the idea ran locally, new team members came forward and were brought on board to help the business model better meet the mission. Together, the new team solicited input from students using the service, which fundamentally changed the business to an advertising-based model. According to the founders, "student input has been invaluable to building the model."

Underwater Farms likewise targeted partners to encourage their growth, starting with a grant "so that we could include commercial fishermen in the idea and advance the notion of a sustainable and renewable oyster farming solution." After the idea took root, the process was developed, and when initial tests proved successful,

the founder began growing a network of advisors: "Multiple groups have helped make decisions and we have encouraged outside input in growing our business model from the start. We don't believe it can be successful without an advocacy component, and that means including as many people as possible."

In contrast, *ImmuNOcancer* purposely restricted the circle of trusted stakeholders throughout much of its history. The idea was initially explored with a small number of researchers outside the United States to whom the founder had close connections to ensure that the solution would be novel and proprietary. After the solution was identified, the founder "interviewed or paid just about every high-priced attorney in town" in order to make contacts and develop a team of people who could "push this idea further and license the technology." However, the team of lawyers and scholars could not provide the business push the founder wanted, so he carefully began looking for an interested partner. "Nanotherapy by itself will not be able to take it to the next level. Nanotherapy with a partner in this industry will definitely make it an industry standard." In retrospect, the founder admits: "My biggest mistake as CEO was not talking to potential partners years ago... but we are doing that now."

The outcomes in these cases include expected and unexpected prosocial benefits and positive externalities, and we identified several subthemes related to an organization's improved financial risk propensity, scalability, and legacy, as well as spillover effects with benefits for unexpected groups. For example, *CollegePolitics* expanded its scope of services after defining their primary product as a peer-based educational platform. Although the initial goal was to educate millennials about politics in order to facilitate social change, additional conversations related to responsible spending, educational issues, and other life-skills training products have been developed from the platform. *Underwater Farms* discovered parallel benefits of their product for other endangered coastal animals. In addition, the process of soliciting feedback from stakeholders engaged the organization in conservation discussions at a higher level, and the primary role occupied by the founder now is as an advocate for sustainable oyster farming and the protection and growth of other coastal species populations.

Discussion

This research has explored the impact of compassion and open strategy on the social entrepreneurship process. In so doing, we have answered several calls for research. First, we have adopted a cluster concept view of social entrepreneurship and considered the interplay of several of its sub-concepts, including social value creation, the social entrepreneur, and the social entrepreneurial organization (Choi & Majumdar, 2014; Zahra et al., 2009). Additionally, we have examined compassion as a key prosocial motivator for social entrepreneurship, which speaks to an ongoing debate about the origins of social entrepreneurship (Arend, 2013; Grimes et al., 2013; Miller et al., 2012). Finally, we consider the impact of stakeholder interactions on the generation of open strategy in the social entrepreneurial organization. The findings of our inquiry offer several implications for theory and practice.

Research implications. First, our findings speak to the literature on social entrepreneurs' motivations for using traditional business models to address social issues (Dees, 2007). We carefully considered the argument that a prosocial motivation to alleviate other people's pain lies at the heart of the social entrepreneur's reasoning for founding a social venture (Miller et al., 2012). In the five cases we compare, we found a fundamental difference in the compassion at the naissance of the venture between social and personal pain triggers. The compassion literature has noted the varied sources of pain triggers (Dutton et al., 2014; Lilius et al., 2011) as well as acknowledging the uniqueness of an individual's response to a pain trigger (Cassell, 1999), but our study adds an interesting nuance in that the cases had different initiation sequences. This also speaks to Arend (2013), who worries that compassion is too fleeting a feeling to truly motivate the process of social entrepreneurship. Grimes and colleagues (2013) point out that prosocial motivations in combination with other institutional factors can generate social entrepreneurship, which our study supports. In addition, the dichotomy of our finding related to compassion suggests that different forms of compassion may exist that are specific to social entrepreneurship and that they may have different outcomes. For example, *ImmuNOcancer's* founder initially eschewed help from outside sources, perhaps because of his close personal ties to the pain triggers that started the organization. In contrast, *Food4Thought* welcomed feedback and even altered their organization form to incorporate advisory roles in an effort to consider all possible solutions, perhaps because the goal was always to alleviate a group's suffering. The positive externalities of each firm reflect these effects.

Also, the comparison of our cases highlights an insight for the open-strategy literature. Our cases show a variety of stakeholder interaction patterns and impacts to each firm's strategy. Three of our cases purposefully bounded the stakeholder groups from whom they sourced feedback to begin with—*Underwater Farms* found a commercial partner, and *DeltaBooks* and *CollegePolitics* each focused on feedback from end users—while the other two, as noted above, purposely opted for all the feedback they could find or as much secrecy as they could enforce. These had interesting impacts on the firms' structures and business models, as well as the positive externalities of their missions. Each of our cases altered their leadership structure to encourage beneficial aspects of openness. *Food4Thought* and *Underwater Farms* created advisory boards and *DeltaBooks* and *CollegePolitics* brought in new team members to help to expand the pool of resources. Through those new partners, each also experienced the benefit that opened *ImmuNOcancer's* doors as well: added business acumen and market reach. For three of the cases—*DeltaBooks*, *CollegePolitics*, and *Food4Thought*—stakeholder input resulted in major changes to the business model. Finally, the incorporation of strategic openness generated positive externalities and led to the realization of new mission- and market-based impacts. Both *Underwater Farms* and *ImmuNOcancer* are exploring the possibilities that their products could be applied to different populations to alleviate their pain; *DeltaBooks*, *CollegePolitics*, and *Food4Thought* have discovered that developing their firms as intended had positive, unintentional impacts on other social issues that they now include in their mission.

Together, these contribute to both social entrepreneurship and open-strategy research. The benefits of stakeholder interaction in for-profit firms are well noted (Berman et al., 1999), but the benefits of co-creation (Frow et al., 2015)—especially in social entrepreneurship—are less agreed upon (e.g., Shams & Kaufmann, 2016; Voorberg et al., 2015). Our study suggests that interaction with stakeholders can impact the structure of the firm, the business model it employs, and the intended and unintended consequences it has. This adds new insight to the value creation component of social entrepreneurship, which has struggled to clarify its boundaries (Kroeger & Weber, 2014). In particular, this suggests that the sustainability of a social enterprise is not solely a question of timing (e.g., Belz & Binder, 2017), but also of stakeholder engagement, and further adds to our understanding of the benefits of external knowledge (Garriga et al., 2013).

In particular, our findings support and extend the theory about the governance structures (Felin & Zenger, 2014) and knowledge-sourcing activities (Chatterji & Fabrizio, 2014) that facilitate open strategy by finding that the motivation to engage and incorporate stakeholders as partners can be prosocial. For the cases in our study, the compassion at the origin of each firm was fed by the advantages of strategic openness to the potential benefit of many new stakeholders.

Practical Implications. Our study has implications for practice as well. To start, budding social entrepreneurs should note that compassion can be a valid starting point, but it is not the sole sustenance of a social enterprise (Dacin et al., 2011; Grimes et al., 2013). Each of the founders in our study told a story of the cause they were drawn to and the reasons for that, but their ability to address those issues and others was heavily influenced by a variety of other factors. Active engagement with stakeholders was a vital component of their ability to meet their mission, which supports advice about collaboration from other social entrepreneurship researchers (Sagawa & Segal, 2000). In addition, the cases in this study demonstrated strategic openness that allowed them to shift their enterprises in ways initially unexpected. Thus, despite the image of the social entrepreneur as the frame-bending, visionary source of social change (Bacq & Janssen, 2011), a consensus-based form of leadership may have benefits as well. Finally, for active social entrepreneurs, our study serves as a reminder that the engagement of a variety of stakeholder groups can help to reveal unanticipated positive impacts.

Boundary Conditions and Future Research. Our study of social entrepreneurship and open strategy necessitated boundary conditions that highlight new research questions. First, we restricted our search to social ventures that incorporated compassion as the foundation of their interest in this business form. Our study encourages compassion researchers and social entrepreneurship researchers to consider the impact of the pain trigger on the entrepreneur and their venture. The cases in this research indicate that social entrepreneurs are motivated by compassion caused by exposure to an issue as well as exposure to a tragedy. Future research may want to consider whether this difference stimulates unique outcomes in terms of the speed or scope of the venture. As well, we purposely bounded our exploration by employing a case study methodology because of the nascence of the state of social entrepreneurship literature. This improves the richness of our exploration at the cost of the generalizability of our findings (e.g., Edmondson & McManus,

2007). As the social entrepreneurship literature reaches consensus on the boundaries of its domain, future researchers should consider the benefits of mixed-methods research to test those boundaries. Moreover, any examination of social entrepreneurship ideally considers the sustainability of social enterprises, and we encourage future research to consider the open decision-making model and compassionate motivations as potential contributing factors. Finally, our research encourages a holistic view of the outcomes of social entrepreneurship as intended and unintended as well as coordinated across stakeholders, which highlights the importance of multi-source data in this field. None of our cases anticipated the positive externalities of their ventures, which has fascinating implications both for the future of research and of society.

In addition, we found that these stakeholders often held multiple roles during the organization's history. Although the initial phase of engagement in social entrepreneurship was often marked by the soliciting of information and diverse ways of thinking about how traditional business forms could address social needs, those same stakeholders—who initially offered support and input—were often invited to continue having that impact in a more formal role as business advisers in an open-strategy environment adopted by the entrepreneurs. Thus, people who interacted at first as stakeholders influenced the adoption of open strategy because of their valuable input, and by so doing, became part of the governance of the firm. Where and how this shift happened—and which factors influenced it—was less clear from our research, and we encourage future researchers to consider interviewing entrepreneurs and advisers many times between the idea stage through the first years of operation to tease apart the nuances of this transition. Such investigation is likely to contribute to theory on governance and stakeholder roles alike.

Conclusion

Scholars have called for more of a focus on collective action when studying social entrepreneurship (Peredo & McLean, 2006; Shaw & Carter, 2007) as the knowledge required to address complex and dynamic social problems is not found in a single individual but dispersed across multiple actors (Sautet, 2002). Furthermore, in their inductive analysis of social entrepreneurship in a cooperative setting, Corner and Ho (2010, p. 652) found a pattern of collective action within the process of opportunity recognition and development that was sufficiently evident to propose that “dispersed knowledge had to coalesce in order for a viable innovation to manifest”, suggesting that the “treasured notion of the individual entrepreneur as the sole developer

of opportunities needs to be questioned seriously in future entrepreneurship research." Prior literature has identified the need to partner with diverse stakeholders to accomplish social objectives in cooperatives (e.g., Spear, 2004), advocacy (e.g., Beletsky et al., 2008; Rao et al., 2000), and cross-sector social partnerships (e.g., Pittz & Intindola, 2015; Selsky & Parker, 2005; Vurro et al., 2010). To wit, Montgomery and colleagues (2012, p. 376) highlight the importance of collective social entrepreneurship as collaboration "serves to leverage existing resources, build new resources, and impact the emergence and reshaping of institutional arrangements to support scalable efforts for change."

The locally embedded nature of social enterprises requires that researchers explore the interactions between social entrepreneurship and their constituents, particularly when used to inform the design of policies and interventions.

Exploring the phenomenon of broad participation in the strategy process attends to scholars who suggest that entrepreneurial agency is embedded within a larger social context (Granovetter, 1985). We have followed the suggestion by Grimes and colleagues (2013) to pursue research that focuses on the socio-cognitive processes that structure perceptions and interpretations of opportunities. Our research demonstrates that social entrepreneurship activity—and the chosen mode of problem solution—depends upon strategic openness and contextualizes the motivations of the social entrepreneur. Thus, while the explanatory variable of compassion may encourage someone to explore the causes of suffering, it is through open dialogue and participation of others that he or she achieves the outcomes of social entrepreneurship opportunities.

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Feasibility Analysis for the New Venture Nonprofit Enterprise

Gregory R. Berry

Abstract

This article explores the value of feasibility analysis for the pre-launch nonprofit enterprise. Similarities and differences between for-profit entrepreneurial ventures and nonprofit entrepreneurial ventures are outlined, and then the traditional format of feasibility analysis used by the entrepreneurial for-profit start-up is reviewed and analyzed. This four-stage analysis is then adapted to the needs of the nonprofit new venture enterprise. The benefits of doing a feasibility analysis for the nonprofit enterprise start-up are identified, and guidelines are suggested. An underpopulated research stream is identified and explained in this article for the start-up and early developmental phases of the nonprofit enterprise.

Keywords: feasibility analysis; nonprofit enterprise; nonprofit entrepreneurship; entrepreneurship; new venture launch; planning/research

Introduction

All new enterprises need some form of organization and structure that enables the entrepreneur to raise funds, to establish a strategic plan, and then to carry out tasks in service of that strategy. The creation of a new enterprise is the means by which entrepreneurs realize their entrepreneurial ambitions and personal goals. Significantly, these new ventures may be for-profit or nonprofit enterprises (Majumdar, 2008). Regardless of purpose, all organizations seek survival, success, and efficiency, often achieved through innovative and careful management of their operations and expenditure of resources. For-profit firms usually seek to create profit by increasing their return on investment or by increasing market share, while nonprofit enterprises usually seek to increase their influence and scale of operation as they strive to assist in solving social problems or delivering socially important goods (Dees & Anderson, 2003). Nonprofit enterprises take on a multitude of roles and do everything from housing to feeding the homeless to supporting the arts and education.

Yet, regardless of purpose or mission, about one-third of all new firms in the United States, including both for-profit and nonprofit enterprises, fail within the first few years of operation, while another significant percentage fail within four years (Barringer & Gresock, 2008). An obvious and significant factor that contributes to new venture success or failure is planning, or lack of planning (Delmar & Shane, 2003). There are many planning resources to assist established for-profit organizations including strategic, tactical, and functional planning tools, with most of these tools using financial and economic measurements to evaluate or judge ongoing performance. Fewer resources are available for pre-launch analysis and planning, but the two most common are the pre-screening of new business ideas through feasibility analysis, and then the writing of a business plan (Barringer & Gresock, 2008). Often little time is given for a careful and thorough examination of the merits of the idea before the business plan is written or the enterprise is launched, and although research is largely lacking regarding the outcomes of this lapse, this may be especially true for nonprofit enterprises.

For ease of concept and argument, this article is focused only on the nonprofit new venture, and not more generally on social enterprises, which could include both for-profit and nonprofit new ventures. The major distinction between for-profit and nonprofit enterprises is that they are two distinct forms of legal incorporation, defined by tax implication, financial considerations (including access to start-up and working capital), and ownership and governance structures. For-profit ventures seek to create economic wealth for their owners and investors, while nonprofits are banned from having profits even while having revenues, and so all revenue in the nonprofit is re-invested into the enterprise.

Though the distinctions between for-profit and nonprofit enterprises are clear at their extremes, it would be more accurate to view these distinctions between for-profit and nonprofit enterprises as being on a continuum. One end of the continuum has an absolute focus on profit

generation, regardless of the means or consequences, and on the other end the focus is on the advancement of social well-being as the ultimate goal. These distinctions between organizations can be fuzzy, however, with most enterprises having some mix of the two objectives. Thus, some for-profits have a strong social-benefit presence, while some nonprofits are strongly aware of revenue and market share while maintaining and protecting their nonprofit status. These distinctions can become complicated and confusing, and thus this article will not cover the full range of social enterprises, but will focus only on the tax-exempt nonprofit. This distinction is relevant to this manuscript as the idea of feasibility analysis is usually present among for-profit ventures, regardless of the priority of their social focus, yet the feasibility analysis is often ignored by nonprofit enterprises.

A nonprofit enterprise is typically defined as an organization that uses resources in innovative or creative ways to explore and utilize opportunities to meet a societal need sustainability (Seelos & Mair, 2005; Dorado, 2006). For the nonprofit enterprise, the creation and dissemination of social value is paramount, and the social mission is built directly into the business model. Nonprofit entrepreneurs form nonprofit enterprises to enable them to work toward changing or improving some condition in the world, either for a specific group of people or for society in general. For a nonprofit enterprise to be considered successful, it needs to be changing some aspect of the human condition or working toward solving a social problem. The work of a nonprofit enterprise is rarely finished as society's needs are rarely eradicated, and progress toward achieving these social goals is often very slow.

Nonprofit enterprises can be very different from for-profit enterprises both in process and outcomes, yet similarities are present as well. Value can be added to the nonprofit new venture enterprise by integrating mainstream entrepreneurship and new venture research knowledge (Peredo & McLean, 2006; Weerawardena & Sullivan-Mort, 2006).

In this article the value of feasibility analysis for the pre-launch nonprofit enterprise is explored. For context and framing purposes, similarities and differences between for-profit entrepreneurial ventures and nonprofit enterprise ventures are first outlined, followed by an examination of the traditional format of new venture for-profit feasibility analysis. This analysis is then adapted to the needs of the nonprofit enterprise, and the benefits

of doing a feasibility analysis for the pre-launch nonprofit enterprise are identified. This research adds to the probability of success for the social enterprise through outlining practical and research-based considerations for the nonprofit entrepreneur to consider prior to the launch of their venture. An underpopulated research stream is also identified in this article, namely the use of feasibility analysis, especially in the start-up and early developmental phases of the nonprofit enterprise.

Nonprofit Enterprise and For-profit Enterprise Share Some Common Characteristics

New venture creation for both for-profit and nonprofit enterprises is a complex social process shaped in part by the personal characteristics and interests of the individual(s) starting the venture, as well as the context and environment surrounding the new venture (Steyaert & Katz, 2004). The start-up entrepreneurial process for profit-seeking enterprises involves the identification, evaluation, and exploitation of opportunities to create new products or services for clients or customers such that the entrepreneur is able to obtain economic gains (Eckhardt & Shane, 2003). The start-up process is essentially the same for the nonprofit enterprise except for a focus on outcomes such as social impacts or benefits instead of profitable financial or economic outcomes.

Nonprofit enterprises and for-profit enterprises both identify entrepreneurial commitment to the attainment of a mission as a means of identifying who is an entrepreneur (Sharir & Lerner, 2006), and so commitment and passion are common characteristics of both the for-profit and nonprofit entrepreneur. Both types of entrepreneurs want "success" for their enterprises, and both types are concerned with costs and profits or revenue, but financial returns in the nonprofit enterprise are seen as a means to further their work, and not the goal of the work itself. Financial returns, from whatever source including donors, are still required for the nonprofit enterprise to maintain, sustain, and continue the work of the enterprise. Other similarities between nonprofit enterprises and for-profit enterprises include: a recognition that strong business practices are important; strong financial oversight including budgeting; a recognition that good strategic and tactical planning is based on good market and client information; and a belief that quality management skills including the ability to communicate clearly are necessary (Gartner, 1985).

Outcome-based quantitative indicators of enterprise progress or success in the for-profit enterprise include increased numbers of employees, increased output

of products or services to the marketplace, growth of assets or market share, among other indicators (Dobbs & Hamilton, 2007). Net profit, equity enhancement, and growth of market share are the major indicators of growth or ongoing success suggested by researchers for the for-profit entrepreneur (Majumdar, 2008; O'Farrel & Hitchins, 2002). Most of these for-profit measures are not relevant to the nonprofit enterprise. Further, even these traditional quantitative measures are not shown to

have a consistent impact on the growth or sustainability of for-profit enterprises, much less nonprofit enterprises (McKelvie & Wiklund, 2010). Still, most nonprofit enterprise start-ups are focused on the development of managerial competencies and market-based attitudes to improve their operational efficiency and effectiveness, the same as with for-profit new ventures (Austin, Stevenson, & Wei-Skillern, 2006).

Table 1. How Nonprofit Enterprise and For-Profit Enterprise are Similar

Both enterprises is shaped by the personal characteristics, abilities, and interests of the entrepreneur
The choice of the product/service includes identification and exploitation of opportunities—both enterprises seek opportunities for underserved markets
Both enterprises seek to create new products and services for underserved markets
Both enterprises need entrepreneurial passion and commitment for start-up
Both enterprises seek success, although success is defined quite differently
Both enterprises are concerned with revenues and losses, although with different motivations
Both enterprises need strong business practices, including financial oversight
Both enterprises need good strategic and tactical planning that is based on client/market data and solid research
Both enterprises need strong communication skills from their leadership/managers both inside and outside the enterprise
Both focus on managerial competence to improve operational efficiency and effectiveness

Nonprofit Entrepreneurship and For-profit Entrepreneurship Are Not Identical

Nonprofit enterprises undertake activities to discover and exploit opportunities to enhance social well-being through the creation of new ventures or by innovatively managing existing organizations (Zahra et al., 2008). Social well-being can be understood as the improvement or creation of positive change in the quality of life conditions of constituents in a community, however that community

is defined (Glover, 2012). It follows that a nonprofit entrepreneur is an individual who recognizes, organizes, and manages business opportunities resulting in the creation of social value and well-being (Certo & Miller, 2008; Shaw & Carter, 2007). The identification of potential benefit for the social sector often evolves from the entrepreneur's personal awareness of what they perceive to be a social problem (Casson, 2005), and perceived gaps in the social marketplace to solve these problems.

The initial activities of most nonprofit enterprises tend to be localized and small scale (Amin et al., 2002), and often occur in new contexts or emerging fields where unfulfilled social needs may seem more apparent (Maguire, Hardy, & Lawrence, 2004).

The major difference between nonprofit enterprise and for-profit entrepreneurship is found in the purpose and outcomes desired and defined by the entrepreneur and the organization, and less in how these enterprises are managed and organized. Although nonprofit enterprises do not usually express a revenue motive, revenue must still be created to sustain the enterprise in continuing to reduce a social burden or initiating social change

(Austin et al., 2006). Nonprofit enterprises often focus on spreading the social good as widely as possible in order to maximize social change and directly address the problems that have been identified (Drayton, 2002; Chell, 2007). Economic revenue accumulation for the nonprofit enterprise is just the means to an end, with that end being social value creation and the achievement of long-lasting social change (Perrini et al., 2010). This single distinction alone is almost sufficient to differentiate the nonprofit from the for-profit entrepreneurial enterprise (Roper & Cheney, 2005).

Table 2. Comparing Nonprofit Enterprises and For-Profit Enterprises

Nonprofit Enterprises	For-Profit Enterprises
Focus on social impact and social benefit for a variety of stakeholders	Focus on profit above all else, almost exclusively for owners/stockholders
Revenue is only the means to an end	Profit for the sake of profit
Measures of growth include social impact or scale of social benefit (very difficult to measure)	Measures of growth include revenues and net profit, increases in equity and total assets, and market share (all easily measured)
Interest in growth is focused on the ability to spread the social benefit as widely as possible.	Interest in growth is focused on maximizing profitability and stockholder/owner wealth

The Benefits of Undertaking a Feasibility Analysis

For sustainability, the nonprofit entrepreneur must develop the enterprise and manage resources with both commercial and social concerns in mind (Hynes, 2009). The traditional sequence recommended for pre-launch and analysis of any entrepreneurial venture is to first do an initial quick screen of the business concept or idea, then do the feasibility analysis, and then conclude the process with the writing of a business plan (Barringer & Gresock, 2008). This is more difficult for the nonprofit enterprise than for the for-profit enterprise simply because the benefits from the operation of the social enterprise are often difficult to quantify, whereas the benefits created by a for-profit enterprise are easily judged using a variety of financial

instruments. Although most nonprofits are internally clear about the benefits of the enterprise to a wide range of stakeholders, the enterprise may have difficulty in explaining or quantifying these benefits to those external stakeholders, particularly as different stakeholders may value different outcomes. Often the benefit of the nonprofit is measured in part by what didn't happen to clients or the community, and measuring the benefit of a non-occurrence is very difficult. The nonprofit has many stakeholders to satisfy, all with various needs and concerns, whereas the for-profit needs to satisfy only the owners of the firm, although satisfying other stakeholders perhaps enhances the owner's ultimate economic satisfaction. A serious consequence of this lack of clarity regarding the tangible benefits from

the nonprofit enterprise is that obtaining financing from commercial institutions is almost impossible (Hynes, 2009), and may also create difficulties in gaining support from donors or institutions.

Competent planning is critical and aids the enterprise in multiple ways, including saving the entrepreneur countless hours. Multiple tasks, from budgeting to grant writing, require that the nonprofit enterprise makes plans for the future as well as the present. The act of planning fundamentally means thinking through what the enterprise is going to accomplish, simultaneously identifying needed resources, and then identifying activities to be undertaken in achieving these goals. The feasibility analysis aids in answering questions about the potential of a product or service in various markets, organizational and managerial capability, and financial prowess. Thus, the nonprofit enterprise starts with the initial identification of a service or product/project idea, then conducts the four-part feasibility analysis before determining if the writing of a business plan is warranted. The business plan is the final step of a comprehensive process, and incorporates most research and data already collected while doing the feasibility analysis.

If an entrepreneur gets caught up in the excitement that surrounds the identification of a new opportunity, careful analysis and planning may be given short-shift in an eagerness to bring the product or service to market (Barringer & Gresock, 2008). Passion for the idea, and excitement regarding the benefits of the idea, are necessary for any start-up venture, but also something to be wary of. Careful front-end preparation and planning takes time and effort, and is essential in discovering flaws and issues early instead of later when they evolve into unsolvable problems. Proper evaluation will identify whether existing managerial and organizational competence is present, whether on-hand capital is sufficient not only for start-up costs but also operational costs until a break-even point is reached, whether the enterprise has all needed resources or access to these resources, and whether markets are not only available but are also sufficiently open to allow a new enterprise to enter the marketplace (Shah et al., 2013).

Decisions need to be based on data and careful analysis, and not on speculation or wishful conviction, and this is true for both for-profit and nonprofit enterprises. This data analysis can and should be done in advance of any large investment of resources including time, money,

or energy. Some subjectivity is inevitable regardless of intent, but all data needs to be looked at and realistically analyzed, and not just the data that happens to confirm prior bias or preferred conclusions.

Without purposeful organizational and business-oriented practice, the social vision of the nonprofit enterprise may not be achieved, or perhaps achieved in the short-term but not be sustainable in the longer-term (Danby & Jenkins, 2006). Thus, strategy and planning have an important role in carrying out action to support the mission of the social enterprise. Action is needed to achieve the objectives and goals set by the firm, regardless of the firm's resources and talent and financial strength. Burns (2007, p. 253) suggests that strategy as "just a linked pattern of actions," even as these actions constantly change and adapt to various situations and contexts, and at all levels of the enterprise. Strategies and choices for both the for-profit and nonprofit enterprise could include extending product lines or services, increasing marketing and sales activities, attracting new clients or customers, improving infrastructure or internal systems or service capacity, and changing or improving technological or information systems (Shah et al., 2013).

Four-part Feasibility Analysis for the For-profit Enterprise

Even with careful planning and analysis the entrepreneurial process is filled with uncertainty and unanswered questions (Ozer, 2003), and certainly with no guarantee of success. The process is often fraught with more questions than answers, and perhaps the "needed" questions are not being asked in the first place. The fundamental purpose of planning for any enterprise is to build a structure that is flexible enough to adapt to changes in the external environment, yet organizes the enterprise's activities and allocates resources in the most effective ways in pursuit of the mission. Consensus is needed in terms of "what" work to do, but then also needed in terms of "how" to do this work.

Attempts at objectivity in the entrepreneurial process are sometimes frustrated as personal conviction overwhelms analysis, yet brutal honesty regarding needed resources and required skills to achieve the goals of the enterprise is a must. The process itself needs to be easily understood, and yet must offer as complete an analysis as possible, and with unknowns clearly highlighted for future further examination. The feasibility analysis guarantees that the work done between the initial identification of

a business idea and then the launching a new venture goes beyond simply trying to determine if the product or service itself is good. Considerations need to include management ability and skill, marketing capability, a multitude of financial considerations including revenue streams and capital reserves, industry considerations and other factors (Allen, 2016).

Doing a quick overall screen should be done prior to starting a full-fledged feasibility analysis, and is particularly helpful in identifying weak or improbable ideas. Most proposed enterprises have identified strengths, but also have weaknesses, and these weaknesses need to be identified and mitigated prior to moving on. Plus, not all identified strengths and weaknesses are relevant for all proposed ventures. Personal networking skills, for example, may be critical for Project A but unnecessary for Project B. Some research suggests using a simple higher- or lower-potential evaluation for the various factors being considered (Timmons & Spinelli, 2004), seeking an overwhelming collection of high potential factors. The key is that all four sections of the feasibility analysis need to be briefly considered in the screen, and none ignored. Market-related issues are examined, as is competitive advantage or lack of advantage, managerial and financial resources, and overall potential is realistically determined. This is the first stage where new venture ideas may need to die prior to the entrepreneur spending valuable time and resources doing the feasibility analysis, and then creating a business plan, or worse, simply opening the enterprise then struggling to make it work and perhaps watching it fail.

The feasibility analysis will not be started unless the initial screen is strong and positive. The full feasibility analysis for a for-profit enterprise typically covers four areas: Product/service feasibility; Industry/market feasibility; Organizational feasibility; and Financial feasibility (Barringer & Gresock, 2008). All four areas need to result in a positive feasibility—a positive result in only two or three out of the four areas in the feasibility analysis is to invite eventual disappointment, frustration, and wasted resources. Strength in one area does not compensate for weakness in other areas. The purpose of the feasibility analysis is to fully and honestly assess the potential merits of a business idea, and adjust the idea as necessary. Weaknesses identified early might be mitigated or fixed with added resources such as financial or human capital, expertise, or specific business experience. If the feasibility analysis is a “go” in all four areas, then the enterprise moves

on to the business plan stage of the process, the final step in this pre-launch evaluation.

The next four sections examine the feasibility analysis for the for-profit new venture.

For-profit Product/Service Feasibility Analysis

Product/service feasibility is an assessment of the overall appeal of the product or service that is being proposed (Klink & Athaide, 2006). This sometimes includes a concept test, when the product or service idea is shared with prospective customers to gauge customer interest. A potential product or service of huge importance or significance to the founders/entrepreneurs may have limited market potential; thus, the product/service analysis puts a more macro and realistic lens on the entrepreneur’s vision or concept. If a service, what is the value added to the end user, and is it worth their time/effort/money for the user to take advantage of the service? Thought must be given to just how the product will be produced or the service will be delivered, and what other resources including infrastructure and organizational ability will be needed to make this happen, regardless of how great the product/service itself may be.

Most new ventures are short of surplus resources, underlining the need for sound preparation so that available resources are not wasted. Scale and scope for the new venture is analyzed as part of the product/service feasibility as well, perhaps resulting in the new venture starting with a focus on only X instead of XYZ, given the realistic appraisal of all resources available, market for the product/service, and overall ability of the entrepreneur to create/produce/deliver the product or service to the client or customer.

For-Profit Industry/Market Feasibility Analysis

The Industry/Market feasibility analysis considers general industry attractiveness, the possible identification of a niche market, and the openness of the marketplace to a new competitor (Allen, 2016). Most new enterprises want a growing market, or at least a market with growth being possible in a specific niche. Other factors contributing to the attractiveness of an industry include the extent to which an industry is important to the customer, the opportunity for higher operating margins, and whether an industry lacks competitors. Is there room for one more competitor, given that most markets are already being served at least to some extent? A niche position within a larger market represents a narrower group of

customers with specific interests or needs that match the offerings and capabilities from the new venture (Markides, 2006). Most new ventures target a single segment or a specific market niche within the industry. Importantly, given that the existing competition may have certain established competitive advantages in terms of available capital, established clients and markets, and established supply chains both in and out of the enterprise, where is the possible advantage for the new venture? Do the main competitors exhibit particular strengths that could overwhelm the new venture's resources, or alternatively do these main competitors exhibit weaknesses that could present the new venture with an opportunity to create a specific competitive advantage? Is there an underserved niche where the new venture's capabilities will fit nicely?

Porter's Five Forces (1980) model is often used at this stage of the feasibility analysis. Porter (1980) identified five threats to any venture: strength and number of suppliers; alternative choices available to the consumer/user; threat of new entrants, threat of substitute products; and threat from the industry itself in terms of aggressive competition. In an ideal world the new venture would realize unlimited suppliers, limited choice or options for the client/user, limited possibilities for new entrants or substitutes, and all in a stable yet growing and fragmented industry/marketplace.

For-profit Organizational Feasibility

Organizational feasibility is conducted to determine whether a proposed new venture has sufficient management prowess, organizational competence, and non-financial resources to launch and manage the proposed new venture successfully. Personal commitment may be a given, but the entrepreneur also needs to have a realistic and factual understanding of the chosen market niche, and further understand how his/her talents and the product/service of the new venture "fits" in that niche. Realistic self-judgment is critical here for the founder/entrepreneur, and overestimating personal ability/skill/knowledge while underestimating these same qualities in competitors is self-defeating. Other factors to consider in the organizational feasibility analysis include facility availability, availability of quality staff, and even the receptivity of the community (potential clients or volunteers perhaps) to the proposed venture (Barringer & Gresock, 2008).

Strategic planning in small entrepreneurial firms is mainly guided by the personal vision coupled with the personality and character of the chief executive (Wood & Joyce, 2000), and so success or failure is highly dependent on the founder. Again, reflective honesty is required for self-analysis on the part of the entrepreneur. In a perfect world characteristics of the founder/ entrepreneur could include background and experience, proven capability in a specific or a related market, relevant education, and general managerial competence (Barringer et al., 2005). Personality and mindset of the entrepreneur play a role (Boeker & Wiltbank, 2005; Kor, 2003; Wijewardena et al., 2008), although sometimes over-emphasized relative to the more pragmatic background and experience characteristics.

For-profit Financial Feasibility Analysis

The most important issues to consider in the financial feasibility analysis are total start-up cash needed, and the overall financial attractiveness of the investment (Barringer & Gresock, 2008). Funding is needed not only for the physical start-up but also for the operation of the new venture until a break-even point is reached, oftentimes months or perhaps even years into the future. The financial feasibility analysis explores and explains where initial and ongoing funding will come from. For a for-profit enterprise, these evaluations of needed start-up costs and timelines for break-even analysis usually use the new venture's projected return on assets or sales. For new enterprises this is a best guess based on the rigorous collection of industry and specific market data. The softer the data the more likely the financial projections created will not be accurate.

The financial analysis uses data and information collected during the prior steps in the overall feasibility analysis. The fundamental question is: Assuming the ability to produce the product or service, is there a market of sufficient size that will purchase the product or service at a price that will allow for the ongoing operation of the enterprise? The financial feasibility is focused on costs and potential revenues from start-up, over time, and with some added considerations given to potential growth or the development/expansion of the enterprise.

Table 3. Questions Asked During Feasibility Analysis

Product/Service Feasibility Analysis

- Is value added for the client/customer?
- Is the product or service important to the client/customer?
- Is the trade-off in time, effort, and cost worth it to the client/customer?
- How were these needs of the client/customer identified and quantified?
- What is the scope and scale of the new venture to meet these identified needs?
- Does the new venture have the ability to create and deliver these products/services?

Industry/Market Feasibility Analysis

- Is the market growing or shrinking, or stable?
- Is there a niche space or player role for the new venture?
- Is there room for advantageous operating margins . . . thus sustainability?
- Is the marketplace or niche crowded or sparse in this specific geographic area?
- Is there competitive advantage or disadvantage for the venture in this market?

Organizational Feasibility Analysis

- What specific expertise, education, and knowledge does the founding team have?
- What non-financial "other" resources does the new venture have?
- Is there potential to attract quality staff or key employees?
- Is there potential to find a quality and cost-efficient facility?
- Does the new venture have any networked support from the local community?

Financial Feasibility Analysis

- What are the start-up costs?
 - When is the break-even (BE) date?
 - Does the new venture have sufficient funds to survive while awaiting the BE date?
 - Where does financial support come from?
 - How confident is the new venture of sustained revenue from all sources over time?
-

Adapting the Four-phase Feasibility Analysis for the Nonprofit Enterprise

All four parts of the feasibility analysis are required and useful for the nonprofit enterprise. Similar to the for-profit enterprise the evaluation of all four parts must result in positive conclusions, and if not initially positive, the shortcomings must be mitigated and resolved. The nonprofit enterprise can damage itself severely by

being overly optimistic in any of the four sections of the feasibility analysis. Worse, ignoring any of the four sections leaves open the possibility on an undiagnosed fatal flaw, and so the four-part analysis goes beyond optimistic thinking and dreams. This is where business ideas or proposals need to be fully understood, not because the venture doesn't have generic merit but because either the market for the program/service is too small to begin with,

or because this specific group of entrepreneurs simply does not have the organizational strength or financial resources to bring the concept to sustainable creation. Donor or revenue support is also a critical factor for nonprofits and must be fully understood prior to launch. In the nonprofit enterprise arena almost all ideas are “good” in terms of creating a social benefit, but are they sustainable and feasible as ongoing operations or enterprises?

The nonprofit entrepreneur must be clear why the enterprise should exist, what the objectives and goals might be, and how the nonprofit will achieve these objectives and goals using available resources and talents. Both short-term and long-term goals need to be outlined, preferably with timelines and benchmarks set, which may evolve over time. What resources are needed, for example, to meet short-term goals, especially for start-up costs and immediate operations costs? What are the key resources needed immediately including money, key personnel and volunteer availability, specific skills needed from these employees/volunteers, and the type of physical space needed to start and then carry out the activities of the enterprise? Even this initial screen may provide some detail and guidelines for future work and planning, but the feasibility analysis will more specifically identify serious flaws, if any, in the earlier evaluation. The earlier these issues and problems are identified the sooner they can be rectified, or resolved with a fundamental re-think of the nonprofit venture itself.

After the screen, and then the feasibility analysis, the business plan is the final pre-launch document. The hard work and data collection is undertaken for the feasibility analysis. Goals and benchmarks have been identified. Not only are general plans and strategies set, but assumptions are also acknowledged and defined, and so if a benchmark is missed in Plan A because of faulty assumptions, then Plan B or Plan C has already been at least partially considered, with adjustments then more easily made. Outside the firm, the business plan introduces potential stakeholders including potential benefactors to the nonprofit opportunity the firm is pursuing. Inside the enterprise, the feasibility analysis is done with a skeptical view, almost asking, “Why won’t this work?” whereas the business plan often presents a more positive story along the lines of “This will work and will be great.” The feasibility analysis could be viewed as the real work behind the scenes, while the business plan is the glossy production under the lights. Still, the business plan needs to be based

on solid data and analysis rather than on speculation and optimistic platitudes, and is factually and fundamentally based on the feasibility analysis.

Transitioning the Feasibility Analysis from the For-profit to the Nonprofit Enterprise

Consistent with research on entrepreneurial start-ups (Ucbasaran, Westhead, & Wright, 2001), opportunity formalization through the writing of the business plan for the nonprofit enterprise is a crucial step in the overall start-up new venture process. Milestones are identified, and are critically important in scheduling and sequencing the work to be done. The resources to be expended at certain times in the start-up process are identified and potentially sourced. Given the difficulty to show the soundness of a nonprofit project on the basis of well-established economic performance indicators (Doraldo, 2006), and the difficulty of documenting actual social benefits or the lack of negative social consequences, the feasibility analysis followed by the business plan is crucial for the nonprofit enterprise. The feasibility analysis for the nonprofit enterprise means more than just asking the questions, but includes the documentation of the research and answers resulting from these questions.

The next four sections translate the for-profit feasibility analysis into the adapted analysis for the nonprofit enterprise.

Product/Service Feasibility Analysis for the Nonprofit Enterprise

Nonprofit enterprises are generally interested in increasing positive impact on society or a community through the providing of a service or project or product. Unlike the for-profit enterprise, the nonprofit enterprise is less focused on generating revenue and more focused on the social benefit of their operations. Still, as with for-profit enterprises, there must be an identified and documented consumer/client need for the product/service in the first place, and value created for the client/consumer, or the product/service will be ignored. The product/service must have value or need to a sufficient number of clients, and must be worth their time and effort to purchase or use the product or service. The product/service feasibility analysis includes: market assessment asking “Will anyone use this product?”; technical and operational assessment asking “Can this product be made or served?”; and business assessment asking “Can the product/service generate revenue or sufficient donor interest to be viable and sustainable?” (Barringer & Gresock, 2008). Other necessary

questions include: Are there any identified and clear trends regarding what the future may bring? Does the product or service exist in a context of growing or continuing need, given cutbacks or changes in government support, for example? Does the nonprofit enterprise have the operational and organizational ability to produce this product/service, and get this product/service to market such that it provides added value to identified clients or users?

Industry/Market Feasibility Analysis for the Nonprofit Enterprise

Societal need seems endless, and thus there is a constant supply of individuals and groups who are underserved or ignored by commercial ventures. The marketplace is usually ripe for more nonprofit enterprises. Yet, regardless of merit or the goals of the enterprise, all enterprises require and use resources; time, money, energy, and human capital must be found and replenished as they are expended. Given a constant or continuing market need, the basic task for the nonprofit enterprise is often seeking and finding resources and staff abilities, not in seeking clients or consumers as is usually the case for the for-profit enterprise.

Many nonprofit enterprises operate with a large market need, without financial support from this market—running a homeless shelter or food kitchen are examples. External funding sources are often necessary and critical for the survival of the nonprofit enterprise. This business model is different when compared to the for-profit firm where success or failure is found exclusively in the marketplace, and external operational funding separate from the consumer marketplace is extremely rare. For some nonprofit enterprises, the “marketplace” of significance is the funding-grants marketplace, with the purpose of the nonprofit enterprise somewhat removed from the critical function of fundraising. Generally, when surveying the external environment, questions asked by the nonprofit enterprise include: Are other enterprises providing similar services in the community? What are the demographic trends in the area? What are the trends in the fundraising arena in which our nonprofit operates? How stable are funding sources, including government agencies? As with the for-profit enterprise, the industry/market for the social enterprise must be large enough to allow at least one more player, and the social enterprise needs to be strong enough in all four sectors of the feasibility analysis to compete in the industry/market.

Therein lies a fundamental challenge for the entrepreneur—how to align the nonprofit enterprise to address and satisfy the changing needs of their consumer/client stakeholders while at the same time maintaining a revenue stream from external stakeholders sufficient to sustain the enterprise (Hynes, 2009). This alignment is easier for the for-profit entrepreneur as the significant stakeholder is the owner/stockholder, and most if not all organizational activities are focused on creating a business with positive profit generation for that owner/stockholder. Multiple stakeholders have to be considered in the nonprofit enterprise because there are no owners, and the enterprise includes employees and clients, as well as other stakeholders, such as funding organizations, volunteers, collaborators or partners, and a large network of secondary supporters. These multiple stakeholders may not share common goals or agendas, yet all need to be satisfied, at least to some degree (Freeman, 1984). Most nonprofit entrepreneurs need a multi-stakeholder focus and so the task of setting business objectives becomes more complicated, and may require trade-offs between social and commercial commitments to maintain stability and sustainability (Doherty et al., 2009).

The industry is the specific environment/context in which a new enterprise operates, and in which they offer their products or services. The nonprofit enterprise must know its industry/environment well because this understanding is fundamental to entering the market effectively in the first place and grow within the market once established. This context will determine in part the potential for success in meeting the needs of clients, and/or finding donor support. It is not always easy to determine where any specific industry begins and ends, and the nonprofit entrepreneur may discover that the new enterprise crosses or blends with several other industries and environments.

Marketing, when applied to the nonprofit enterprise, means fully understanding the needs of your clients as well as your donor stakeholders, and then managing your organizational response to meet those needs and expectations. This is more than publicity efforts or image management, although they may play a role. In terms of the analysis of competitors, at least for the funding agencies, there is a need to know exactly how your organization will be different from others in the field, and why that difference deserves to be funded. Bull (2007) indicated the need to define specifically the social value

and the impact of social change as a means of developing suitable measures of nonprofit enterprise growth. This definition and proving of social value and impact can be extremely difficult—how does one measure the lack of a negative outcome? Marketing for the nonprofit enterprise is the process of connecting consumers to services and products, and is just as crucial to the success of nonprofit enterprises as it is to for-profit enterprises. Aside from connecting with clients, the nonprofit enterprise also needs to connect funding agencies or funding individuals with the mission and stated objectives of the enterprise. Without clients using the services/projects/products of the enterprise, the nonprofit enterprise will almost certainly find itself without external funding sources as well.

Organizational Feasibility Analysis for the Nonprofit Enterprise

Employees are a key resource for achieving the mission or the strategy of most enterprises. Imperatori and Ruta (2006) suggest that the success of the entrepreneurial enterprise is dependent upon its ability to attract and retain the correct blend of complementary skills to those of the founding entrepreneur. Insuring high-quality work from those employees is also critical (Lyon & Fernandez, 2012). The members of the organization need to know and understand the organization's purpose—this is essential in making organizational decisions, and provides a guide for the daily behavior of all concerned. Understanding the purpose of the enterprise is also a fundamental need when asking for donor money, or recruiting board or volunteer members, hiring and motivating staff, and/or publicizing activities. Yet, beyond having committed employees and/or volunteers, the enterprise needs to have the infrastructure and management knowledge to run the business side of the enterprise itself as well as the operational ability to deliver the product/service.

Who are the founders/employees/volunteers, or other providers of the service or product? Who has decision-making responsibility, and what is the process for accountability? The founders of some nonprofits do not come from the business community, nor do they have much experience in managing and running a business, handling staff, or understanding financial records. Although a formal business education or background is generally acknowledged as a necessity when starting a for-profit enterprise, it seems more acceptable to not have such a background when starting a nonprofit enterprise. Allen (2016) suggests that a successful new venture team

must have one or more members of the core team with experience in the chosen industry or environment, solid contacts in the field, and also that the leadership team's expertise covers the key functional areas of the business, especially finance, marketing, and operations. Many of these traditional business abilities and concerns may seem secondary to the social mission of the enterprise, and may even seem secondary to those running the enterprise, but are necessary for operational sustainability.

Because there are multiple stakeholders associated with the nonprofit enterprise, the explanation of the social or financial benefits created by the enterprise also becomes more complicated. For the nonprofit what is important to one stakeholder may be irrelevant to another, yet all stakeholders need to be considered, at least to some extent (Freeman, 1984). As an example, government agencies may be a critical stakeholder for the nonprofit enterprise, and may be very interested in documentation of product/service delivery, whereas the employees of the enterprise may consider these expectations as only bureaucratic busywork, and clients of the enterprise may not even be aware of these expectations, much less care. The community, the media, the local business and social community, and others are all stakeholders of the nonprofit enterprise, along with clients and employees and volunteers. This is a much different mix from most for-profit enterprises. A for-profit enterprise may have it easier in that the established economic and financial measures are the accepted assessment tools. This concern with multiple stakeholders carries over into the examination of the organizational feasibility analysis. As an example, the founding entrepreneur may have brilliant skills when dealing with clients or users of the product/service, but less than adequate skills or even interest in dealing with the paperwork required for ongoing funding support. The nonprofit entrepreneur wears many hats by necessity, and failure in any major role or in dealing with a major stakeholder may curtail the enterprise. In addition to being qualified to achieve the social mission, the nonprofit entrepreneur needs to consider and feel confident about management, fundraising, and communication skills, or be willing to delegate these tasks to a skilled employee.

One organizational feasibility concern for the nonprofit is staffing, and the use of volunteers. Almost no one volunteers to work without payment in the for-profit world, yet volunteers are often the lifeblood of the nonprofit enterprise. Without people who are willing

and able to give freely of their time and expertise, many nonprofits would be so limited in their ability to fulfill their mission that they would likely close. One issue may be that when relying on volunteers, scheduling depends on a number of other things in the volunteers' lives, and the time people can commit to the organization often takes on a lower priority as compared to family or wage-work. Regardless of the enterprise's purpose or intent, a nonprofit enterprise has a specific employee class with unique issues.

Along with volunteers, other significant stakeholders include the advisory committee or board. Committees and boards are an excellent way for the nonprofit to bring respected members of the community into the organization of the nonprofit, realizing that these people want to support the nonprofit enterprise but are perhaps too busy to commit to more full-time tasks. As well, professional advisors are significant stakeholders as they may provide information and skills perhaps not present on the nonprofit's employee roster. These advisors can play devil's advocate to counter the sometimes-enthusiastic ideas the entrepreneurs may have in their enterprise, offering a reality check. Among others, accountants, bankers, lawyers and insurance agents can all play the advisor role.

Financial Feasibility Analysis for the Nonprofit Enterprise

Unlike the for-profit enterprise in which individual owners, partners, or shareholders may personally benefit from the financial performance of the organization, no individual directly benefits from any revenue generated by the nonprofit enterprise. Rather, the money considered "profit" in the for-profit enterprise is turned back into the organization in the nonprofit enterprise, either as program money to continue the work, or as reserve funds for future projects/programs. Sometimes nonprofit enterprises charge clients a fee for what they do, while other nonprofits may enter into contracts with a city or county to provide services to residents, while still other enterprises are fully funded through their donor network. Still, nonprofits can and do earn money, and so hire staff, engage consultants and other professionals, and operate like other business organizations. An important distinction is that the nonprofit is a tax-free organization, perhaps dependent on external donations, and that salaries or fees of employees must be established as set amounts and are not dependent on other financial calculations such as profit or market share.

Revenue from operations is often supplemented with revenue from other funding sources, and many nonprofit enterprises would not survive without external sources of revenue. The concern with social value and the concern with profit generation therefore is not mutually exclusive, and the challenge is to ensure that a sufficient and suitable mix of financial and social concern is realized (Hynes, 2009). Because most nonprofits serve a defined need in the community, tax-deductible donations are an important revenue source, and so an enterprise struggling to find support and donations may assume this is a sign that their ideas need to be refined, or at least that their communication and funding message needs to be improved.

Nonprofit enterprises are expected to spend prudently and honor the trust placed in them by their donors, and so they also need to be good at budgeting and living within their means. Developing budgets is more than just tweaking the financial records from prior years, and assists the social enterprise with program planning, grant-writing, and evaluation. Stability and continued funding are the goals of competent budgeting in the nonprofit enterprise, and the enterprise needs to keep competent records and base decisions on accurate financial information to achieve that stability. Good budgets are realistic and are based in part on realistic assessments of the resources the nonprofit enterprise can earn and raise. Cash-flow projection estimates not only show how much money will be received and spent over the course of a program or year, but also when the enterprise will receive and spend these funds (Hynes, 2009). One key for nonprofit enterprises is often found in obtaining nonprofit tax status for the organization in the first place, and this alone is a major accomplishment.

Ensuring that the social benefit to clients can be sustained at the same time as keeping the organization economically viable remains a constant challenge. This could be seen as an opportunity to serve a "double bottom-line"—a simultaneous blend of financial and social returns (Doherty et al., 2009). The revenue stream must be strong and consistent enough to sustain the enterprise over time—when resources are used they must be replenished, thus a need for business ability along with the commitment/passion for the mission.

Table 4. Questions Asked During Feasibility Analysis for a New Venture Nonprofit

Product Service Feasibility Analysis in the Nonprofit

- What is the value added to the client/customer?
- Is a similar product or service offered by for-profit or other nonprofit enterprises?
- Does the enterprise have the needed resources to produce this product/service?
- Is the product/service provided in a safe and convenient manner given lack of resources or transportation by some clients and customers?
- Is the revenue stream strong enough to support the sustainability and continuation in providing this product/service?
- Is the need for this product or service growing, declining, or stable?

Industry/Market Feasibility Analysis in the Nonprofit

- Although client need may be a given, what other resources are needed to enter the market including time/money/energy/skills/human capital?
- Can the market itself provide some needed capital or revenue, or is the new venture completely dependent on government contracts or donor support?
- What are the general demographic trends in the area—favorable for the new venture?
- Who are the major stakeholders who must be satisfied?
- What other stakeholders should be satisfied if possible?
- Can the social goals of the new venture be clearly identified and explained?

Organizational Feasibility Analysis in the Nonprofit

- Are volunteers or skilled potential employees available?
- Are the objectives of the new venture clear and stimulating so as to gather support?
- Who makes the decisions about the “what” and the “how” of the organization?
- Are there available leadership and management skills for operational success?
- Is the core management team capable of covering the areas of finance, marketing, and operations, along with other core management and communication skills?
- Who will or can deal with the myriad of stakeholders involved?
- Who will or can deal with managing and motivating volunteers and employees?
- Is the board competent to offer advice in all four areas of the feasibility analysis?

Financial Feasibility Analysis in the Nonprofit

- Who will set up a bookkeeping system sufficient to withstand rigorous audit?
- Who is responsible for fundraising and proper accounting for all funds generated by the new venture enterprise?
- Who will organize and obtain the nonprofit legal status, and then monitor behavior and practice to insure this status is maintained?
- Is there a funding or grant “marketplace” for the new venture?
- How stable are the funding sources?
- Who will manage and establish budgets?

Academic Contributions and Limitations

This article offers three academic contributions. First, the article offers a specific outline for how to use the for-profit feasibility analysis for the nonprofit new venture. This outline might also be useful, at least in part, in other social enterprises, including for-profit social enterprises. The second contribution suggests a more theoretical base for examining the nonprofit. A focus on stakeholder analysis emerged during the exploration of using feasibility analysis in the nonprofit, and indeed impacted the awareness of different forces present in the nonprofit. A significantly broader stakeholder group is apparent in the nonprofit enterprise as compared to the for-profit new venture start-up. With the removal of owners or investors as the most significant stakeholder, other stakeholders assume greater importance, and thus have greater impact on the management and control of the nonprofit. The third contribution is more practical, but related to the second. The need and ability to deal with multiple stakeholders in the nonprofit is worthy of further research, especially when looking at the leadership or management of the nonprofit. This awareness suggests related topics for further research and should inform teaching at the university level regarding nonprofit management.

This article also has some limitations. It is a conceptual and theoretical piece, based on a literature review of entrepreneurial new ventures, combined with ongoing conversation and peripheral practice with those in the nonprofit realm. Thus, no quantitative data is offered. It seems unlikely that “proving” the benefit of feasibility analysis for the nonprofit is even possible given the difficulty of establishing control groups. However, case analysis, if started at the concept stage of start-up, may offer a possibility in terms of collecting data. Interviews post start-up with nonprofit entrepreneurs would likely offer some depth in terms of what the nonprofit entrepreneur perhaps “wished” they had done at an earlier date, but even that is difficult as one cannot easily measure the benefits or consequences of a non-action. If errors in planning or execution can be identified by these respondents, then perhaps these errors could have been identified earlier, had the feasibility analysis been done. Thus, this article offers the potential benefits of doing the feasibility analysis for the nonprofit as an extrapolation from the extant entrepreneurial feasibility analysis literature, and not based on data.

Personal Nonprofit Entrepreneur/Practitioner Benefit of Doing a Feasibility Analysis

There are many suggestions in this article as to how the nonprofit entrepreneur would benefit from doing a feasibility analysis of the new venture. Highlights include:

- The feasibility analysis “forces” the nonprofit entrepreneur to do all four parts of the analysis. This will not resolve all questions or problems but does make a significant contribution, and likely raises questions that might have been missed otherwise.
- The feasibility analysis “forces” the nonprofit entrepreneur to collect data and do careful research on all four sections of the feasibility analysis, all this prior to the business plan, and prior to the start-up itself.
- Given that the feasibility analysis is an internal document, there is no benefit whatsoever in being overly optimistic or unrealistic. Honesty and realism are the hallmarks of the feasibility analysis. The only one damaged by unrealistic analysis is the entrepreneur him/herself.
- One or two months spent on research for the feasibility analysis may save years of aggravation and frustration resulting from an unwise new venture start-up.
- The organizational feasibility encourages realistic self-assessment on the part of the entrepreneur, and may even identify expectations and aspects of the future operation that are impossible to implement given experience and background.
- The feasibility analysis offers an early view of gaps in needed resources, be that financial, experiential, or ability—gaps between what is and what-needs-to-be are identified.
- Pre-launch planning is commonly top heavy in consideration of client need and product/service identification and consequently much less time is spent on organizational, operational, and financial ability to manage or lead the enterprise, and the feasibility analysis not only raises these needed questions but also offers balance between the sections.
- The feasibility analysis places some focus on the long-term sustainability of the venture, beyond the immediate start-up process.
- The feasibility analysis encourages a focus on the “how” instead of just the “what.”

Conclusion

The nonprofit enterprise benefits from doing an entrepreneurial feasibility analysis for four main reasons.

First, the nonprofit enterprise can sharpen its focus by fully exploring the market potential of their products/services/programs, and by perhaps disposing of their less competitive or significant offerings. This reduced but sharpened focus in the market/service offering should remove some of the uncertainty regarding the purpose and mission of the new venture. Under a more focused mission in the short term, while maintaining a broader long-term focus, products or projects or services can be added as needed or supported at some later date. Realistically, the new venture nonprofit enterprise cannot do everything it may want to do, at least in the beginning.

Second, as resources are scarce for almost all start-ups, the improved focus allows a more effective and efficient use of these resources, and should improve the timeliness of finding and spending resources including time, money, and energy. A greater awareness of the marketplace and the competitive environment may allow for more collaboration with other nonprofits or social enterprises, and perhaps even a greater sharing of resources, thus enhancing capability and effectiveness.

Third, as markets are more closely defined, and niches and sub-markets better understood after the feasibility analysis, the nonprofit enterprise can increase its potential impact by developing specific strategies for these more narrowly defined high-potential programs. It could

happen that the larger initial concept is scrapped, and projects initially more subsidiary are approved, given the realistic appraisal of current resources and organizational ability as determined by the analysis. A tighter focus should also realize a less stressed operation, as resources are used more effectively and efficiently from the very start of the new venture.

Fourth, through the financial feasibility analysis the need for additional donor organizations may be defined early instead of perhaps too late, and the ability to generate additional earned revenue from current programs or from entirely new activities may become apparent as well. The premise that “if you build it they will come” is faulty in the funding marketplace. The nonprofit funding marketplace usually operates on fixed schedules, and examines potential funding options a year or more in advance of actual funding.

The feasibility analysis aids the nonprofit enterprise in all aspects of its planning, and thus aids the enterprise in reaching a sustainable position in its industry and marketplace. The new venture nonprofit enterprise is indeed an entrepreneurial new venture, and thus should use all the tools in the entrepreneurial toolkit to ensure the very best opportunity for success and the resultant spreading of the social benefit.

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