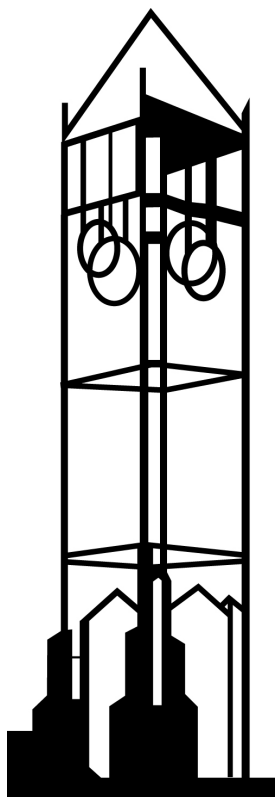


## Social Entrepreneurship: An Overview Of a Public University Alumni Survey

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# **SOCIAL ENTREPRENEURSHIP: AN OVERVIEW OF A PUBLIC UNIVERSITY ALUMNI SURVEY**

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## **ABSTRACT**

This report presents an overview of social entrepreneurship activities of public university graduates obtained from a survey. Almost 3 percent of respondents had created at least one nonprofit organization. The primary focus of the organizations founded by social entrepreneur respondents was education and youth related causes, with services geared heavily toward local needs. The nonprofit organizations founded to meet these needs were typically small, with one or two paid employees and 5 to 15 volunteers.

## **EXECUTIVE SUMMARY**

This report presents an overview of social entrepreneurship activities of public university graduates obtained from a random sample of 25,000 Iowa State University bachelor's degree recipients between 1982 and 2006. Based on the survey data, this overview describes ISU alumni's social entrepreneurship, organization characteristics, their activities in communities and personal and family background.

There has been very little work done to describe a wide sample of social entrepreneurs. This survey provides at least a view of one subset of the population as a whole, public university graduates.

Almost 3 percent of graduates between 1982 and 2006 had created at least one nonprofit organization. These social entrepreneurs naturally tend to be more active in their communities than their non-social entrepreneur counterparts, and donate more frequently to community

programs. While social entrepreneurs tend to earn less income than their non-social entrepreneur counterparts, their household incomes are higher.

The primary focus of the organizations founded by alumni social entrepreneurs was education and youth related causes, with services geared heavily toward local needs. The nonprofit organizations founded to meet these needs were typically small, with one or two paid employees and 5 to 15 volunteers.

There has been little work developing large sample datasets of social entrepreneurs. While case studies may be accurate and specific, they often lack an ability to offer findings that can be generalized to a larger population. While this survey is only one measure of social entrepreneurship, it grants a view of this activity in an important demographic, college graduates.

## **SOCIAL ENTREPRENEURSHIP: AN OVERVIEW OF A PUBLIC UNIVERSITY**

We know, in general terms, that graduates of higher education institutions contribute to both the economic and social fabric of their communities. Before now, however, there has been little specific information on how public university graduates contribute to their community following graduation. In particular we have not had information that would allow us to track the contributions of graduates to social needs.

This report presents an overview of social entrepreneurship activities of public university graduates obtained from a random sample of 25,000 Iowa State University bachelor's degree recipients between 1982 and 2006. The survey requested information on graduates' employment history, income, further education, entrepreneurial activity and community involvement. Most respondents completed the survey on line. We received 5,416 usable surveys for a response rate of approximately 21.6 percent.

Based on the Iowa State University (ISU) alumni survey data, this overview describes ISU alumni's social entrepreneurship, organization characteristics, their activities in communities and personal and family background.

### **WHAT IS SOCIAL ENTREPRENEURSHIP?**

Commercial entrepreneurship has received a great amount of attention because of its close relationship with economic development. A relatively common definition of entrepreneurship used among scholars is that it is the process of pursuing opportunities without regard to resources currently controlled.

Social entrepreneurship is a much newer term and concept, and has only recently attracted the interest of scholars. A unified definition for social entrepreneurship has not emerged (Short, Moss, and Lumpkin, 2009), but most writers on the subject articulate the idea that social entrepreneurs address social problems or needs that are unmet by private markets or government.

For example:

- “Social entrepreneurship creates innovative solutions to immediate social problems and mobilizes the ideas, capacities, resources, and social arrangements required for sustainable social transformations.” (Alvord, Grown, and Letts, 2004)
- “Social enterprises are private organizations dedicated to solving social problems, serving the disadvantaged, and providing socially important goods that were not, in their judgment, adequately provided by public agencies or private markets.” (Dees, 1998)

Just as commercial entrepreneurs strive to change economic life, social entrepreneurs strive to change social life by identifying opportunities, inventing new approaches and creating solutions. Envisioning a linkage between social and commercial entrepreneurship is not a stretch. A common claim about social entrepreneurs is that they adopt a ‘business-like’ approach to social innovation (Pomerantz, 2003).

Historically noteworthy people whose work is often cited as social entrepreneurship includes Florence Nightingale (founder of the first nursing school and developer of modern nursing practices) and Vinoba Bhave (founder of India's Land Gift Movement). One well-known contemporary social entrepreneur is Muhammad Yunus, founder and manager of Grameen Bank

and its growing family of social venture businesses, who was awarded a Nobel Peace Prize in 2006.

## **THE LANDSCAPE OF SOCIAL ENTREPRENEURSHIP**

There is significant evidence of social entrepreneurship in the number of new nonprofit organizations being formed in the United States, analogous to commercial entrepreneurship and the formation of new for-profit entities. A nonprofit organization is an organization that does not distribute its surplus funds to owners or shareholders, but instead uses them to help pursue its goals. Some articles have limited social entrepreneurship to nonprofit organizations (Lasprogata and Cotton, 2003), while others take a more expansive view (Baron, 2007).

Table 1 shows that the number of nonprofit organizations in the U.S. increased by 33 percent between 1998 and 2008, to over 1.5 million. Although social entrepreneurship can occur in many ways, not every activity that falls into the nonprofit category should be classified as social entrepreneurship. Nor should we assume that social entrepreneurship can only occur in organizations with this particular structure. Nonetheless, the higher rate of organization for nonprofit organizations versus for-profit organizations is likely some indication of social entrepreneurship activity.

Table 1. Number of Nonprofit Organizations in the United States, 1998 – 2008

	1998		2008		Pct. Change
	Number of Orgs.	Percent of All Orgs.	Number of Orgs.	Percent of All Orgs.	
All Nonprofit Organizations	1,158,031	100.0%	1,536,134	100.0%	32.7%
501(c)(3) Public Charities	596,160	51.5%	974,337	63.4%	63.4%
501(c)(3) Private Foundations	70,480	6.1%	115,340	7.5%	63.6%
Other 501(c) Nonprofit Organizations	491,391	42.4%	446,457	29.1%	-9.1%

Sources: IRS Business Master File 04/2009 (with modifications by the National Center for Charitable Statistics at the Urban Institute to exclude foreign and governmental organizations).

## WHO ARE SOCIAL ENTREPRENEURS?

While there continues to be debate about the definition of social entrepreneurship, there has been little work developing large sample datasets of social entrepreneurs. Beyond the examples of high profile social entrepreneur success stories as well as case studies, who tends to become a social entrepreneur?

Some work has been done to look at innate characteristics of social entrepreneurs. There is evidence, for example, that gender matters, as the ratio of women to men entrepreneurs is much higher for social entrepreneurship than for commercial entrepreneurship, though the rate is still lower for women than men (Harding, 2004). Some scholars argue that social entrepreneurs are disproportionately likely to have suffered a personal trauma in their lives that led to their creative social activity (Barendsen and Gardner, 2004).

While our survey is only one measure of social entrepreneurship, it will grant a view of this activity in an important demographic, college graduates. Although we can't make a claim that



ISU is fully representative of college graduates in the U.S., ISU is reasonably representative of public universities that enroll more than half of all undergraduates in the U.S.

For purposes of this paper, social entrepreneurs are defined as people who have started a non-profit organization (NPO). Non-entrepreneurs are alumni who have never started a NPO.

## **SOCIAL ENTREPRENEURSHIP RATE FOR ISU ALUMNI**

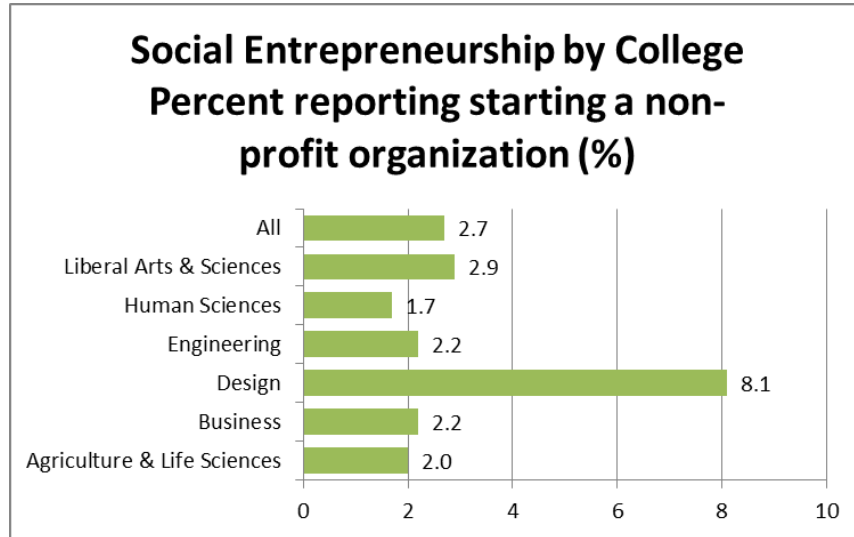
According to the ISU alumni survey, 2.7 percent of graduates who received bachelor’s degrees between 1982 and 2006 have started a NPO and 40.8 percent of them were still working at the organizations they started at the time of the survey. In addition, 84.5 percent of NPOs started by ISU social entrepreneurs were still operation at the time of the survey. Extrapolating the survey data to the population of graduates, in total, 3,954 NPOs were started and 3,541 were still operational in 2007.

Table 2. Number of NPO organizations and still operational NPOs by cohorts

<b>College</b>	<b>Number of NPOs started</b>	<b>Number of still operational NPOs</b>	<b>Survival Rate</b>
Agriculture & Life Sciences	296	253	85.5%
Business	542	483	89.1%
Design	1,574	1,461	92.8%
Engineering	480	412	85.8%
Human Sciences	365	275	75.3%
Liberal Arts & Sciences	698	659	94.4%
<b>Total</b>	<b>3,954</b>	<b>3,542</b>	<b>89.6%</b>

Rates of social entrepreneurship were fairly close among the six colleges at ISU, with the exception of the Design College, where 8.1 percent of graduates has started at least one nonprofit organization.

Figure 1. Social entrepreneurship rate by college



Not only do social entrepreneurs create social value, they also create jobs. The 3,542 operational NPOs accounted for 3,964 full-time and 2,680 part-time employment positions. The number of volunteers engaged by these organizations stands out, as there were 51,979 people engaged in activities as volunteers. Therefore, a ‘typical’ NPO has one full time employee, one part time employee, and 13 volunteers.

Table 3. Number of voluntary and employees in NPO, U.S. and Iowa

<i>Number</i>	<i>U.S.(%)</i>			<i>Iowa(%)</i>	
	Volunteers	Full time	Part time	Full time	Part time
0	17.1	72.7	63.3	90.2	89.1
1	0.0	13.2	7.6	7.0	1.6
2 to 5	14	7.4	22.9	0.2	8.7
5 to 10	21.2	3.6	2.3	0.4	0.6
11 to 50	34.1	1.2	3.8	0.2	0.0
>50	13.6	2.0	0.2	2.0	0.0
Total	100	100	100	100	100
Total number of positions	51,979	3,964	2,680	2,578	657

The social entrepreneurship rate of ISU alumni increases among the older cohorts in the sample. Of the 3,954 NFP organizations started by ISU alum, 1,985 (50.2 percent) were started by the 1982 to 1986 cohort, for example. Graduates from 1996 and earlier, those having been ten years or more past reception of their bachelor's degree, started 88.9 percent of the NFP organizations from the survey.

Table 4. Number of started organizations and still operational organizations by cohorts

Number of organizations started	Graduation year					Total 1982-2006
	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006	
1	69.2	73.7	94.8	91.3	81.6	79.5
2	20.6	16.2	5.2	8.7	18.4	14.5
>2	10.1	10.1	0	0	0	6.1
Total	100	100	100	100	100	100
Number of NPOs	1,985	893	638	251	187	3,954
Number of still operational NPOs	1,796	783	571	214	178	3,541

## SOCIAL ENTREPRENEURS' BACKGROUND

A strong predictor of entrepreneurial behavior is whether someone's family started a business. The same holds true for social entrepreneurs in this survey, where 57.6 percent of their parents had started a business, 11.2 percent more than non-entrepreneur alumni. Related to this, social entrepreneurs are also more likely to have worked for a family business before the age of 18, as 37.4 percent of the social entrepreneurs have worked for a family business before the age of 18, which is 9 percent more than corresponding non-entrepreneurs.

Social entrepreneurs in this survey show strong ties to their communities. For example, social entrepreneurs have lived in their communities, on average, for 13 years, nearly 4 years longer than non-entrepreneurs. 83.9 percent of social entrepreneurs participated in an improvement project in their community during the previous year when the survey was conducted, compared to 57.7 percent of non-entrepreneurs. More than 97 percent of social entrepreneurs belong to at least one community organization and 66.6 percent belong to three or more organizations. 40.6 percent of social entrepreneurs state that they are very active in their communities, while only 8.2 percent of non-entrepreneurs report themselves as very active. In total 85.6 percent of social entrepreneurs report themselves as being active in their communities, 39 percent higher than non-entrepreneurs.

Not at all surprisingly, social entrepreneurs are active donors to community needs, as 62 percent of social entrepreneurs donate to local schools or youth programs ‘often’, with 32.7 percent donating ‘very often.’. More than a third of social entrepreneurs often provide financial or technical assistance in community development and planning and 29 percent support for local bond issues to finance community improvement projects.

Though social entrepreneurs started non-commercial organizations, they do often earn income from these organizations. However, they earn less than their non-entrepreneur alumni counterparts on average.

One half of social entrepreneurs currently working for their organizations earn less than \$50,000 annually, and only 10 percent of entrepreneurs earn more than \$125,000 per year. In contrast, alumni who have never been a social entrepreneur have median income of \$67,500.

Social entrepreneurs' households do earn more than their non-entrepreneur counterparts, however. Median household income for both social entrepreneurs and non-entrepreneurs is \$125,000. However, 10 percent of social entrepreneurs have household income of at least \$375,000 while 10 percent of non-entrepreneurs have household income of at least \$200,000.

Social entrepreneurs who started a NPO but do not work as an employee of their organization earned more than their non-entrepreneur counterparts. Social entrepreneurs not employed by their organizations earn \$110,600 on average, higher than non-entrepreneurs.

Table 5(a). Average current income (\$1,000)

	<b>Mean</b>	<b>Median</b>	<b>90<sup>th</sup> Percentile</b>	<b>Relative Dispersion (Coefficient Variation)</b>
Current social entrepreneurs	76.8	50	125	0.96
Former social entrepreneurs	110.6	87.5	200	0.82
Non-entrepreneurs	91.5	67.5	125	0.94

Note: Alumni who are student, retired, homemaker or unemployed are excluded.

Table 5(b). Average current household income (\$1,000)

	<b>Mean</b>	<b>Median</b>	<b>90<sup>th</sup> Percentile</b>	<b>Relative Dispersion (Coefficient Variation)</b>
Current social entrepreneurs	143.5	125	375	0.76
Former social entrepreneurs	154.2	125	200	0.82
Non-entrepreneurs	131.4	125	200	0.76

Note: Alumni who are student, retired, homemaker or unemployed are excluded.

## SOCIAL ENTREPRENEUR ORGANIZATIONS

The organizational form of the NPOs started by social entrepreneurs is primarily tax-exempt 501 3(c), as 68.4 percent of ventures fall into this category. Of the remainder, 6.4 percent are non-tax-exempt organizations and 21 percent are informal or non-incorporated organizations.

The social entrepreneur organizations generally local in focus, as 65.7 percent provide services in the communities in which they are located. Services are provided on a state-level by 15.3 percent of organizations, 7.9 percent national, and 6.5 percent of organizations provide services internationally.

Goals of NPOs started by social entrepreneurs vary. About one third of organizations have a focus on education while 20 percent of organizations' main focus is in youth development.

Recreation and sports, arts, culture and humanities, and religion related issues also constitute the interests of a good proportion of non-profit organizations.

Table 6. What is the main focus of your nonprofit organization?

Focus	Percent
Education	32.8%
Youth development	20.0%
Recreation & Sports	17.7%
Arts, culture & humanities	11.8%
Religion-related	9.6%
Philanthropy, voluntarism, grant making foundations	9.4%

Note: Respondents can select more than one service area

Location of social entrepreneur organizations is related primarily to the social entrepreneur's perception of need. Almost 86 percent of respondents rated as important or very important that

the service was needed in the location of where the organization was placed, which was primarily where the social entrepreneur lived.

Availability of volunteers was also reported as a significant issue in location, with 67.2 percent of social entrepreneurs responding with that issue as important or very important. Issues that might be of importance for a commercial organization such as location amenities and infrastructure were not reported as having much importance in the location of social entrepreneurial organizations.

Table 7. Importance of factors in choosing location of organizations

<b>Factors</b>	<b>Not at all important</b>				<b>Very important</b>
Where I lived	17.5	0.0	6.7	9.8	66.1
Availability of labor	50.9	4.4	15.9	16.3	12.5
Availability of volunteers	18.6	5.0	9.2	23.7	43.5
Local product or service needed	6.5	1.4	6.5	20.9	64.8
Sufficient local infrastructure	46.1	11.3	10.6	14.0	18.0
Local amenities and services	50.4	11.0	10.9	9.6	18.1
Local natural amenities	65.2	6.8	14.8	8.2	5.0
Family needs	41.6	9.9	13.5	18.5	16.5
Other	42.1	1.5	18.2	4.6	33.5

Note: The ratings are based on the information of the most successful organizations created by alumni. The number is in percentage, representing proportion of entrepreneurs agreeing to some level of each specific statement. The sum of number (in percent) in each row is 100 percent.

The survival rate of the NPOs in the survey was found to be high, as 88.7 percent of NPOs founded by ISU alumni were still operational at the time of the survey. None of social entrepreneurs reported that they had closed their organizations for a lack of success, because its services were no longer needed, or funding was no longer available. Social entrepreneurs responded that they had closed their non-profit organizations because they no longer wished to

manage it. Responses showed that 40.8 percent of social entrepreneurs were still working in the organization they started at the time of the survey.

The bulk of financing for social entrepreneurial organizations came from private donations (51.2 percent) and funds from the entrepreneur (30.0 percent). In addition to self-financing and private donations, 26.5 percent of NPOs received donations from foundations and 10.7 percent government grants. Only a small proportion of NPOs used loans from banks or gifts from family members.

Table 8. Financing of NPOs

Financing ways	Proportion
Private donations	51.2%
Self financed	30.0%
Donations or grants from foundations	26.5%
Government grants	10.7%
Loan from a local bank	1.9%
Loan or gift from family members	1.8%
Loan from a non-local bank	0.0%
Other	17.6%

**SOCIAL AND COMMERCIAL ENTREPRENEURS,  
SIMILARITIES AND DIFFERENCES**

The survey also revealed entrepreneurial activity among the same alumni in creation of both commercial and nonprofit organizations. Among respondents, 40 percent of those who had started a nonprofit organization had also started a commercial organization.



## CONCLUSIONS

This analysis provides an understanding of the social entrepreneurship activity and community impact of Iowa State University graduates. We know that institutions of higher learning like Iowa State University play an important economic role through education that builds human capital, research that leads to knowledge and technologies that result in productivity growth, and other spillovers. This analysis shows that, in addition, social entrepreneurship among alumni has an impact on social welfare, particularly within communities.

There has been very little work done to describe a wide sample of social entrepreneurs. This survey provides at least a view of one subset of the population as a whole, public university graduates.

Almost 3 percent of graduates between 1982 and 2006 had created at least one nonprofit organization. These social entrepreneurs naturally tend to be more active in their communities than their non-social entrepreneur counterparts, and donate more frequently to community programs. While social entrepreneurs tend to earn less income than their non-social entrepreneur counterparts, their household incomes are higher. We may surmise from this that among couples in which one is involved in a social entrepreneurship organization there is ‘leveraging’ of a relatively high income of one spouse while the other pursues a lower paying but socially compelling cause.

The primary focus of the organizations founded by alumni social entrepreneurs was education and youth related causes, with services geared heavily toward local needs. The nonprofit

organizations founded to meet these needs were typically small, with one or two paid employees and 5 to 15 volunteers.

## **SO WHAT?**

The activity of social entrepreneurs is important because it underpins the social and cultural fabric of local communities. Social entrepreneurs create organizations that work to alleviate problems that may not be addressed, or addressed as directly or creatively, by commercial or governmental organizations.

There has been little work developing large sample datasets of social entrepreneurs. While case studies may be accurate and specific, they often lack an ability to offer findings that can be generalized to a larger population. While this survey is only one measure of social entrepreneurship, it grants a view of this activity in an important demographic, college graduates.

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