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philanthropy

**Proceedings of
International Symposium on
Social Entrepreneurship 2016**



acsep: knowledge for good

ACSEP

The Asia Centre for Social Entrepreneurship & Philanthropy (ACSEP) is an academic research centre at the National University of Singapore Business School which boasts an international multi-disciplinary research team. ACSEP came into formal existence in April 2011 with a geographic focus spanning 34 nations and special administrative regions across Asia.

The Centre aims to advance understanding of the impactful practice of social entrepreneurship and philanthropy in Asia through research and education. Its working papers are authored by academia and in-house researchers, providing thought leadership and offering insights into key issues and concerns confronting socially driven organisations.

For full details of ACSEP's work, see <http://bschool.nus.edu.sg/acsep>.

Foreword

ACSEP follows through a multi-year agenda at the International Symposium on Social Entrepreneurship (ISSE). Last year at the inaugural ISSE 2015, ACSEP explored the question of validation, certification and regulation (or self-regulation) for the sector in multi-faceted landscape of social enterprises. This year, we extend the discussion and the thought processes to the training and development of social enterprises across different countries.

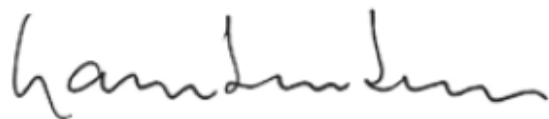
Professor Ute Stephen, Professor of Entrepreneurship, Director of the Aston Centre for Research into International Entrepreneurship and Business, Aston University, U.K. delivered her keynote speech on “Successful Social Entrepreneurship: Strategies for Positive Social Change”. Her message set the tone for the Symposium this year, which focuses on the latest findings in the area of the training and development of social enterprises.

The plenary session entitled “Facing Challenges and Failures: Coping Strategies of Pioneering Small and Medium-Sized Social Enterprises” consisted of four CEOs/ founders of their social enterprises. They shared with us their personal journey in leading and guiding their enterprises through difficulties and challenges. This was followed by six paper presentations on various related discussions.

ISSE contributes to the growth and development of the social enterprise community by providing a platform for both academics and practitioners. While each do good and do well in their respective areas, a greater work is for us to come together to figure out what we as an SE community can do.

We hope that the proceedings of the ISSE 2016 will be a good reference to stimulate further study and research in this area.

We thank all authors and participants for their contributions.



Swee-Sum Lam, PhD, CA, CFA
Associate Professor of Finance
Director, Asia Centre for Social Entrepreneurship & Philanthropy


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Successful Social Entrepreneurship: Strategies for Positive Social Change

Ute Stephan

Professor of Entrepreneurship, Director of the Aston Centre for Research into International Entrepreneurship and Business, Aston University, U.K.




**SUCCESSFUL SOCIAL
ENTREPRENEURSHIP**

Strategies for Positive Social Change

Ute Stephan

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Credits

Based on joint work with

- Malcolm Patterson, University of Sheffield
- Ciara Kelly, Loughborough University
- Johanna Mair, Hertie School of Governance & Stanford University

Published in the *Journal of Management*

- Stephan, U., Patterson, M., Kelly, C. & Mair, J. (2016). Organizations driving positive social change: A review and an integrative framework of change processes. *Journal of Management*, doi:10.1177/0149206316633268
- Practitioner guide available here <http://nbs.net/knowledge/stakeholder/social-change/executive-report/>



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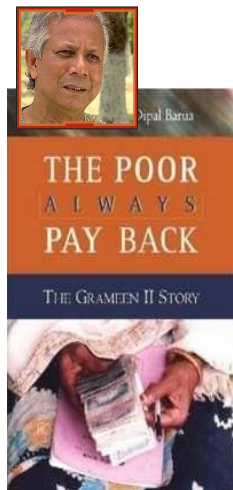
Network for Business Sustainability

Point of departure

- Growing societal challenges in public health, education, social inequality and environmental pollution
 - social entrepreneurship as a way to leverage entrepreneurial activity for 'the common good' (e.g., Mair & Marti, 2006)
- **'Social mission'** leading to **'social impact'** and **'positive social change'** at core of social entrepreneurship;
- Yet, **little systematic understanding** about **'how'** to get from social goals to changing society



Example: Microfinance



Muhammad Yunus & Grameen Bank

One of the pioneers of micro-credit, Nobel Peace Prize Winner

'Reverse-Banking':

Very small loans to the poor, particularly women, against no collateral.

Group lending *combined with behaviour change* instructions.

To help the poor out of poverty

Grameen is *owned by its borrowers* (96.5%)




Today a vast number of similar (and not so similar) banks exist around the world ...




Example Midlands Together

Midlands Together social business: buy, refurbish, and sell empty properties whilst creating jobs for people who have been in prison.

"The Together model offers an alternative to hopelessness. We give people another chance; providing training and support through mentors dedicated to seeing employees succeed. We create jobs and opportunities for people to learn new skills and demonstrate their ability; helping them lay foundations in their own lives to make better choices in the future."

<p>REBUILDING LIVES</p> <p>We buy, refurbish and sell empty homes creating job opportunities for people facing barriers to employment.</p> 	<p>WORKING IN COLLABORATION</p> <p>With property owners, contractors and social enterprise partners we create jobs in the construction industry.</p> 	<p>MAKING A DIFFERENCE</p> <p>Employing and training people who have been in prison; we rebuild lives, reduce crime and bring empty properties back into use.</p> 	
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Existing Research (both academic & practitioner)

- Typically focussed on organizational activities (looking 'inward', e.g. how to combine competing logics within a social enterprise), rarely looks 'outward' to understand the effects of organizational activities on societal well-being beyond organizational boundaries
- 
- Scattered across several areas of management research (Social Entrepreneurship, Base of the Pyramid, Corporate Social Responsibility)
 - ① 'Positive social change' (PSC) only vaguely defined and mechanisms underpinning it are underspecified
 - ① Research in other disciplines focusses on mechanisms and levers of PSC

Aims

- To clarify the nature of **Positive Social Change (PSC)** for management research
- To systematically review and take stock of **how** organization may drive PSC focussing on transformational **mechanisms** and on PSC projects as our analytical window
- To offer a novel conceptual framework (the '*why*' and '*how*' of PSC)
- More generally: **recast how organizations relate society** considering them as purposeful and contributing to societal well-being instead of narrowly focussed on economic returns (Bies et al., 2007 AMR; Golden-Biddle & Dutton 2012; Hollensbe et al. 2014 AMJ; Mitchell et al., 2015 AMR)

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Positive Social Change (PSC)

1/4



Positive Social Change (PSC)

2/4

PSC is the **process of transforming** patterns of thought, behavior, social relationships, institutions, and social structure in order **to generate beneficial outcomes** for individuals, communities, organizations, society, and/or the environment, **beyond the benefits for the instigators of such transformations.**

Social Impact

beneficial outcomes of PSC process
Example: reduction in poverty and greater social inclusion

Informed by sociological definitions of social change (Sztompka, 1993) and work in Positive Organizational Scholarship (Cameron, Dutton, & Quinn, 2003; Golden-Biddle & Dutton, 2012)

Positive Social Change (PSC)

3/4

Our definition emphasizes, PSC as

- **a process** that is
- **proactively** initiated
- **multi-level** in nature
- typically includes **'bottom-up'** dynamics
- and may be differentiated by the **nature of transformation**



Positive Social Change (PSC)

4/4

Definition of PSC as a process informed our review focus on:

Change mechanisms

- transformations in targets external to a PSC project that are triggered by specific project actions and stimulate behavior change towards PSC.

Organizational practices

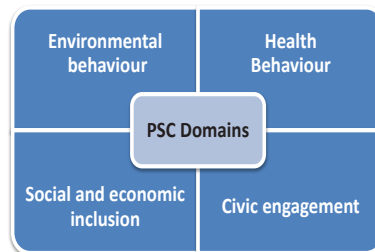
- internal tools and procedures that organizations deploy to organize, manage, and execute PSC projects, they may enable mechanisms.

PSC Strategies (combinations of mechanisms and practices)

- may affect PSC targets differently and trigger different processes of transformation ('deep' vs. 'surface').



PSC domains (un)covered in the review



Aims

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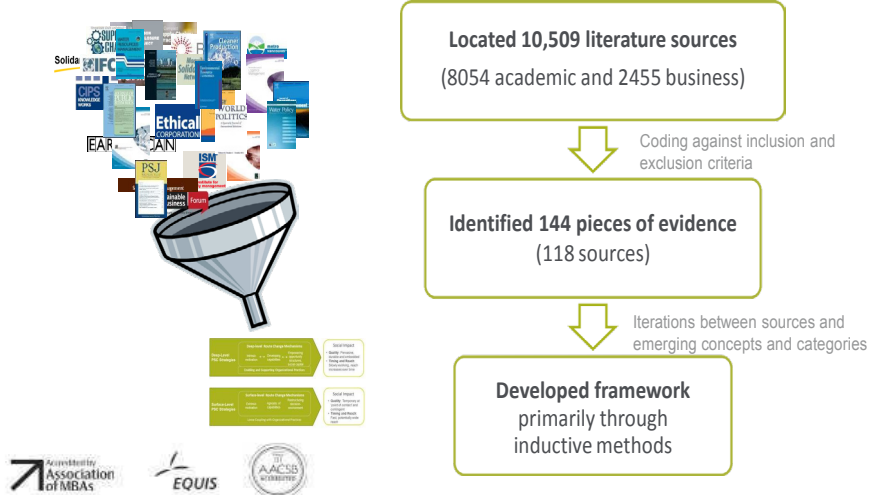
Literatures

Two broad literatures that form the backbone of our review

- **Management research**
 - incorporates social change considerations as elements of the activities of market-based organizations (esp. social entrepreneurship, Base of the Pyramid/BOP, Corporate Social Responsibility research)
 - focus on organizational activities, underspecifies mechanisms
- **Research in related disciplines**
 - such as in public health, political science, sociology, psychology, development studies
 - has more squarely focussed on change processes and mechanisms
 - less attention to organizational practices

Our ambition is to integrate these literatures and the fragmented existing evidence to develop a conceptual framework to stimulate future research on market-based organizations and PSC

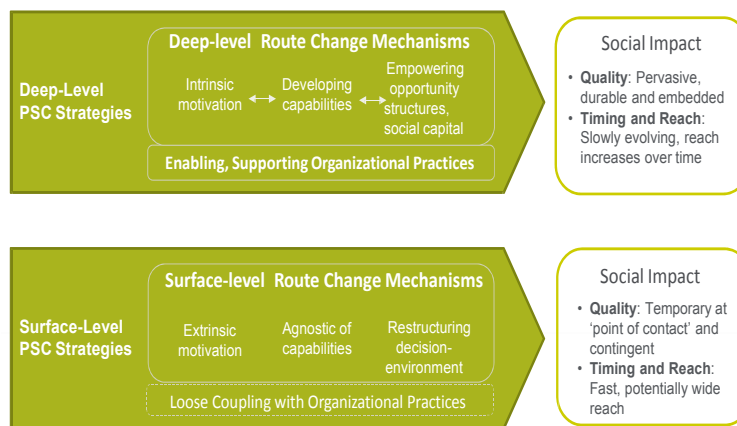
Systematic review process



Aims

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Positive Social Change Framework



Positive Social Change Framework: Deep-level PSC Strategies



Characteristics of Deep-Level Strategies

- Close engagement with targets: change based on altered beliefs, attitudes and meanings, based on targets own volition and deliberation whilst developing targets' capabilities and creating empowering opportunity structures to facilitate change
- Developmental, empowering, strengths-focussed (cf. Golden-Biddle & Dutton, 2012), often geared towards more complex needs, and over a longer time-span
- Enabled by numerous project organizational practices
- Resulting in durable social impact that unfolds slowly over time

Example: Deep-level Strategy

Midlands Together social business: buy, refurbish, and sell empty properties whilst creating jobs for people who have been in prison.

"The Together model offers an alternative to hopelessness. We give people another chance; providing training and support through mentors dedicated to seeing employees succeed. We create jobs and opportunities for people to learn new skills and demonstrate their ability; helping them lay foundations in their own lives to make better choices in the future."



Positive Social Change Framework: Surface-level PSC Strategies

Characteristics of Surface-Strategies

- Targets treated as 'quasiautomatic responders', react to extrinsic motivators and altered decision-making contexts
- No clear coupling with organizational practices
- Resulting social impact can be fast, but less durable and contingent on a specific decision-making context or intervention design
- Examples: 'Nudging', threat and fear targeting less complex behaviors



Example: Surface-level Strategy

Encouraging Consumers to Eat Healthier



Traffic-light colour labelling on front of product

Nutritional info on back of product

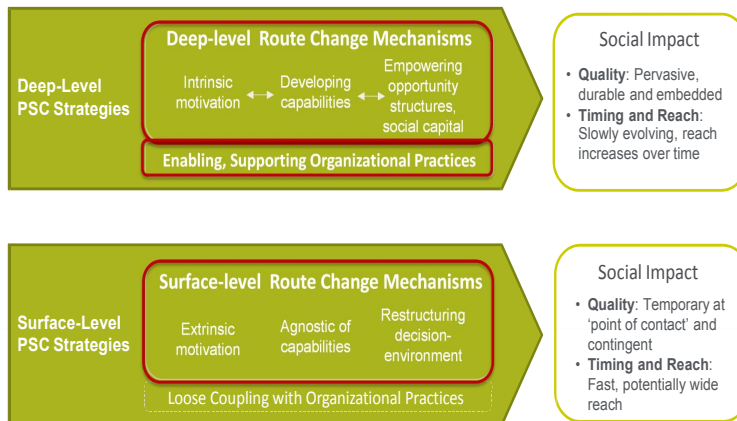
Nutrition	Typical values	per 100g	per 1/2 pack	% adult GDA	adult	children
Energy	kcal	424	212		2000	1800
					450	340
					2300	2200
Protein	g	18	9	0.0%	45	34
Carbohydrate	g	129.60	64.80	9.9%	230	220
of which sugars	g	19.20	9.60	2.1%	90	80
Fat	g	42.20	21.10	4.2%	70	70
of which saturated	g	12.80	6.40	2.6%	20	20
Fibre	g	5.80	2.90	22.5%	24	19
Salt	g	2.000	1.000	20.0%	5	4
of which sodium	mg	800	400	15.0%	240	140

GDA's - Adult Guideline Daily Amounts are based on an average female. GDA's are guidelines and personal requirements vary depending on age, gender, weight and activity levels.

Sainsbury's



Positive Social Change Framework

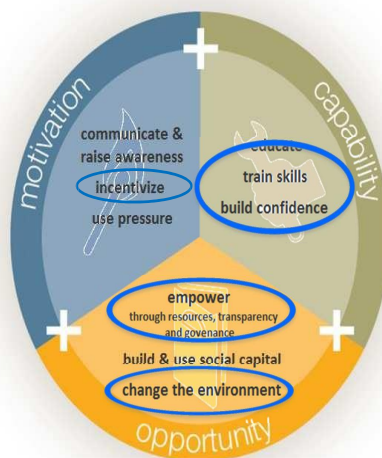




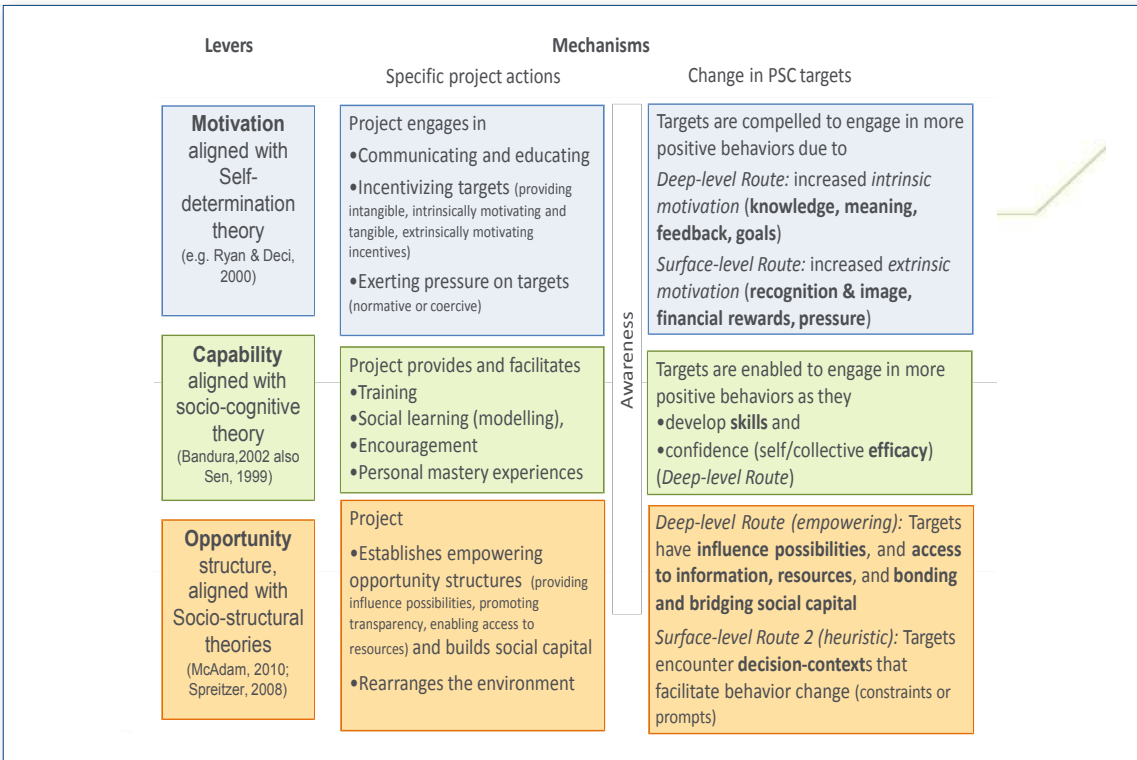
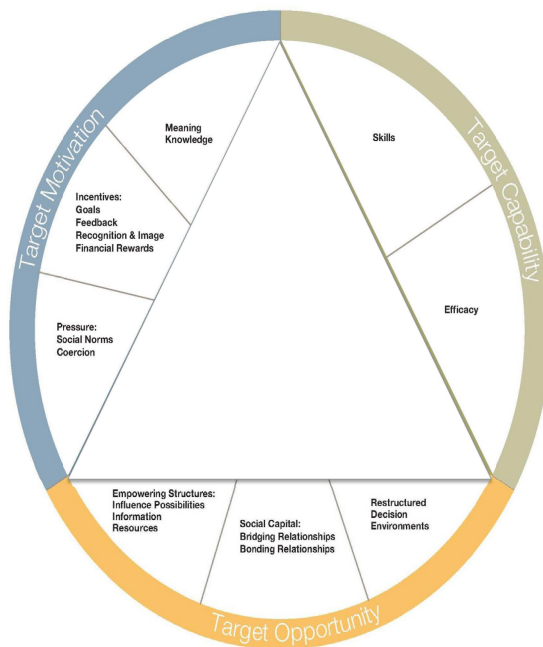
Positive Social Change Framework: Change Levers



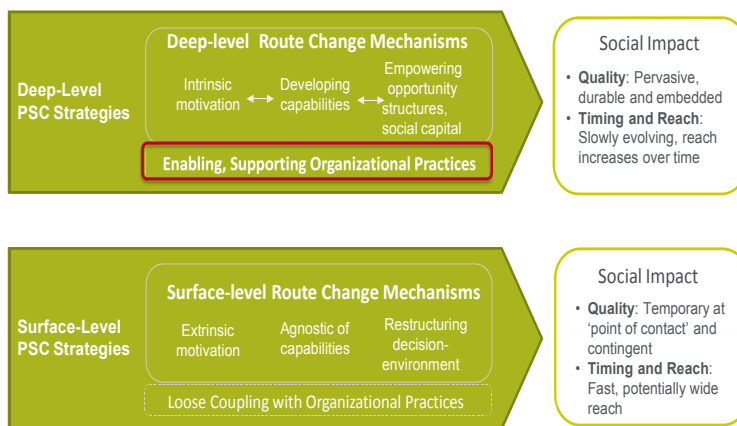
Example: Midlands Together (Deep-level Strategy)



MCO as organizing framework for review findings on **Change Mechanisms and Organizational Practices**



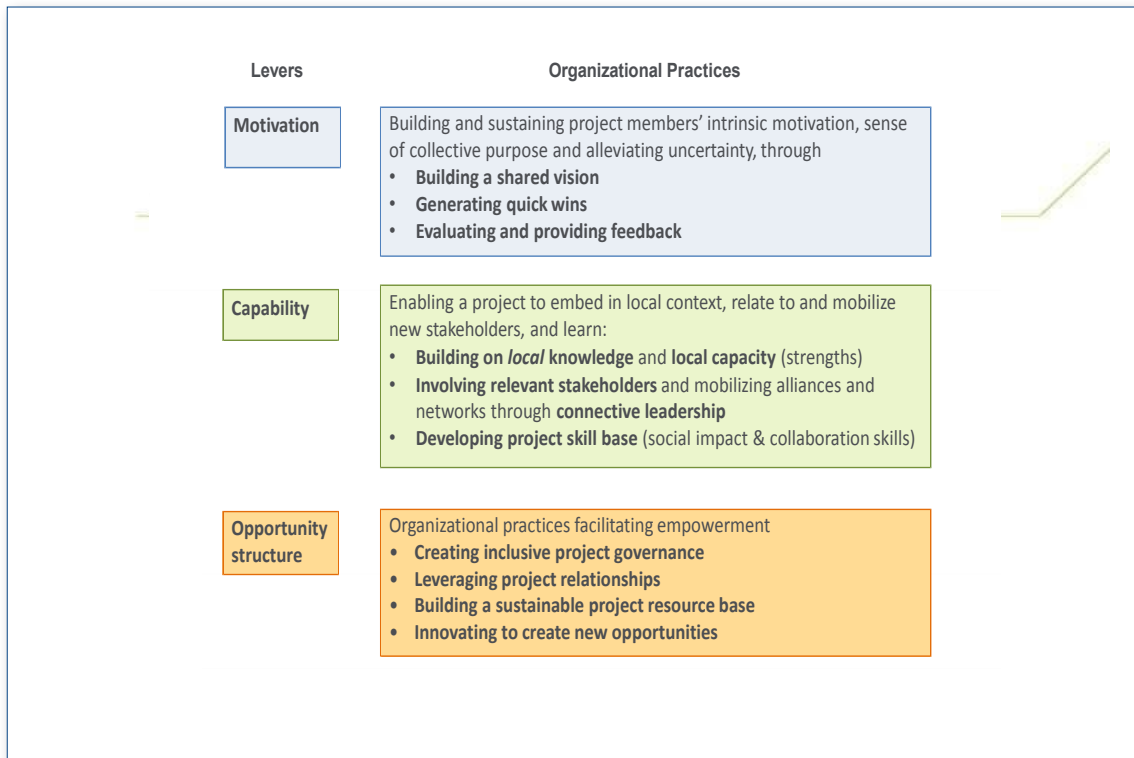
Positive Social Change Framework



Organizational Practices



- Project internal tools and procedures that organizations deploy to organize, manage and execute PSC projects
- Reviewed evidence indicates that organizational practices are closely coupled with deep-level mechanisms



Contributions

- Advance our understanding both theoretically and practically how social enterprises may stimulate PSC (beyond often heroic accounts of individual 'change agents')
- Broader lessons beyond social enterprises
 - Draw attention to **market-based organizations as drivers of PSC** and to encourage future research by integrating existing knowledge and practice
 - Understand the relationship between market-based organizations and society in a new way by **embracing a broader view of organizations as purposeful and contributing to societal well-being** (e.g., Bies et al., 2007; Golden-Biddle & Dutton 2012; Hollensbe et al. 2014)

Contributions

As starting point for management research on PSC, we

- clarify the nature of PSC (developing a common understanding)
- offer a novel framework based on synthesis of fragmented evidence, which introduces two distinct PSC strategies and advances our understanding of the 'why' and 'how' of PSC processes triggered by market-based organizations
 - Deep- and surface-level strategies = distinct combinations of change mechanisms enabled by organizational practices, which differ in nature and speed of transformation experienced by targets of change projects and the resulting quality (pervasiveness and durability), timing and reach of social impact



Our framework (PSC Strategies) advances new insights:

1. 'Depth of change' and **surface-level strategies** – entirely overlooked in scarce literature to date
2. Conceptual clarity on '**change mechanisms**' (general change levers, outward-directed change mechanisms, inward-focused organizational practices) – enables analysis of effectiveness
3. Organizational practices enabling deep-level PSC: new understanding of **organizing for PSC** (Hart & Dowell, 2011, Mair, Battilana & Cardenas, 2012); organizations are **open** to stakeholder influences, **embedded** in communities, **relational**, **strengths-based** and **purposeful** infused with meaning –
 - Highlights gap in macro-management research which is dominated by theories that see organizations as closed, guarded, top-down controlled places of rational transactions, focused on shareholders and disconnected from communities, (Ferraro, Pfeffer & Sutton, 2005; Davis & Kim, 2015)



**THANK YOU.
QUESTIONS &
COMMENTS?**

UTE STEPHAN

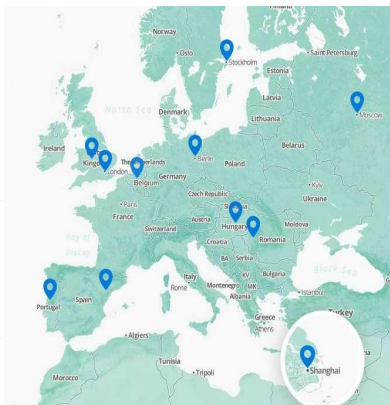
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Plenary Session

In opening the 2016 International Symposium on Social Entrepreneurship, the Assistant Dean of NUS Business School Jumana Zahalka called attention to the double bottom line – a concept extending the conventional bottom line that measures financial profit or loss by adding a second bottom line to measure performance in terms of positive social impact – and its implications on social enterprises.

In order to survive, social enterprises need to overcome a myriad of challenges following their establishment, particularly in the first few years. Based on the multi-year research by ACSEP, these challenges can come from their business models, strategies, leadership, operations or funding, among others. Hence, it is of great importance to extend the discussion and thought processes pertaining to social enterprises to their training and development.

With this in mind, the plenary session of the symposium brought together experienced social entrepreneurs from across Asia to share their motivations, failures and successes in their respective areas of expertise.

Plenary Speech: SELCO's Journey through Challenges and Moving Beyond

Harish Hande

Managing Director and Co-founder, SELCO, India

Harish Hande, co-founder and managing director of Solar Electric Light Company (SELCO), India, shared his experience in his plenary speech titled SELCO's journey through challenges and moving beyond.

SELCO "provides sustainable energy solutions and services to under-served households and businesses" in India. It empowers its customers "by providing a complete package of product, service and consumer financing through grameena banks, cooperative societies, commercial banks and micro-finance institutions" (selco-india.com).

Harish told the audience at the symposium that prior to establishing SELCO in 1995, he had asked the question – how can access to sustainable energy dispel the following three myths?

- 1) Poor people cannot afford sustainable technologies
- 2) Poor people cannot maintain sustainable technologies
- 3) Social ventures cannot be run as commercial entities

Social enterprises are deemed unsustainable once they don't make money, Harish said. But is this definition of sustainability accurate, he asked. As an example, many businesses in the San Francisco Bay Area are unprofitable; the cumulative internal rate of return (IRR) is in fact negative for the area. Yet, the city boasts a burgeoning startup scene. So are businesses there really unsustainable? Harish Hande suggested an alternative way of looking at sustainability – through the lens of inclusiveness and value creation.

SELCO does not believe in amassing a fortune from selling to the bottom of the pyramid (BOP)¹. Harish argued that people at the BOP have to be taught to differentiate between needs and wants as well as expendable and non-expendable income. The moment non-expendable income is used for wants – and not needs – the poor become poorer, he said.

Citing the example of the sale of the one-rupee shampoo to the poor who don't usually use it, Harish said the money should have gone to a need or an asset to help get the poor out of poverty. Instead

¹ In economics, the bottom of the pyramid is the largest, but poorest socio-economic group. In global terms, the bottom of the pyramid is made up of the three billion people who live on less than US\$2.50 per day.

the money was used for the shampoo which did not create assets but made them poorer.

Getting the poor to part with income meant for their needs makes them poorer while making the shareholders of companies that sell to the poor richer, thus increasing inequality. Instead of taking the income of the poor which is meant for their needs, SELCO's mission and driving force is sustainability creation.

Harish described SELCO as a 22-year experiment that treats the BOP as partners rather than consumers or beneficiaries. SELCO wants to bridge the gap between the rich and the poor by using solar energy as a catalyst and customising it to the needs of people who have never had access to electricity.

Currently a US\$5 trillion market, the sustainable energy sector can grow to US\$6 trillion by sharing the extra one trillion with the BOP, he said. He argued that a comprehensive approach that takes into consideration the financial, technological and social aspects of the situation is the best way to deliver energy solutions to the poor in India.

To illustrate his point, Harish called attention to the community of Siddis in India. They are descendants of African slaves brought to India by the Portuguese many years ago. They later settled in the central part of Karnataka in Southern India. The Siddis earn an average of 1,500 rupees a month which is equivalent to S\$30. Of this, 150 rupees (about S\$3) go towards the purchase of kerosene and candles every month. The Siddis spend another 80 rupees (about S\$1.60) a month on charging their mobile phones. All these add up to a five-year spending of about 12,500 rupees (about S\$250).

Now consider providing the Siddis with solar power through a loan arrangement. It will take them 20 years at S\$280 a month (with the financing charge at over 14 percent per annum) to pay for the customised installation SELCO provides at their doorstep.

This example shows that it is not affordability that is hindering the progress of the poor, Harish said. Nor was it technology. Instead of spending money on kerosene and candles, and charging their phones, the Siddis could have used it to pay for a solar energy installation.

However, no financial institution would finance their purchase of solar panels without a full guarantee. Hence, SELCO did so for 32 families and engaged the financial institutions. After six months, these banks were asked about repayment rates to which they answered "very good." Furthermore, they indicated they would have been willing to accept a 20 percent guarantee had they known the real situation six months ago.

For Harish, the most gratifying part of the engagement with the Siddis is their comments, "Solar is great. Once we're done with [paying for] the solar [installation], we'll buy a sewing machine and a washing machine." Providing the Siddis access to solar energy has greatly helped in financial inclusivity, he added. What SELCO aims to do is to use sustainable energy to elevate people on the social ladder.

With banks now requiring only 20 percent guarantee, as many as 150 households can receive financing. Such guarantee mechanisms increase financial inclusiveness. Further lowering the interest rate rather than the cost of equipment can serve as incentive for the poor to spend on solar installation.

Harish said the issue the poor face is the irregularity of their cash flows which impacts their repayment ability. A farmer may not be able to pay monthly loans as his cash flow comes from yearly harvests. Similarly, 300 rupees a month seems expensive but 10 rupees a day sounds more manageable for someone with a daily cash flow.

SELCO's experience shows that the innovation is not the technology, but the financial product, Harish said. In his view, microfinance does not help the poor build assets. Instead, Harish felt that what the BOP need is asset-building loans with longer tenures and lower interest rates.

In 21 years of existence. SELCO has only been profitable for the recent nine years. Therefore any institution that claims that its IRR is more than five percent is probably lying – such an ecosystem does not exist – and likely to be subsidised by some organisation, Harish said.

To drive inclusivity, view the poor as partners, he urged. A common pitfall is that people have a tendency to come up with a solution, then plug the

problems to justify the solution. To improve the social fabric, it is fundamental to deeply examine the issues and the limitations facing the poor as well as the infrastructure of funding organisations.

Harish advised the audience to spend more time

on the ground to look at the real problems and understand them from the perspective of the people affected. In this way, young entrepreneurs may become more aware of the real ecosystem and the real struggles instead of cherry picking problems to fit pre-determined solutions.

Plenary Session: Facing Challenges and Failures: Coping Strategies of Pioneering Small- and Medium-sized Social Enterprises

Associate Director (Community Development) of the Asian Centre for Social Entrepreneurship and Philanthropy (ACSEP) Laina Raveendran Greene served as the moderator of the plenary session. She posed three questions to the panel comprising:

- Harish Hande, Co-founder and Managing Director, SELCO, India
- Helianti Hilman, Founder and CEO, JAVARA, Indonesia
- Prasoon Kumar, Founder and CEO, BillionBricks, India
- Audrey Tan, Co-founder & Dreams Architect, PlayMoolah, Singapore

Below are the panelists' answers to each question.

1. What are your motivations for being a social entrepreneur and what are the reasons for choosing your particular field of social entrepreneurship?

Prasoon, BillionBricks: Prasoon said based on what he read, entrepreneurs are motivated to do what they like the most. When he started BillionBricks, he didn't think he was going into the field of social entrepreneurship. With a background in architecture and planning, he was inspired to use his skills to help the people in his own country after having worked with vulnerable communities in the United States. Moreover, he came to realise that his work in building for metropolitan populations cater to the needs of a very niche group whose lives would not be touched by builders like him. After all, the builders of skyscrapers are seldom acknowledged.

While GDP is increasing, the people on the ground (i.e., the poor) do not experience it. They have been forgotten. Governments talk about slum development and poverty alleviation, but the actual groundwork is

not happening. The mayors and governors Prasoon had met were not equipped with insights about what was really happening on the ground. That led him to question himself: how can leaders of a country not have a vision? While people criticise governments, capitalists despise the poor in suggesting that they brought their plight on themselves. Therefore working on the ground is crucial to understanding such sentiments.

As no business model and IRR would work, Prasoon started a nonprofit organisation with a five-year deadline to achieve business plans and financial sustainability. While much revenue streams have come in since then, BillionBricks has stayed true to the cause to be as close to the community as possible.

Audrey, PlayMoolah: For Audrey, the key episode was her work in California (as part of NUS Overseas Colleges) during the global financial crisis in 2008. Many tech startups struggled with money and people were retrenched. Her friends back home (in Singapore) were struggling with money and her friends in the

United States were taking on their parents' debts.

This made her question her knowledge about money. While Asians may save religiously, many don't know very much about money in terms of credit and investments.

PlayMoolah had a simple hypothesis which was to educate children about money management such as savings and making wise choices to guide them into adulthood. Audrey said while she is not from a wealthy family, she had been given many opportunities throughout the years by partners, customers, financiers, angels and the government. Hence, bridging the gap between the concept of saving and the daily decision and choices was something close to her heart.

Helianti, JAVARA: Helianti shared that she had been an entrepreneur with start-up companies in the entertainment and music publishing industry, among others. Along the way she entered into the rural-urban economic development arena. She happened to talk to a friend who mentioned the presence of a network of one million indigenous farmers in Indonesia that might need help. These farmers have done a marvelous job to preserve the country's biodiversity but are marginalised. After accepting the farmers' invitation to live among them for three months — go to the rice fields and eat with them — she was impressed by their sense of duty towards keeping alive the tradition of rice farming.

However, most consumers do not readily accept the produce from these farmers. As an ardent fan of cooking herself, Helianti thought of the chefs and households who would be excited by the endless possibilities of cooking with the coloured and fragrant rice grown by these farmers. She believes there is a market that can be leveraged.

Preserving biodiversity is multifaceted and can alleviate poverty among the farmers. More than 90 percent of them are stuck in cycles of debt and poverty because they have been forced to be consumptive farmers i.e., they have to buy the seeds, fertilisers and pesticides, etc. that they use. With JAVARA's engagement, the farmers have managed to grow their own seeds and conduct their agricultural activities organically.

Harish, SELCO: For Harish, his biggest takeaway was the need for him to unlearn what he had learnt during his Masters and PhD studies and to see problems as they are. The more educated people become, they tend to move away from the ground. This has created the problem of non-inclusiveness in the world today which needs to be addressed. For instance, after all the education, a PhD returns to the village and tells the farmer that he has been doing things wrong.

Even in the social sector, it's getting increasingly non-inclusive. Grants are given to organisations that can create beautiful presentations with non-English speaking change makers and organisations on the losing end. That is racist and non-inclusive in many ways and needs to be broken down for true inclusion.

2. Tell us where you are in terms of the development stage of your social enterprise (e.g., blueprint, validation, etc.) and share with us the challenges you encountered and the things you would have done differently given the benefit of hindsight.

Helianti, JAVARA: JAVARA faced "scaling" issues with its core businesses, Helianti said. For instance, they created companies at the local level by establishing the structure and setting it up. This means having to head down to some parts of the supply chain to smooth out issues every time they crop up. JAVARA is now wiser to consider using technologies to fulfil some of these needs. The company also had difficulties in accessing finance and had to innovate to grow the working capital and investment.

Helianti started JAVARA when she was still a consultant and worked on the business part time. Subsequently, she became more involved in the product creation process which taught her a lot about the importance of decentralising value-added processing and giving farmers asset ownership.

The "scaling" stage for a startup has been known to be sexy, but it was not so for JAVARA as it is not bankable. The company is not even attractive to social impact investors because the farmers and the community own the assets. But the people involved are happy as their operations are entirely created through the sale of products and services, and everyone in the supply chain has to be responsible for producing quality products.

The feedback from some investors is that JAVARA has too many product lines (more than 700). They have suggested keeping only the top five best selling products. However, this goes against JAVARA's mission. Every product created stemmed from an attempt to solve a problem. For example, the stone jars for storing salt were created after the Mount Merapi volcanic eruptions in 2010 destroyed the houses of the stone crafters. At the time, the United States and Europe were mired in economic turmoil and there was little demand for Buddha statues. The stone crafters turned instead to producing stone jars to replace their income.

Harish, SELCO: One challenge for SELCO is that 90 percent of its end users are taking money from the banks to pay for their solar installations.

But SELCO's biggest challenge today is human resources. The education system is structured to produce clearly defined specialist roles such as engineers, MBAs, and finance professionals, etc. What SELCO needs the most is anthropologists who are able to go to rural villages and use a multi-disciplinary approach to understand the villagers' financial issues and their potential to use technology in these places. Hence, the key challenge for SELCO is creating an education system tailored to developing a problem-solving mindset and skills.

Prasoon, BillionBricks: Prasoon would not have started BillionBricks had he known before quitting his well-paid full-time job that he would be a father soon. He went through a stressful period worrying about maintaining the financial stability of his family as it takes a lot of money and time for a social enterprise to work.

To investors, the social sector is untested waters and is not as structured or established as for-profit companies. For big companies, it takes a huge compensation package to persuade its talents to take on assignments in developing countries.

When Prasoon started BillionBricks two years ago, it took a very top-down approach. But for it to stay true to its mission, it had to distance itself from the government as it takes a lot of time and effort to work top-down. However, the government is the party with the money to fund projects and make policy changes. Thus, there was a need to balance competing

considerations.

One of BillionBricks' projects involved giving out free blankets to the needy. The recipients said the project was good, but the conditions of the blankets were very poor. Prasoon found out later that the main reason the recipients said the project was good was because they weren't paying for the blankets. Anything given out for free isn't sustainable. The moment the recipients were asked to pay 100 or 1,000 rupees for the blankets, they immediately demanded quality too.

Problems are big and social enterprises are small. This creates monopolistic power for social enterprises whereby the lack of competition hinders the enterprises in improving their quality and innovation in an efficient manner.

Audrey, PlayMoolah: PlayMoolah is at the validation stage. It provides various training courses for schools and corporations. Many of these courses have been showcased in the media.

PlayMoolah's challenge is to select the business model that generates the most returns in the long run and provides what the market wants. For instance, PlayMoolah wanted to roll out a programme to teach kids about money through games. However, the feedback from parents was negative as they did not like the idea of their children playing games about money. Learning about money was seen as taking time away from school work. The programme failed to take off as the general understanding of the importance of financial prudence and literacy does not exist. Thus, demand testing is crucial for PlayMoolah.

Another challenge was navigating the partnership with financial institutions. Some banks see financial education as a way to introduce their financial products. But their intention conflicts with PlayMoolah's intention of purely letting people learn about money. At the negotiation stages, PlayMoolah found itself arm-wrestled as it was much smaller compared to the banks. The mindset of the corporates can be very short term and campaign driven. Their yardsticks for success were sales and revenue which are vastly different from PlayMoolah's goal of market outreach. Over time, Playmoolah has learnt to maneuver around them to find a shared purpose.

3. What are some of your failures?

Harish, SELCO: Harish said he has failed to obtain financing at times because he does not believe that investors are everything. If he could not reach a consensus with investors, he would rather walk away even if he was desperate for money. SELCO would not have existed if it had sold itself to some of these investors. Harish only welcomes investors who believe in SELCO's mission.

Prasoon, BillionBricks: A lack of balance between doing the groundwork and maintaining sufficient cash flow was one of Prasoon's failures he experienced in the past. For instance, he was in Hong Kong for a discussion and wanted to buy a return ticket without realising that his firm had run out of money. As a consequence of that, he learnt to buy only one-way ticket to allow himself the freedom to work on the ground and return when specific targets have been achieved.

Audrey, PlayMoolah: Audrey cited a lack of focused strategy as a failure from which PlayMoolah has learnt. It is important to have the discipline to follow through only the good products and not be driven by all the good ideas that have been conceived all at once. When PlayMoolah tries to do too much, it

doesn't master and excel, and its products would subsequently lack depth.

Helianti, JAVARA: Helianti said JAVARA's cost-based pricing strategy was a failure. Initially, the company adopted a fixed cost-based pricing formula and later realised that it could charge premium prices for some of JAVARA's unique products.

JAVARA also learnt to develop a product strategy to differentiate the varieties of rice that are fast-moving, high volume and small margin to identify the different market segments. With this, it adjusted its portfolio to meet the needs of the different market segments.

Blended Value Accounting and Social Enterprise Success

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Abstract

Social enterprises (SEs) are businesses managed by entrepreneurs who seek to improve society. Blended value accounting (BVA) is a conceptual framework for measuring combined social and financial outcomes in SEs, but there is a lack of empirical study of the use of BVA. The research question in this study was whether the use of BVA methods was correlated with SE success. Surveys were sent to 3,682 SE managers (n = 280). Data were analyzed using multiple regression, with the dependent variable SE success. Findings indicated no statistically significant correlation between the use of BVA method and SE success, although 73% of SE managers were using BVA methods for various reasons. These findings suggest that SE managers should select a BVA method that is inexpensive to implement, aligns with industry standards, and provides them with management information.

Keywords: Social enterprise, blended value accounting, entrepreneurial orientation, impact measurement, pro-social orientation, small-and-medium enterprises (SMEs)

Introduction

Social enterprise is transforming the landscape for social change work, but much remains to be done to understand its nature, scale and scope. In particular, it is not clear how to evaluate the social impact of these businesses. A social enterprise (SE), by most definitions, is a for-profit business founded and managed to both generate revenue and improve social and/or environmental conditions. Over the past decade there has been a large increase in both the number of SEs in operation around the world, and in the academic literature analyzing this new form of organization (Wilburn & Wilburn, 2014).

Impact measurement in SEs, while often discussed in the literature, suffers from a lack of empirical study. A few academic researchers began paying attention to SEs and impact measurement 15-20 years ago, and have been working to define, describe, and document the SE sector since the mid-1990s (Dart, 2004). One of the pioneers in the field, Emerson (2003), created the term blended value to describe the combined financial and social results generated by SEs; a generic

name for the methods used to measure blended value is blended value accounting (BVA, Nicholls, 2009). The use of the term blended value signals the unusual nature of an SE; one way to describe an SE is that it is a hybrid or blend of the functional approach of a business engaged in trading with the normative approach of a mission-driven non-profit organization (Dacin, Dacin, & Tracey, 2011).

However, the academic field of study of blended value in SEs is under-explored from an empirical perspective. There have been few quantitative studies that have addressed key issues in the field of SE; most of the academic work has been qualitative case studies, conceptual or descriptive. Prior to this research, for example, it was not known how many BVA methods are currently in active use by SEs, which methods are used by successful SEs, and whether the use of certain methods is linked to the success of the SE. This lack of knowledge may be hampering the development of social enterprise as a social change phenomenon.

Measuring Impact

Being able to measure social performance is important to SEs not only so that they can demonstrate their impact on society for various stakeholders, but because impact measurement is a key way of attracting investors (Flockhart, 2005). In addition, new statutory forms of SEs called benefit corporations or limited low-level profit corporations (L3Cs) are being developed in countries including the United States; in almost all states, the laws allowing the formation of these companies also require them to report on their social impact (Sabeti, 2011). Other countries have similar rules, with the United Kingdom having the most well-developed and organized SE sector in the world. Impact measurement, therefore, is critical to the future of the social enterprise sector, and deserves greater attention from researchers.

Purpose of this Research

In this study, my purpose was to document and evaluate the use of BVA methods in social enterprises, and analyze using inferential statistics whether the use of BVA can predict the success of SEs. By showing through the results of this study that no particular BVA method is more predictive of success than any other, and at the same time finding that it is important to use BVA methods for other reasons, I have provided SE managers some guidance in making decisions about whether to use BVA and under what conditions. This may also make it easier for investors to compare opportunities, potentially freeing up more private capital to be used by SEs to solve social problems.

My primary finding was that no BVA method is more predictive of SE success than any other, but that the B-Impact Rating System is by far the most widely used method. In addition, SEs that do use BVA methods are more successful than those that do not, indicating that a certain level of organizational development is required before it makes sense, or is possible, to implement BVA methods. My recommendation is that SE managers should choose a BVA method that is appropriate for their current level of development, fits with industry standards, meets the requirements of investors or government regulations, and provides management information for improving performance.

Definition of Social Enterprise

My definition of an SE is as follows: a type of SME with both a prosocial orientation and an entrepreneurial

orientation. An SME is generally understood to be a private company (not a nonprofit) with fewer than 250 employees and under \$67 million (USD) in annual revenue. SMEs are well defined and frequently surveyed, so many data sets are available to researchers. Entrepreneurial orientation can be used to help describe an important dimension of social enterprise by evaluating the degree to which an SE is proactive in solving business problems, and this construct locates SEs firmly in the intellectual work being done on social entrepreneurship (Zahra, Newey, & Li, 2014).

However, little work has been done applying the concepts of entrepreneurial orientation specifically to SEs, with some notable recent exception such as the work done in Australia (Miles et al., 2014). Using the Likert-type scales developed by EO scholars, researchers can determine the degree to which any SME is more or less entrepreneurial, which—combined with a prosocial orientation—implies that there may be many more SEs than are currently registered officially as such. My contention is that businesses that are defined as SEs are a subset of the larger category of SMEs, and that the degree to which they are prosocial can be measured in the same way that the degree to which they are entrepreneurial can be measured using the scalar techniques of EO research.

BVA Methods

Emerson (2003) developed a BVA tool called the social return on investment (SROI), which was the first major attempt to quantify social impacts in SEs. The SROI, often criticized for being unwieldy and difficult to use (Arvidson, Lyon, McKay, & Moro, 2013), represents one end of the spectrum of BVA methods, which range from efforts to assign numerical values to social outcomes to other methods that are primarily qualitative and descriptive, such as impact evaluation. Nichols (2009) reviewed the various BVA models along this continuum. In recent years, there has been a concerted effort by practitioners, academics, foundations, and network organizations to coalesce the field around an agreed-on standardized BVA method. This effort has met with some success; the biggest step towards standardization has been taken by B-Lab, which offers a certification for an SE that wants to call itself a for-benefit corporation and get a seal of approval from B-Lab using the B-Impact Rating System.

Methodology

I sent a survey via email invitation to a list of 3,682 SEs collected primarily using internet research. Of the 3,682 surveys sent, a total of 280 were returned completed, or 7.6%. Inferential statistics were used to answer the research question addressing whether the use of BVA methods predicts the success of the firm, with the dependent variable success defined along a Likert-scale continuum ranging from 1 = not successful to 5 = very successful. Data on the dependent variable were also converted into a dichotomous categorical variable, success/not success, to see if that affected the results.

Research Question and Results

The research question I asked was the following: Does the use of blended value accounting (independent variable, measured nominally) predict the success of the firm (dependent variable, measured on an interval scale)? The success of the SEs surveyed for this project (n = 280) was evaluated in two ways: success in reaching financial goals, and success in reaching social goals, following the methodology developed by other SE researchers (Miles et al., 2013).

After collecting the data, I ran a series of parametric tests using multiple and logistic regression. In the multiple regression analysis I did not find a statistically significant correlation between the use of impact measurement and firm success, either economic or social. None of the BVA methods were statistically significant in terms of a positive, directional correlation between the use of the BVA method and firm success. Based on this research, there is no positive statistically significant correlation between the use of impact measurement and firm success.

When I transformed the data into dichotomous values, in an effort to force the dependent variable into one of two categories (successful = 1 or not successful = 0) as perceived by the managers surveyed, I still failed to find a positive correlation between the use of BVA methods and firm success. Interestingly, one logistic regression result was that nonprofits are less likely to report economic success than for-profits, while the reverse is true when it comes to social impact success. In other words, for-profits are less likely to report social success than nonprofits.

In perhaps the most intriguing result, I also divided the survey data into two groups: SEs that use BVA methods and those that do not use BVA methods. Using logistic regression, I then looked to see if there was a relationship between SE success and the use of BVA methods in those two groups, and here I found a compelling result. SEs that use BVA methods are statistically significantly more likely to report being successful than those that do not.

Although in my research I did not find a positive directional correlation between the use of BVA and SE success overall, that does not imply that impact measurement is unimportant. There may be reasons for implementing BVA other than the contribution it makes to firm success. Perhaps one way to look at these results is that while the use of BVA is important for SEs, it does not seem to matter which method one uses, so SE managers might as well employ one that is easy and inexpensive, and fits with their existing management systems. It might also be that SEs that do not use BVA methods are the ones facing financial difficulties, forcing the managers to focus their attention on survival instead of on measuring their social impact.

Findings

In the survey, I asked, "Do you measure your social impact?" The majority replied that they do; 73.2% reported using BVA, while 26.8% said that they did not. Most of the respondents who did use a BVA used a standard method, with 35 (12.5%) reporting that they use a method of their own devising. There were important differences between SEs in which the managers use impact measurement tools, and SEs in which the managers do not use BVA methods.

Discussion

The results of the statistical tests conducted for this research indicate that there is no positive directional correlation between the use of BVA and SE success, either social or economic. However, the descriptive statistics do show that the majority of SEs use some form of BVA, and that the most popular method is the B-Impact Rating System. One interesting result that deserves further study is the finding that SEs that use any method of BVA are strongly statistically significantly more likely to be successful than those that do not use any BVA method at all.

As a field of study and as a method of social change, social enterprise is in its infancy (Wilburn & Wilburn, 2014). It should come as no surprise, then, that there is a paucity of empirical and quantitative evidence for key assumptions about SEs and their activities. This study was an effort to fill some of these gaps and examine a critical dimension of SEs—the way that they measure their social and economic performance, known as blended value. For practitioners and researchers alike, the measurement of blended value using the tools of BVA is assumed to be one of the critical ways in which an SE distinguishes itself from an SB. However, my research indicates that there is no positive directional correlation between the use of BVA methods and SE success in generating social and economic returns.

Recommendations for Future Research

1. Analyze the differences between blended organizations, NPOs and SEs.
2. Investigate the differences between SEs that use BVA methods, and those that do not.
3. Map the diversity of the SE population to II interest areas to evaluate the degree of overlap.
4. Investigate why there are so many SEs identified as such in the United Kingdom, but so few in the rest of the world.
5. Undertake a research project to find SEs that may be hidden in the larger population of SMEs by evaluating their S/EO scores.
6. Analyze the costs and benefits of using various BVA methods.
7. Examine when and under what conditions SEs implement BVA methods.

Recommendations for SE Managers

1. Implement some form of BVA method at SE inception, or as soon as possible.
2. Select the BVA method best suited to your stage of development, while making sure to adjust the use of BVA tools as your SE grows and changes.
3. Unless required to use another method, pick the BVA method that offers the best information for improving management practices.
4. The most common form of BVA method currently in use is the B-Lab Impact Rating System; you should use this method to align your SE with best practices in the industry if that is a company priority. You may want to use it in combination with a BVA method that provides information for improving management.
5. Unless required by investors, don't invest in the

most expensive, time-consuming and complicated BVA methods. The evidence from this research indicates that no method stands above any other method in terms of its impact on your SE's success.

Conclusion

According to my research findings, the use of blended value accounting methods is not a critical success factor for social enterprises. The results did not allow me to identify a positive correlation between the use of BVA methods and the success of the SE managers in reaching their financial and social goals. At the same time, given the overall lack of empirical and quantitative work in the academic studies of SEs, there is much that remains to be discovered. The field is young and constantly changing, offering researchers many intriguing avenues for future research. BVA is likely an important element of SE operations, both for meeting the needs of investors and for improving SE operations, particularly in reaching social goals. SE managers want to know when, how and under what conditions they should implement BVA in their companies. Academic researchers have an opportunity to undertake further investigations that can make an important contribution to a rapidly growing arena of social change experimentation.

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The Reciprocity of Financial and Social Performance in Social Enterprises: Evidence from MFIs

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Abstract

Social enterprises are hybrid organisations that entail both social welfare and commercial logics. However, little is known about how both logics influence each other. To address this issue, we investigated the reciprocal relation between the financial and social performance across time and profit status in the context of Microfinance Institutions (MFIs). Our findings show that given a for-profit MFI, lower social performance in the current year leads to higher financial performance in the following year and higher financial performance in the current year may lead to higher social performance in the following year. For nonprofit MFI, higher social performance in the current year may lead to higher financial performance in the following year. Our results suggest that how hybrid logics are prioritised would affect the relationship of their dual goals over time.

Keywords: Social enterprise; performance; reciprocity; profit status; microfinance

Social Enterprises as Hybrid Organisations

Social enterprises are a particular type of hybrid organisation. Hybridity is defined as the combination of multiple organisational identities, organisational forms or institutional logics (Battilana and Lee, 2014). In the context of organisation studies, social enterprises are considered a hybrid of commercial and development logics. Guided by these institutional logics, social enterprises are found to have both business and charity at the organisation's core with no clear prioritisation of goals (Battilana and Lee, 2014; Pache and Santos, 2013). An example of intervention models of social enterprise in the context of poverty alleviation is an MFI. It follows that the pursuit of commercial revenue generation and social value in an MFI is integrated such that the dual goals are achieved through one unified strategy (Battilana et al., 2012). As such, hybridity is a definitive characteristic of social enterprises (Doherty et al., 2014).

More importantly, the performance of social enterprises must be understood within the context of its hybridity. Social enterprises differ from traditional for-profit firms in terms of their the centrality of its social mission and how it pursues both economic and social goals (Chell, 2007; Santos, 2012). On one hand, tensions arises in social enterprises due to the pursuit of both commercial and social goals (Battilana et al., 2014). On the other hand, the creation of social value is closely linked or integral to the successful achievement of economic outcomes (Wilson and Post, 2011), which in turn generates financial resources to achieve their social mission. Therefore, understanding the hybrid characteristic of a social enterprise means to understand its core characteristic as well as its potential to create social value. As such, the interaction of financial and social performance must be studied in tandem.

Performance of Social Enterprises

The financial and social performance of an MFI are expected to influence each other over time. Being a hybrid organisation, the combination of financial and social goals is central and persistent within the given entity of an MFI (Battilana and Lee, 2014). It follows that the duality of financial and social goals within an MFI is its core characteristic (Doherty et al., 2014). Consequently, considering financial and social goals as

separate elements treats these goals as if they will be achieved by two distinct and unrelated organisations. This representation of the relation between the financial and social performance disregards the fact that an MFI is mandated to achieve both financial and social goals simultaneously as well as perpetually. In support of this line of reasoning, Battilana et al. (2014) find that the relation between social imprinting at founding and organisational outcomes decreases in magnitude over time but persists long after founding. In their study, Battilana et al. (2014) define social imprinting as the founding team's early emphasis on the accomplishment of the organisation's social mission. Although social imprinting is neither a social goal nor a measure of social performance, the results from the study strongly suggests that a firm's core characteristic should be observable over multiple time periods. Considering these reasons above, it is proper to consider that the financial and social performance of an MFI may have causal loops interacting with each other when time lags are considered (See Moizer and Tracey, 2010).

However, the particular direction of relation between the financial and social performance of the social enterprises is unclear. In the case of MFIs, the vectors of social value and commercial revenue creation can reinforce as well as undermine each other (Battilana and Dorado, 2010; Battilana et al., 2012). On an organisation level, a positive relation between financial and social goals is plain and obvious, especially in many of the case studies of successful social enterprises. In contrast, a negative relation may surface in the form of tensions and mission drift (Battilana et al., 2014; Mersland and Strøm, 2010). Therefore, the social and financial goals can be both complementary as well as conflicting (See Austin et al., 2006; Wilson and Post, 2011).

We expect that profit status can inform the difference in the interaction of the dual goals over time. Profit status indicates how an MFI would manage the competing logics of "development" and "commercial banking". For example, a for-profit MFI is more likely to offer services that are profitable. This is in line with their core business ethics to maximise profits. For-profit organisations are usually formed and managed by suppliers of capital who are more interested in the returns of investments rather than in the welfare of consumers (Abzug and Webb, 1999). Contrarily, the fundamental ethics principle for nonprofit firms is to

maximise service availability and provision. It follows that nonprofit social enterprises would prioritise the logics of “development” more than the for-profit MFI, such that resources are allocated accordingly to achieve the goals. Therefore, profit status of the social enterprise is used as a proxy of how the dual logics is managed in this study. As such, we hypothesise that nonprofit MFIs show a more negative relation between this period’s financial performance (return on assets) and next period’s social performance (average loan size normalised by GDP per capita). We represent the relation as such, and expect β_1 to be >0 ; β_2 to be <0 :

$$\begin{aligned} \text{Lead}(\text{ROA}) &= \beta_0 + \beta_1(\text{loan_size}) + \beta_2(\text{loan_size}) D_{\text{nonprofit}} + \\ &\quad \beta_3 Z_{it} + \beta_4 Z_{it} D_{\text{nonprofit}} + u_{it} \\ \text{Lead}(\text{loan_size}) &= \gamma_0 + \gamma_1(\text{ROA}) + \gamma_2(\text{ROA}) D_{\text{nonprofit}} + \gamma_3 Z_{it} + \\ &\quad \gamma_4 Z_{it} D_{\text{nonprofit}} + \varepsilon_{it} \end{aligned}$$

where Z_{it} is the matrix of MFI-specific controls and $\text{cov}(\varepsilon_{it}, u_{it}) \neq 0$

Data and Methodology

Description of Variables

The key variables of this study are measures of MFI’s financial and social performance. They are the closest proxies of the dual goals because measures of financial and social performance are directly derived from the corporate goals. We use return on assets (ROA) as the measure for financial performance, or how much the MFI is doing “well”. Specifically, ROA indicates how well an MFI is managing its assets to optimise its profitability. ROA is a good measurement to compare commercial and non-commercial MFIs (Barres et al., 2005; Quayes, 2015).

We use the average outstanding loan size normalised by GDP per capita (“loan_size”) as an inverse measurement of social performance, or the inverse of how much the MFI is doing “good”. Specifically, the average outstanding loan size reveals the poverty state of the MFI’s clients as the “richer” poor commonly receives larger loan sizes than the “poorer” poor.

Accordingly, a larger “loan_size” will suggest that the MFI in question is serving the “richer” poor, hence achieving lower social performance. In particular, we are interested in the depth of social performance compared to other common aspects, such as breadth, because it indicates how much MFIs are serving poor clients. Although there are several proxies for depth of outreach of MFIs, such as income or wealth, gender, location, education, and ethnicity, the most common proxy is the size of loans, and the average amount of loans is the best way to measure the size (Cull et al., 2007; Im and Sun, 2014; Quayes, 2015; Schreiner, 2002).

The profit status of the MFI will be classified according to its registration in the respective countries. It is assumed that the legal status definition of “profit status” across countries is similar, if not identical, as a result of a convergence process among legal systems (Friedman, 1994). Accordingly, the legal definition of “profit status” as characterised by the respective home countries of the MFIs will be used for this study.

Some of the independent variables identified by other researchers are the MFIs’ capital structure (i.e. total debt/total equity and loans to asset ratio), asset size, expense ratio (i.e. total expense / loan portfolio), life cycle, the percentage of women borrowers in the MFIs, borrowers per loan officer and cost per borrower (Ahlin et al., 2011; Ayayi and Sene, 2010; Bogan, 2012; Chahine and Tannir, 2010; Cull et al., 2007; Cull et al., 2011; D’Espallier et al., 2011; Hartarska, 2005; Kevane and Wydick, 2001; Kyereboah-Coleman, 2007; Sharma and Zeller, 1997). These will be included as control variables in the regression model.

Appendix 1: Definitions of Variables summarises all the variables used in the statistical models. Table 1 reports the summary statistics of the variables used in this study.

TABLE 1. DESCRIPTION OF DATA

This table presents the description of data for the variables used in this study. The variables are defined in Appendix 1: Definitions of Variables. Panel A presents the summary statistics of full sample of 852 microfinance institutions (MFIs) (466 nonprofit; 386 for-profit) listed on MIX Market (www.mixmarket.org) from 2005 through 2012. Panel B presents the correlation between the variables used in this study for the full sample of 852 MFIs.

Panel A

Variable	All MFIs								Nonprofit MFIs						For-profit MFI									
	n	Mean	S.D.	Min	P25	Med	P75	Max	n	Mean	S.D.	Min	P25	Med	P75	Max	n	Mean	S.D.	Min	P25	Med	P75	Max
ROA	4202	0.01	0.09	-0.45	0.00	0.02	0.05	0.19	2379	0.02	0.09	-0.45	0.00	0.03	0.06	0.19	1823	0.01	0.09	-0.45	0.00	0.02	0.05	0.19
loan_size	4202	0.05	0.07	0.00	0.01	0.02	0.06	0.43	2379	0.04	0.05	0.00	0.01	0.02	0.05	0.43	1823	0.06	0.08	0.00	0.01	0.03	0.08	0.43
borrower_no	4202	0.10	0.02	0.05	0.08	0.10	0.11	0.14	2379	0.09	0.02	0.05	0.08	0.09	0.10	0.14	1823	0.10	0.02	0.05	0.09	0.10	0.11	0.14
leverage	4202	0.05	0.07	-0.11	0.01	0.03	0.06	0.49	2379	0.04	0.08	-0.11	0.01	0.02	0.05	0.49	1823	0.05	0.06	-0.11	0.02	0.04	0.07	0.49
loan_ratio	4202	0.77	0.16	0.22	0.69	0.80	0.88	1.04	2379	0.79	0.15	0.22	0.72	0.82	0.90	1.04	1823	0.75	0.17	0.22	0.66	0.78	0.87	1.04
assets	4202	1.61	0.18	1.21	1.48	1.60	1.72	2.06	2379	1.56	0.16	1.21	1.44	1.55	1.66	2.06	1823	1.67	0.18	1.21	1.54	1.66	1.79	2.06
expense_ratio	4202	0.34	0.23	0.08	0.20	0.28	0.40	1.38	2379	0.32	0.22	0.08	0.19	0.26	0.39	1.38	1823	0.37	0.24	0.08	0.22	0.29	0.42	1.38
D _{young}	4202	0.19	0.39	0.00	0.00	0.00	0.00	1.00	2379	0.16	0.37	0.00	0.00	0.00	0.00	1.00	1823	0.22	0.41	0.00	0.00	0.00	0.00	1.00
D _{mature}	4202	0.70	0.46	0.00	0.00	1.00	1.00	1.00	2379	0.76	0.43	0.00	1.00	1.00	1.00	1.00	1823	0.62	0.49	0.00	0.00	1.00	1.00	1.00
female_ratio	4202	0.67	0.25	0.10	0.48	0.68	0.94	1.00	2379	0.70	0.25	0.10	0.49	0.68	0.97	1.00	1823	0.65	0.25	0.10	0.47	0.68	0.86	1.00
borrower_ratio	4202	3.02	2.20	0.43	1.76	2.62	3.42	15.52	2379	3.12	2.15	0.43	1.90	2.70	3.51	15.52	1823	2.90	2.27	0.43	1.53	2.49	3.33	15.52
cost	4202	1.78	2.17	0.05	0.38	1.20	2.14	13.46	2379	1.36	1.58	0.05	0.33	0.95	1.85	13.46	1823	2.32	2.67	0.05	0.55	1.56	2.86	13.46
D _{nonprofit}	4202	0.57	0.50	0.00	0.00	1.00	1.00	1.00																

Panel B

	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.
1. ROA	1.0000														
2. loan_size	0.0218	1.0000													
3. borrower_no	0.0958*	-0.1989*	1.0000												
4. Lead_ROA	0.7107*	0.0220	0.0424*	1.0000											
5. Lead_loan_size	0.0100	0.9475*	-0.1721*	0.0197	1.0000										
6. Lead_borrower_no	0.0769*	-0.1856*	0.9795*	0.0523*	-0.1787*	1.0000									
7. leverage	-0.0592*	0.0210	0.1412*	-0.0398*	0.0278	0.1527*	1.0000								
8. loan_ratio	0.2440*	-0.1083*	0.0244	0.2371*	-0.1219*	0.0107	-0.0502*	1.0000							
9. assets	0.1373*	0.2228*	0.7516*	0.0701*	0.2343*	0.7312*	0.0914*	-0.0451*	1.0000						
10. expense_ratio	-0.5570*	-0.1354*	-0.1102*	-0.4201*	-0.1189*	-0.0872*	-0.0794*	-0.4321*	-0.2123*	1.0000					
11. D _{young}	0.0063	0.0501*	-0.1073*	0.0236	0.0504*	-0.1054*	-0.0152	-0.0043	-0.1193*	0.1042*	1.0000				
12. D _{mature}	0.1427*	-0.0515*	0.2098*	0.0802*	-0.0488*	0.1765*	0.0311	0.0616*	0.2582*	-0.2357*	-0.7294*	1.0000			
13. female_ratio	-0.0242	-0.3994*	0.3183*	-0.0337	-0.3805*	0.3234*	0.1122*	-0.0027	-0.1479*	0.1049*	-0.0213	-0.0073	1.0000		
14. borrower_ratio	0.0981*	-0.1965*	0.2768*	0.0609*	-0.1802*	0.2549*	0.0233	0.1125*	0.1102*	-0.2260*	-0.0821*	0.1208*	0.1763*	1.0000	
15. D _{nonprofit}	0.0195	-0.2053*	-0.1709*	0.0376	-0.2114*	-0.1860*	-0.0558*	0.1377*	-0.2974*	-0.0973*	-0.0663*	0.1498*	0.1005*	0.0480*	1.0000

Sample

The dataset for this study, downloaded on 20 May 2014, originates from the MIX Market (www.mixmarket.org), which is a data hub where MFIs and supporting organisations share institutional data. However, only MFIs which meet certain criteria are included in this study. Firstly, the sample includes only MFIs which are in operation from 2005 to 2012 and MFIs that obtained at least 4 diamonds. An MFI with 4 diamonds has audited financial statements published for the year. Additionally, all data submitted to MIX is reviewed by MIX staff and validated against a set of business rules before publication. Secondly, MFIs which do not report key variables as well as their corresponding lead variables required for the study are excluded. We obtained a final sample of 4,202 observations over 8 years (2005 – 2012) from 852 MFIs across 96 countries. (See Appendix 2: Sample Selection)

Estimation Models

We use seemingly unrelated regression of “ROA”, “loan_size” and “borrower_no” on lead “ROA” and lead “loan_size” for the full sample of MFIs, and nonprofit and for-profit sub-samples as well. Further, we also include a dummy variable (nonprofit=1) to separate

the effects of the key variables by profit status on the dependent variable. Year and country fixed-effects are included in the later regression models.

Results

The results suggest that given a for-profit MFI, lower social performance this year leads to higher financial performance next year, and higher financial performance this year may lead to higher social performance next year. Given a nonprofit MFI, higher social performance this year may lead to higher financial performance next year. Controlling for country and year fixed-effects respectively, only the coefficient of “loan_size” in for-profit MFIs remains significant (at the 1% level) (results not presented here). Table 2 presents the results of the regression models which include a “nonprofit” dummy variable that is interacted with all the key variables as well as control variables. In the for-profit sub-sample, the coefficient of “loan_size” (5% significance) and “ROA” (5% significance) are significant in models (7) and (8) respectively. The positive coefficient of “loan_size” means that in for-profit MFIs, doing less “good” leads to doing “well” in the next period. The negative coefficient of “ROA” means that in for-profit MFIs,

doing “well” leads to doing “good” in the next period. In addition, the negative coefficient of “nonprofXloan_

size” in model (7) means that in nonprofit MFIs, doing less “good” leads to doing less “well” in the next period.

TABLE 2. SEEMINGLY UNRELATED REGRESSION RESULTS OF BASELINE MODELS WITH NONPROFIT DUMMY

This table presents seemingly unrelated regression results of baseline models on lead measures of financial performance (‘ROA’) and depth of social performance (‘loan_size’) for the full sample of 852 microfinance institutions from 2005 through 2012. The control variables are ‘borrower_no’, ‘leverage’, ‘loan_ratio’, ‘assets’, ‘expense_ratio’, ‘D_{young}’, ‘D_{mature}’, ‘female_ratio’, ‘borrower_ratio’, and ‘cost’ as defined in Appendix 1: Definitions of Variables. All key variables and control variables are multiplied with dummy variable ‘nonprofit’. The table provides the estimates of the following equations:

$$Lead(ROA) = \beta_0 + \beta_1(loan_size) + \beta_2(loan_size)D_{nonprofit} + \beta_3Z_{it} + \beta_4Z_{it}D_{nonprofit} + u_{it}$$

$$Lead(loan_size) = \gamma_0 + \gamma_1(ROA) + \gamma_2(ROA)D_{nonprofit} + \gamma_3Z_{it} + \gamma_4Z_{it}D_{nonprofit} + \varepsilon_{it}$$

where Z_{it} is the matrix of MFI-specific controls and $cov(\varepsilon_{it}, u_{it}) \neq 0$

The asterisks *, **, and *** represent the statistical significance level at 10%, 5%, and 1% respectively.

VARIABLES	(1) Lead (ROA)	(2) Lead (loan_size)	(3) Lead (ROA)	(4) Lead (loan_size)	(5) Lead (ROA)	(6) Lead (loan_size)	(7) Lead (ROA)	(8) Lead (loan_size)
ROA	0.5833*** (50.12)	-0.0106** (-2.21)	0.5867*** (50.04)	-0.0132*** (-2.74)	0.5685*** (41.83)	-0.0122** (-2.19)	0.5686*** (41.83)	-0.0126** (-2.26)
loan_size	0.0282** (2.00)	0.9297*** (160.25)	0.0213 (1.48)	0.9353*** (157.95)	0.0428** (2.30)	0.9245*** (121.17)	0.0457** (2.37)	0.9221*** (116.67)
leverage					0.0085 (0.72)	0.0032 (0.66)	0.0085 (0.72)	0.0049 (1.01)
loan_ratio					0.0311*** (5.09)	-0.0050** (-1.98)	0.0306*** (4.91)	-0.0034 (-1.33)
assets					-0.0168** (-2.30)	0.0168*** (5.59)	-0.0236 (-1.39)	0.0336*** (4.81)
expense_ratio					-0.0022 (-0.38)	0.0005 (0.22)	-0.0024 (-0.41)	0.0025 (1.03)
D _{young}					0.0066* (1.66)	0.0019 (1.18)	0.0067* (1.67)	0.0018 (1.10)
D _{mature}					0.0005 (0.14)	-0.0008 (-0.56)	0.0006 (0.17)	-0.0012 (-0.78)
female_ratio					-0.0074 (-1.57)	-0.0008 (-0.40)	-0.0084 (-1.58)	0.0021 (0.98)
borrower_ratio					-0.0002 (-0.56)	-0.0000 (-0.21)	-0.0003 (-0.62)	0.0000 (0.08)
cost					-0.0004 (-0.74)	-0.0004* (-1.85)	-0.0003 (-0.42)	-0.0010*** (-3.52)
D _{nonprofit} XROA	0.0153 (1.51)	0.0039 (0.94)	0.0137 (1.35)	0.0054 (1.30)	0.0159 (1.32)	0.0081 (1.64)	0.0156 (1.29)	0.0077 (1.55)
D _{nonprofit} Xloan_size	-0.0044** (-2.06)	-0.0018** (-2.03)	-0.0042* (-1.90)	-0.0023** (-2.55)	-0.0066** (-2.40)	0.0002 (0.15)	-0.0070** (-2.46)	-0.0002 (-0.16)
D _{nonprofit} Xleverage					-0.0000 (-0.11)	0.0000 (0.03)	-0.0000 (-0.09)	0.0000 (0.02)
D _{nonprofit} Xloan_ratio					-0.0011 (-0.25)	-0.0003 (-0.16)	-0.0008 (-0.19)	-0.0003 (-0.20)
D _{nonprofit} Xassets					0.0016 (1.63)	-0.0015*** (-3.74)	0.0026 (1.34)	-0.0013 (-1.64)
D _{nonprofit} Xexpense_ratio					-0.0002 (-0.05)	0.0025 (1.11)	-0.0002 (-0.03)	0.0022 (1.00)
D _{nonprofit} XD _{young}					-0.0114* (-1.88)	-0.0020 (-0.80)	-0.0116* (-1.90)	-0.0021 (-0.83)
D _{nonprofit} XD _{mature}					-0.0062 (-1.13)	0.0018 (0.81)	-0.0065 (-1.17)	0.0018 (0.81)
D _{nonprofit} Xfemale_ratio					0.0026 (0.48)	-0.0035 (-1.58)	0.0043 (0.70)	-0.0024 (-0.94)
D _{nonprofit} Xborrower_ratio					-0.0000 (-0.14)	0.0000 (1.34)	-0.0000 (-0.07)	0.0000 (1.53)
D _{nonprofit} Xcost					0.0000 (0.23)	-0.0000** (-2.43)	0.0000 (0.06)	-0.0000** (-2.40)
D _{nonprofit}	0.0057*** (3.00)	-0.0015* (-1.93)	-0.0053 (-0.58)	0.0121*** (3.22)	-0.0152 (-0.90)	0.0241*** (3.46)	-0.0208 (-1.07)	0.0223*** (2.80)
borrower_no			-0.1496** (-2.21)	0.1264*** (4.54)			0.0810 (0.45)	-0.1926*** (-2.61)
D _{nonprofit} Xborrower_no			0.0011 (1.16)	-0.0013*** (-3.61)			-0.0011 (-0.59)	-0.0002 (-0.28)
Constant	0.0061*** (4.10)	0.0044*** (7.11)	0.0214*** (3.03)	-0.0085*** (-2.92)	0.0153 (1.11)	-0.0182*** (-3.22)	0.0193 (1.15)	-0.0295*** (-4.29)
Observations	4202	4202	4202	4202	4202	4202	4202	4202
R-squared	0.51	0.90	0.51	0.90	0.51	0.90	0.51	0.90

Discussion

Doing less “good” in for-profit MFIs leading to doing “well” next period in the for-profit MFIs seems to suggest that on average, for-profit MFIs tend to sacrifice the social mission to do “good” in order to do “well”. Possibly, the negative coefficient of “ROA” in Table 2 model (8) suggests that for-profit MFIs seem to be able to choose to use the financial resources to reach out to the “poorer” poor. Since this observation is not consistently seen in more rigorous regression models (results not presented here), the commitment of for-profit MFIs to social mission in our sample is uncertain, even though it seems that the for-profit approach might possibly be sustainable in its ability to generate financial resources and social good concurrently within an MFI.

On the other hand, the nonprofit MFIs in our sample seem to suggest that they truly prioritise doing “good” such that it may lead to doing “well”. Yet, the inconsistent significance of this result tells us that this the relation between doing “good” and doing “well” does not hint at better sustainability of the nonprofit model as compared to the for-profit model. An implication is for nonprofit MFIs should be encouraged to explore ways to strengthen their social performance such that it can lead to better financial performance in the next period.

More importantly, the implication is that managerial decisions made today have implications for the dual goals in the future. Managers of social enterprises need to go beyond the notion of “balancing” the tensions between the dual goals in a contemporaneous frame by considering how seemingly prioritising one goal at the expense of the other may be a better way to achieve its social mission in the longer term.

One limitation of our study is that the “good” in which MFIs achieve are embedded in the clients of the MFIs. This means that the clients are the beneficiaries of the MFI, and that the more they serve poorer clients, the better the social performance of the MFIs in terms of depth. However, it also implies that the measurement of social performance is contextual. This is consistent with the challenge of defining social value in the literature, as mentioned earlier. We suggest future research to extend the understanding of hybrid organisations by considering other models of social enterprises, where social performance are not as integrated as it is in the context of MFIs.

Conclusion

In this exploratory study, we find that the hybrid nature of the MFIs differ across profit status. The results show that, firstly, in for-profit MFIs, doing less “good” leads to doing “well” in the next period; secondly, also in for-profit MFIs, doing “well” leads to doing “good” in the next period; thirdly, in nonprofit MFIs, doing “good” leads to doing “well” in the next period. Only the first result is consistently observed through more rigorous regression models.

This study adds to the understanding of the sustainability of one type of hybrid model. It informs policymakers on how profit status is an indication of how MFIs operate, so as to best implement appropriate and supportive policies. In addition, it informs socially-conscious suppliers of capital that the nonprofit MFIs are indeed delivering the social value that they have set out to achieve.

Future research may consider other types of hybrid organisations. This is because the relation between financial and social performance is likely to vary according to the context, given that the “good” in which MFIs achieve are embedded in the clients of the MFIs.

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Appendices

Appendix 1: Definitions of Variables

ROA	=	The financial performance of the microfinance institution, as measured by the return on assets, which is the net operating income (less taxes) divided by assets in the year
loan_size	=	The depth of social performance of the microfinance institution, as measured by the average loan balance per borrower normalised by GDP per capita in each country
borrower_no	=	The breadth of social performance of the microfinance institution, as measured by the natural logarithm of the number of active borrowers in the year
leverage	=	The ratio of liabilities to equity in the year
loan_ratio	=	The ratio of gross loan portfolio to total assets in the year
assets	=	The natural logarithm of total of all net asset accounts in the year
expense_ratio	=	The ratio of total expense to gross loan portfolio in the year
D _{young}	=	Dummy variable that equals to 1 if young and zero otherwise
D _{mature}	=	Dummy variable that equals to 1 if mature and zero otherwise
female_ratio	=	The percentage of female borrowers, as measured by the number of active borrowers who are women divided by the number of active borrowers in the year
borrower_ratio	=	The borrowers per loan officer, as measured by the number of active borrowers divided by the number of loan officers in year
cost	=	The cost per borrower, as measured by operating expense divided by the number of active borrowers in year
D _{nonprofit}	=	Dummy variable that equals to 1 if nonprofit and zero otherwise

Appendix 2: Sample Selection

Source / Adjustment	Sample Size	Observations Removed
Observations under investigation	6,166	
Adjusting for 'ROA' availability	5,405	-761
Adjusting for 'loan_size' availability	5,186	-219
Adjusting for 'D _{nonprofit} ' availability	5,085	-101
Adjusting for lead variables availability	4,202	-883

Common Key Pattern of Innovation under Disadvantage by Social Enterprise for the Disabled Persons: Preliminary Comparative Cases of Victory Disabled Potential Center in Taiwan and Laksania Spice Connect in Singapore

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Introduction

International attention within the government, nonprofit and other sectors in recent years has focused on social enterprise which involves combining the engagement of private sector form of enterprise and market-based activity with the achievement of social purposes. A recent survey of the amount of social enterprise in United Kingdom is 70000, and 200 to 1000 in Taiwan depending on the definition of social enterprise (Executive Yuan, 2014). And there is a continuing commercialism trend that more and more nonprofit organizations are trying to transform into social enterprise in order to increase their portion of sale revenue.

Researchers consider that social enterprise offers a new way to do business that is combined with a social purpose. An organization doing business which combine with a social purpose of disability workers employment usually need innovation. And for those social enterprises which have congenital deficiency, because of limb or mental disability, need more innovation to reduce their disadvantage in working. Therefore, we can see that many activities of social enterprise are trying to create a space for innovation,

including the effort of positioning and selling services or products for new users and obtain new revenue.

The current study is focused with two social enterprises which have congenital deficiency because of limb or mental disability, Victory Potential Centre in Taiwan and Laksania Spice Connect in Singapore. The missions of these two social enterprises are similar—increase the capability and the sustainability of supported employment for disability workers, which is often classified as “work integration social enterprises” (WISE). In the current study, first, we explored what kinds of disadvantage that the social enterprises for the disability workers. Secondly, we were primarily interested in whether or not innovation can enhance the reduction of “disadvantage”. Finally, we wished to elaborate whether there are common key successful patterns or failure pattern among different social enterprises for the disability workers.

Literature Review

Sheltered Workshop: Only few can make breakthrough of the congenital disadvantage and make profit

The sheltered workshop for the handicapped and the disabled run by nonprofit organization or supported by government is also classified as work integration social enterprise in Europe. According to the research, most of the sheltered workshop for the handicapped and the disabled still need the government subsidy and public donation, in order to cover the problem of shortage of business revenue (Kuan, Chan, & Wang, 2014).

According to the past research, the usual disadvantage part of the sheltered workshop include: the lower efficiency in production, the product quality and the marketing can not compete directly in the market, the insufficient level of salary, incentive and career promotion.

However, several sheltered workshop for the disabled have been already made many innovation under disadvantage and achieve stable and profitable revenue stream and competitive and sustainable capability in the wave of social entrepreneurship, for example, the cases of Victory Disabled Potential Center in Taiwan.

The Key of breaking through the congenital disadvantage by Sheltered Workshop

Since the job efficiency of handicapped and the disabled worker in the sheltered workshop is usually lower because of their congenital deficiency, so the common assistance in government Supported Employment project is to help them to increase their efficiency through "job redesign", for example the "job redesign" of hand-made cleaning windows in car wash in Victory petroleum station run by Victory Disabled Potential Center in Taiwan (with profit for more than 5 years, and without any funding).

However, what is more important for the job efficiency of handicapped and the disabled worker in the sheltered workshop, which is also the key of breaking through the congenital disadvantage by sheltered workshop, is the upgrading from "job redesign" to "working process redesign". The reason why for the "working process redesign" is that the sheltered workshop usually has the mission and strong

identity to facilitate the supported employment of the disabled workers, so the sheltered workshop will be very likely to change the original working process to adapt to the way that these congenital inconvenient and deficient workers can do their job efficiently, which is the idea of "working process redesign" in management practice.

Research Method

In order to analyze the pattern of innovation under disadvantage by social enterprise for the disabled workers, we use qualitative research methods (Neuman, 2005), including:

Data collecting:

A) We use the manuscripts derived from both interview method (Kvale, 2008) and the speeches of the CEO & manager of social enterprise cases studied as the most important and data; besides, we use government investigation report, company public documents, and participant observation method as the subsidiary data.

B) Within the manuscripts of interview and company documents, we focus on all the different actions of innovation by these social enterprise when it feels under disadvantage or inefficiency.

The reason why we focus on the different actions of innovation by these social enterprises when they reflexively (Alvesson & Skoldberg, 2009) feel under disadvantage of congenital deficiency is because:

- 1) the social enterprise has to compete in the market under congenital disadvantage in order to have sustainable survival capability;
- 2) the key to overcome congenital disadvantage is innovation.

Data analyzing:

A) We selected each "word by word manuscript" around "several key aspects" from the interview or report. Then we interpreted the manifestation of "innovation under disadvantage" through the different actions of innovation by these social enterprise cases.

B) We use Grounded Theory method (Strauss & Corbin, 1990) to make specific coding process in order to analyze and construct a new preliminary but creative theoretical framework for analysis. And we especially focused on the process of "open coding" of

Grounded Theory:

- a) open coding includes naming and categorizing of phenomena (Strauss & Corbin, 1990, p.62);
- b) **conceptualizing** the data starts from “labeling phenomena as concepts” in Grounded Theory: (Strauss & Corbin, 1990, p.63);
- c) then we “categorizing of phenomena” after naming phenomena (Strauss & Corbin, 1990, p.65).

Cases Study:

A) We further interpret (Denzin, 2001) two social enterprises from Taiwan and Singapore as a preliminary international comparative cases study (Yin, 2013), but all two social enterprises cases are supported employment for the workers with disabilities 2012-2016.

B) We analyze **two** cases of social enterprises with their similar or different actions, in order to manifest their innovation under disadvantage, through comparison:

- i) **Case A** social enterprise: Victory Potential Centre for the Disabled from Taiwan, a multi-industry headquarter with more than ten different business units and brands;
- ii) **Case B** social enterprise: Laksania Spice Connect for the Disabled from Singapore, with three restaurants specialized in providing food of laksa taste of sauce.

Analysis

Innovation can Reduce the Disadvantage of Congenital Deficiency of Limb or Metal Disability

This study tried to identify whether or not there are common key pattern of innovation under disadvantage by social enterprise for the disabled workers. The first common key pattern of innovation under disadvantage by social enterprise have been categorised as “working process redesign”.

There are many examples of “working process redesign” in different social entrepreneurship business units in Victory Disabled Potential Center in Taiwan. For example, the Victory gas station filling gasoline for cars. In ordinary gas station, usually one individual worker can do multiple steps in certain working process such as: 1) filling the gasoline using injection equipment; 2) handling the payment process through using credit card machine or exchange the cash; 3) doing hand-cleaning the car wash through using wipe cloth or through operating the car-

washing machine by take turns; 4) speaking in order to promote selling extra goods so as to increase extra revenue.

However, in the case of Victory gas station run by Victory Disabled Potential Center in Taiwan, the “four tasks handled by one single worker” mentioned above in ordinary petroleum station will be usually “four tasks handled by two workers” so as the first one disabled worker will be trained to focus and sponsor less task assignment because the job competence of those disabled workers is lower. But when those disabled workers focus and sponsor much less task assignment, their concentration and their stronger stickiness to certain task assignment procedure, such as the worker weighing the exact weight of cooked rice for bento lunch in Victory bento store, and thus their patience and perseverance to overcome the boringness caused by repetitive body movement during work will help their efficiency to increase.

Also the disable workers usually cherish the opportunity of job more, and they chat or make joke with their colleague (and therefore lose their concentration on the task) much less, compared with other normal worker during the working time. Especially when some work, for example the data key-in job of new credit card application for the bank, need high concentration and high resistance for boringness and tediousness in order for pursuing high accuracy and keeping customer's data in high standard of privacy.

Therefore, the similar phenomenon of “divide each task assignment of the job into many smaller segments” is the same pattern of “working process redesign” in the management of social enterprise by the workers of the disabilities.

And the other key elements of the “working process redesign” is the “re-engineering or re-structuring” of the original working process. For example, in ordinary glass studio, the activity of blowing hot glass into shapes using a special tube will need extremely hot and dangerous high temperature of more than 1000 Celsius degree burning stove to be operated by normal workers, such as the Pate-de-verre technique or skill. But this process of hot glass-blowing technique will cause too much danger for disabled workers to operate the hot stove.

So in the case of Victory Glass Studio, the CEO and others try very hard to “make innovation under disadvantage” again, they search safer and new technology of blowing glass into shapes that cause much less danger for disabled workers.

Innovation can Reduce the Disadvantage of Activeness Deficiency

Table 1: Incentive mechanism of social enterprise to arouse workers’ activeness during working

	Social enterprise’s management to their disadvantage	
	Victory	Laksania
Data: “word by word manuscript” from the interview or investigation report of the social enterprise	Some disability workers in the Victory gas station (as one of the chain store of a large headquarter brand gas station called Chinese gas station) work very well, then the Victory gas station provided a opportunity for these disability workers “transferred to” a non-shelterd factory of the largest headquarter brand and gas station, so they can have better salary and career identity as a normal worker in a normal company. (Victory-Gas Interview)	When Laksania CEO of Sim Sin Sin know that certain airline company will give the job to the sheltered workers of recycling and cleaning the earphone being used on the airplane for only \$30 Singapore dollars per month per worker, she then provide an extra job of peeling 100 kilogram of the garlic for restaurant to sheltered workers every week, with the wage of \$3 per kilogram, just like the market average standard. (Laksania-report middle-pp.4-5)

Conclusions

The theme of this paper is to provide a new framework for analyzing the common key pattern of innovation under disadvantage by social enterprise for the disabled workers, this paper finds that:

Innovation can Reduce the Disadvantage of Congenital Deficiency of Limb or Metal Disability

The same pattern of “divide one working task into many smaller segments of working steps” in order that “the disable workers can be more easily competent and take hold of that specific working step for working process” appear in both the case of Victory in Taiwan and Laksania in Singapore, too. Also, both the two social enterprises find out that, different types of disability workers in a same working group often have a complimentary function from each other.

Innovation can Reduce the Disadvantage of Activeness Deficiency

Both of the two social enterprises have designed some incentive mechanisms which are not very common in the social enterprises of disability workers. In Victory social enterprises group, the system of incentive mechanisms (including career ladder, career development and mediation, competence-based salary etc) can always arouse workers’ activeness during working, thus reduce the disadvantage of activeness deficiency.

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Funding Social Enterprises: Evidence from a Cross National Million Dollar Data

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Introduction

A growing number of studies have documented the visibility of social enterprises in both developing and developed countries^{1 2 3}. In view of the evolving nature of social entrepreneurship and social enterprise, a multitude of definitions and approaches have been in use for the term “social enterprise”. Combining philanthropy and entrepreneurship, social enterprises use business solutions to address social problems⁴. This merging of what used to be two distinctive sectors (business and social) has given rise to a rich continuum of funding models for social enterprises.

This paper updates and expands on an earlier working paper presented at the inaugural NUS International Symposium on Social Entrepreneurship 2015. It focuses specifically on the role of big dollar private philanthropy financing social enterprises across the span from nonprofit to for-profit, and cross-nationally for the following countries in 2013 and 2014: United States, UK, Russia, Middle East, China, Hong Kong, Singapore, and S. Africa. It contributes to the understanding of funding models for social enterprises cross-nationally, by examining donor types and the span of recipient organizations that range from “social” missions uplifting Base of Pyramid constituents (economic) to marginalized communities (vulnerable poor), to inclusiveness in civil society (social justice).

Several studies have analyzed the role of social enterprises focusing on a given country environment.

The world was inspired when two social entrepreneurs in Asia – Muhammad Yunus who established the Grameen Bank, (a for-profit anti-poverty bank that made micro loans to women villagers), and Fazle Abed who established BRAC (Bangladesh Rural Advancement Committee) – transformed the concept of how to provide aid to the poor, through the use of social enterprise⁵. Since then, many funders have adopted social enterprises to mobilize large-scale social change, e.g. Acumen Fund, Omyidar Network, Skoll Foundation, Ashoka, Dasra, and more.

Today’s funders have conviction that not all social problems or projects of public benefit need to be funded by traditional philanthropy, i.e. tax-deductible donations or foundation giving and grants^{6 7}. Since the late 1990s, funders were already experimenting with new ways of funding social problems – venture philanthropy, impact investing, social impact bonds, social finance, and dating back even further, the use of program-related-investments (PRIs) since the late 1960s, catalyzed by Ford Foundation. Most recently, Mark Zuckerberg and his wife Priscilla Chan pushed the philanthropic boundaries even further. On December 1st 2015, they publicly announced that they were giving away 99% of their Facebook wealth (approximately US\$45 billion) to charitable causes during their lifetime through the Chan Zuckerberg Initiative, a limited liability company⁸. Their funding announcement made clear that their private support would include a continuum of funding vehicles⁹.

The main results suggest that million-dollar-plus donors cross nationally are showing interest in social enterprise model for social change. Recipient organizations show clear intentions with innovative, strategic business plans to become self-sufficient or are nonprofits with strong earned income generated from social enterprise activities. Causes funded address the fundamentals or root causes of poverty and inequities: job creation, education, health, affordable housing and the vulnerable poor. Funding is also allocated toward the advancement of social entrepreneurs – to nurture, support, and help them with access to markets, capital and talent. Hence, the aspiration for social enterprise as the vehicle of choice for large scale social change has much potential.

Definition and Approaches

Why are social enterprises suited to tackle social problems and bring about social change? Literature related to social entrepreneurship suggests that social enterprises have been in existence since the 1800s and span a wide spectrum of economic and political systems with varying definitions across countries and regions¹⁰. Some have argued that social enterprises may have an even longer historical context under different terminology. In the past, social entrepreneurs may have passed off as visionaries, reformers, humanitarians, saints, or philanthropists – Florence Nightingale, Gandhi, St. Francis, Mother Theresa, Martin Luther King, Jr. comes to mind. These individuals were committed to social change that impacted the disenfranchised, marginalized, and disadvantaged. Over time, the spirit of these social change leaders have operated under evolving platforms – some formal, well-funded organized entities, while others are informal, with less stable funding sources.

This evolution has brought us to the current day common usage of the terminology “social enterprise” to represent the entities from which social change leaders mobilize their work¹¹. While “enterprise characteristics” are simpler to define (i.e. market strategies), it is perhaps useful to clarify what we see as the “social characteristics” for this research and paper. “Social” range from missions to uplift Base of Pyramid constituents (economic) to creating opportunities for marginalized and disadvantaged communities (vulnerable poor), to inclusiveness of diverse people in building ecosystems for civil society

to thrive (social justice).

Related literature also informed how the size and scope of the social enterprise sector will depend on economic and political shocks. These include market failure, state or government constraints, rigor of public policy, availability of legal and institutional frameworks in local countries. Where the traditional philanthropy ecosystem or nonprofit sector is mature and strong, the conditions are not so conducive for social enterprises because the already successful nonprofits find themselves too comfortable in old structures that are already working well. It also depends on the maturity, capacity and capability of the “social” sector locally, and whether there is ample economic development that makes available philanthropic investment capital.

With the above **theoretical framework**, our **research question** are:

1. For \$1m+ gifts across countries in 2013 & 2014, what proportions are designated for social enterprises or social entrepreneurship activities?
2. What type of social enterprises and/or social entrepreneurship activities are getting funding from million-dollar-plus donors?
3. What the characteristics of donors funding social enterprises at million-dollar-plus levels?
4. What are the cross-country variations in funding models for social enterprise?

We propose the following **hypotheses**:

Hypothesis 1: In countries/regions where the non-profit sector, civil society, democracy is under-developed, nascent, or absent, social enterprises thrive as they have flexibility to attract not only traditional charitable dollars, but also venture philanthropy, impact investments, micro-credit, PRIs, bonds, social finance, etc.

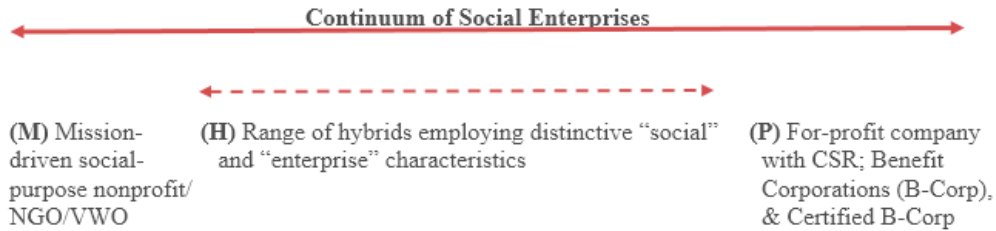
Hypothesis 2: Social enterprise model works favorably in these contexts because “social” and “enterprise” characteristics can be weighted in varying proportions to deliver customized solutions for poverty alleviation and large scale social change solutions.

Conceptual Framework

The Continuum of Social Enterprises is our conceptual framework. It can be thought of as being characterized by mission-driven social-purpose nonprofits/NGOs/VWOs at one end, represented by

(M) in the “Continuum of Social Enterprises” diagram below. At the other far end – represented by (P) in the diagram below – are profit maximizing business enterprises that practice CSR, or Benefit Corporations (B-Corp) or Certified B-Corp¹².

Between these two stark distinctive book-ends is a range of hybrids employing varying levels of “social” and “enterprise” characteristics.



Explanation of each category inside the Continuum of Social Enterprises conceptual framework, starting with the 2 “book-ends”:

(M) These purely social-purpose nonprofits rely heavily on volunteers to run the organization, have beneficiaries who pay nothing for its services, and are resourced by outright donations, government and/or foundation grants, in-kind good and in-kind services. Occasionally, a board member may lead an event fundraiser to raise additional funds to augment donations and grant support. Truly, some types of social goods and services are more suitably funded by beneficent charitable contributions and government welfare aid because they have no earned income or “enterprise” characteristics. They rely solely on donations, grants, and government aid. Examples include: shelters for the homeless, health services for needy families, welfare and childcare services in poor communities, job and career services and training for the chronically unemployed. These organizations are mission-driven, appeal to the goodwill of its supporters, and create social value¹³.

(P) Here, commercial businesses strive to profit maximize for shareholders¹⁴. However, they also practice corporate social responsibility (CSR), which involves a) participating in initiatives that benefit society, e.g. steps to reduce a company’s carbon footprint; b) philanthropy, e.g. giving money, time, expertise to local/national charities; c) ethical labor practices, e.g. treating employees fairly and ethically especially in factories overseas¹⁵.

movement believes in “Business as a Force for Good” and has spawned a new class of corporations that voluntarily meets different standards of corporate purpose, accountability and transparency. This puts a spin on traditional corporate CEOs’ and directors’ single-minded tunnel vision of “maximization of shareholder value/profits”. It expands the obligations of boards – requiring them to consider environmental and social factors, as well as the financial interests of shareholders. This also gives directors, CEOs and officers legitimacy and legal protection to pursue a mission and consider the impact their business has on society and the environment.

Benefit Corporations do not receive tax benefits of a nonprofit, but have the flexibility to take on traditional investment and the pursuit of profits while all existing corporate laws apply to them. However, not all of the states in the US currently offer the Benefit Corporation law and legal structure yet, therefore there exists the Certified B-Corp platform. The latter is a third party certification metric for measuring social and environmental performance, accountability and transparency in relation to governance, workers, community, and environment. Benefit Corporations and Certified B-Corps maintain brand equity in the sale of a business because consumers and suppliers trust these social and environmentally responsible companies.¹⁶

In between, a range of hybrid social enterprises span a broad spectrum: (Ha), (Hb), (Hc), (Hd)¹⁷:

In the United States, a new legal entity, called Benefit Corporations (B-Corp) and its complementary Certified B-Corp, is trailblazing a movement across the country to redefine capitalism. This new capitalism



(Ha) A nonprofit organization may establish a social enterprise to help diversify its revenue streams in ways that fund-raising or grants cannot, e.g. Goodwill stores, or a café/eatery that provides food preparation and diner training for adolescent offenders. At the same time it generates earned income to operate job training programs. Hence, forming a social enterprise helps a nonprofit establish revenues or earned income that is returned to fund its mission¹⁸.

(Hb) Venture philanthropists who support the work of social entrepreneurs do so with the knowledge that the financial return will be negligible (if any), but they are getting a social return (double bottom line), and in some cases also an environmental return (triple bottom line). In short, capital is put forth with intent to create social good, and at some future time – a modest financial return¹⁹. Funds are raised at below market capital rates. The workforce is paid below market wages and there is a mix of volunteers and fully paid staff. Suppliers typically offer special discounts and/or there is a mix of in-kind contributions and full prices²⁰. Venture philanthropists are also keen to provide business mentorship, networking, and other in-kind business support together with their funding.

The “enterprise” or business side of the entity prompts us to ask, “who would want to pay for a social enterprises’ services or products?” Even with a good “social” cause, if there is absolutely no market, it means the idea is not viable as an enterprise. Hence if it is not viable in some type of marketplace, i.e. with people who are willing to pay for its’ goods or services, then we will constantly be chasing after grants, subsidies, donations, and it’ll never become a social enterprise²¹. Even if we have done the market research and know there is a market, most social enterprises start up by seeking out grants or “patient social capital”²². The latter is well matched with venture philanthropy which allows incubation time, anything from 5 to 10 years, before the social business begins to reap any financial returns as part of the business plan²³. Venture philanthropy exits typically has to be more “patient” than venture

capital because social enterprises offer services and products to low-income communities and earn very small margins of profit. It therefore takes more time to build up reserves, and so will often continue to need social investments or partnerships to support its growth, e.g. staffing, infrastructure, and other assets – venture philanthropy is well-matched as it is typically more engaged in terms of mentorship, imparting business guidance, wisdom and access to markets.

(Hc) Socially responsible investment capital – micro finance, impact investments, social impact bonds, social finance, including program-related investments (PRI) by foundations – seek blended value propositions of social and economic returns, with well-articulated double and/or triple bottom lines. PRIs are special toolboxes within foundations. Treated as grants in the eyes of the IRS, foundations make PRI investments into nonprofits as follows²⁴:

- Making loans with specified interest rate or no interest loan to social enterprise
- Providing cash or certificate of deposit in a bank or financial institution, as collateral for the bank to extend a loan to the social enterprise
- Serving as guarantor for a social enterprise who is taking up a commercial loan; foundation would pay if social enterprise defaults
- Equity investments made to a for-profit social business, in return for a share of profits

(Hd) Today, there are 4 billion people at the base of pyramid (BoP) struggling in the abyss of poverty, living on \$1.50 to \$8 a day. For-profit social enterprises focus on these constituents to creatively provide “social” products for non-traditional markets to uplift these communities. For example, health and economic outcomes are tied to access for clean water, sanitation, nutrition, and education. Economic outcomes are additionally tied to access to reliable energy, electricity, and technology to create and sustain businesses and jobs. Social entrepreneurs are called upon to catalyze new marketplaces where

customized products, at extreme affordability, can be transacted in BoP markets. These non-traditional markets are a frontier of “blue oceans” awaiting for-profit social innovation to unlock, estimated to be approximately \$5 trillion potentially.

Data and Methodology

The data set for this study includes charitable donations worth US\$1 million or more that were made during calendar year 2013 and 2014, given by donors in the US, UK, Russia, the Middle East (which includes GCC countries of Bahrain, Kuwait, Oman, Qatar, the Kingdom of Saudi Arabia and the United Arab Emirates), China, Hong Kong, and Singapore – or to charities based in these countries; as well as donations worth £1m or more that were made during the calendar year 2013 and 2014 either by donors in the UK or to UK-based charities. The data collection methodology is based on the methods used for the Million Dollar List in the US, which has been compiled by the Indiana University Lilly Family School of Philanthropy since 2000²⁵.

Almost all of the data discussed in this report was gathered from publicly available documents such as media coverage and charity annual reports and accounts, as a number of profiled countries do not have tax or other official records of such giving. Some additional data was provided by donors as well as by charities in receipt of this level of donation, with the consent of their donors. In Russia, we surveyed prominent philanthropists, as well as foundations and charities that tend to receive very large donations, in order to add to the data available publicly. Where applicable, we have included pledges for future gifts, and therefore not every gift will have been paid in full to recipient charities. We include donations made by individuals, foundations and corporations. We include corporate foundations under the larger ‘corporations’ category. Foundations may include both private foundations (where the founder or a family member is still present to direct grant decisions) and professional foundations (where the founder is no longer present to direct such decisions), as well as charitable trusts. Although social enterprise and responsible investing, social investing and impact investing are related to the concepts of philanthropy, pure investments in these enterprises were not included in the data because they are not strict donations to nonprofits. However, as detailed below,

gifts to nonprofits that support social enterprises are included in the data. The data was collected for only gifts to nonprofits; we specifically excluded investments in for-profit companies, even social enterprises. Thus, gifts that appear in this section are charitable donations to nonprofit organizations that support social entrepreneurship in some way other than directly investing funds for profit.

For the 2013 data, the results of these searches were manually coded to determine whether it was related to the social enterprise field. To identify gifts related to social enterprise, we searched the donor name, recipient name, and gift notes fields for key terms. These terms included: Social enterprise/entrepreneur, Social finance Enterprise/entrepreneur, Innovate/innovation, Impact investing/investment, Invest/investing/investment, Venture philanthropy, Venture. The findings are relatively sparse. For the 2014 data, in addition to using the search terms just listed above, we also went into the websites of recipient organizations to examine if any the organization structure, operations, or funding/revenue streams resembled that of a hybrid social enterprise based on the conceptual framework and continuum introduced in section II of this paper.

Results

A. Million Dollar Giving in Cross-National Perspective

Table 1a (data from calendar year 2013) was presented last year at this International Symposium, where our first major finding noted that the number of gifts and aggregated value of those gifts varied widely from country to country; the average gift size was relatively similar, between \$7 and \$19 million – with the exception of the GCC, where the average gift was \$48.5 million, more than twice the next-highest average gift size. At this 2nd International Symposium, with data from calendar year 2014 (Table 2), we are able to make some comparisons: Most glaringly are the average gift sizes that have moved significantly higher in Singapore, Hong Kong, China, and GCC – between \$17 and \$26 million. The average gift sizes in the US, UK and Russia stayed close to where they were last year. All median gifts sizes were remained stable, without much change.

The second major finding for last year (Table 1a for gifts from 2013) was that the top donor type by the

number of gifts was either corporations (Singapore, Hong Kong, China, Russia) or foundations (US, UK, GCC). This remained much the same for 2014 (Table 1b) with changes only in the US (Individuals overtook Foundations in number of gifts), and in GCC (Corporations overtook Foundations). What is interesting to note though is the dollar value of gifts for the top donor type: 2013 (Table 1a) saw

Individuals giving the highest dollar value in the US and in Russia; Foundations gave the greatest amount in the UK and Hong Kong; in Singapore, China, and the GCC, Corporations gave the greatest amount. However, in 2014 (Table 1b) we see Individuals taking over from Corporations in China and Hong Kong; for Russia, Corporations instead of Individuals were the top donor type. S. Africa, a first in 2014, is heavily

Table 1a: Million-Dollar-Plus Gifts from calendar year 2013

	# Gifts	\$ Gifts	Avg Gift	Median Gift	Top Donor Type (#)	Top Donor Type (\$)
US	1173	\$16.92 bn	\$14.4 m	\$2.5 m	Foundations (49%)	Individuals (60%)
UK	292	\$2.24 bn	\$7.6 m	\$3.3 m	Foundations (61%)	Foundations (67%)
Singapore	38	\$713 m	\$18.8 m	\$4 m	Corporations (74%)	Corporations (77%)
HK	120	\$935 m	\$7.8 m	\$1.8 m	Corporations (46%)	Foundations (49%)
China	208	\$2.65 bn	\$12.7 m	\$3.1 m	Corporations (72%)	Corporations (85%)
Russia	126	\$1.91 bn	\$8 m	\$2.7 m	Corporations (50%)	Individuals (55%)
Middle East	38	\$1.84 bn	\$48.5 m	\$2.9 m	Foundations (53%)	Corporations (71%)

Table 1b: Million-Dollar-Plus Gifts from calendar year 2014

	# Gifts	\$ Gifts	Avg Gift	Median Gift	Top Donor Type (#)	Top Donor Type (\$)
US	1064	\$14.11 bn	\$13.3 m	\$2.5 m	Individuals (51%)	Individuals (67%)
UK	298	\$2.57 bn	\$8.6 m	\$3.3 m	Foundations (65%)	Foundations (51%)
Singapore	22	\$536 m	\$24.4 m	\$3.5 m	Corporations (68%)	Corporations (89%)
HK	128	\$2.67 bn	\$20.9 m	\$2.4 m	Corporations (46%)	Individuals (56%)
China	208	\$3.61 bn	\$17.4 m	\$2.2 m	Corporations (64%)	Individuals (77%)
Russia	74	\$406 m	\$5.5 m	\$2 m	Corporations (55%)	Corporations (53%)
Middle East	34	\$894 m	\$26.3 m	\$5.2 m	Corporations (44%)	Corporations (68%)
S. Africa	19	\$52.8 m	\$2.8 m	\$1.4 m	Foundations (79%)	Foundations (79%)

B. Million-Dollar-Plus Gifts flowing into social enterprises activities cross nationally

Table 2: Million-Dollar-Plus Gifts flowing into Social Enterprise activities in 2013 & 2014

	# of Gifts		Share of #		\$ Gifts (US\$)		Share of \$	
	2013	2014	2013	2014	2013	2014	2013	2014
USA	16	37	1.4%	3.5%	\$102 m	\$390 m	0.6%	2.8%
UK	4	26	1.4%	8.7%	\$ 22 m	\$258 m	1.0%	10%
Russia	1	4	0.8%	5.4%	\$ 32 m	\$ 49 m	1.7%	12.1%
Middle East	1	3	2.6%	8.8%	\$ 10 m	\$ 8 m	0.5%	0.9%
China	0	7	0.0%	3.4%	\$0	\$ 27 m	0.0%	0.7%
Hong Kong	0	6	0.0%	4.7%	\$0	\$ 95 m	0.0%	3.6%
Singapore	2	2	5.3%	9.1%	\$ 7 m	\$ 5 m	1.0%	0.9%
S. Africa	NA	1	NA	5.3%	NA	\$1m	NA	1.9%

dominated by Foundation donor type.

Referring to Table 2: Across the board, every country experienced a greater number of gifts to social enterprises, except in Singapore which held steady at 2 gifts. Increases in the number of gifts did exceptionally well in the UK; it moved into double digits with a 6.5 fold increase, taking a 8.7% share of total number of gifts. Although the number of social

enterprise gifts remained constant in Singapore, the percentage of share of number of social enterprise gifts was the highest in Singapore (9.1%), and highest in terms of percentage share in dollars is Russia (12.1%).

All the busy work on social entrepreneurship certainly seemed to have provided good outcomes in 2014 for China and Hong Kong. We see a healthy number of

donations to social enterprises in the million dollar level: 7 gifts in China and 6 gifts in Hong Kong. It was only in 2013 when China and Hong Kong did not show any million dollar gifts to social enterprises. A further search on the Internet shows that formal social enterprise info-gathering and nascent reporting in China and Hong Kong only starting to take root in 2012 and 2014 respectively, hence 2013 might have been too early for reliable data to be found. It was only in 2006 that the China NPO Network, emerged as the first venture philanthropy investor in China²⁶. In 2012, the China Social Enterprise Report provided an insight into the state of social entrepreneurship in China and its development since 2010²⁷. Following in 2013, the China Social Enterprise and Impact Investment report was made possible by UBS²⁸. In Hong Kong, it was in 2014 that a comprehensive research study on the landscape of Hong Kong social enterprises became available²⁹.

In terms of dollars, UK showed outstanding increase of social enterprise gifts dollars – from \$22 million to \$258 million while dollar value dipped slightly for Middle East and Singapore. In terms of percentage share of dollars, UK and Russia took huge strides forward, and swung into double digits growth 10% and 12.1% respectively. All countries experienced a rise in dollars and percentage share contributed towards social enterprises, with the exception of Singapore, with a slight dip from \$7m to \$5m in terms of dollars and from 1% to 0.9% in terms of percentage share of dollars. It should be noted that the \$95 million from 6 gifts in Hong Kong included 3 gifts totaling \$85 million from The Hong Kong Jockey Club Charities Trust. This unusually large amount from one donor skews the broader picture of Hong Kong's new entry with first time million dollar donor gifts to social entrepreneurship; this may also serve to displace perspectives of other new entrants, like China, as they forays into the social enterprise space.

Discussion on Funding

Donor types that fund social enterprises or social entrepreneurship activities: in US and UK donors are centered around Foundations and Individuals, with remaining smaller proportions funded by corporations. Russia is heavily funded by individuals with emerging interest by corporations. In Asia, corporations dominate, followed by some interest from individuals and then foundations. S. Africa, a

first in 2014, with one gift to social enterprise was funded by a foundation.

In the data analysis, there is evidence to suggest that countries with less developed philanthropic institutions may be linked with higher share of social enterprise and/or growth in hybrid models of social enterprises. In the US, where there is a strong, stable and mature nonprofit sector (M category nonprofits on the conceptual framework), we see less of hybrid social enterprises. Social entrepreneurship funding went heavily to universities and education for training, research and education of social entrepreneurship initiatives.

The UK showed a more comprehensive and balanced development of hybrid social enterprise models that covered the full range of hybrids on the continuum, from Ha to Hd on the conceptual framework (UK is the only country with Hds, i.e. for-profit social enterprises). Russian and Middle East recipients were heavily in Hb segment, and some Ha nonprofits with earned incomes. In Singapore, corporate and government backing for social enterprise development has allowed social enterprise movement to quickly gain momentum on the ground. In China and Hong Kong, the social enterprise model is still evolving; currently most are NGOs operating under the Hybrid (Ha) model. S. Africa's single gift to social enterprise funded a hybrid Hb.

The following case studies provide an opportunity to experience the 4 hybrid funding models:

Hybrid (Ha): nonprofit with earned income activities
Po Leung Kuk <http://www.poleungkuk.org.hk/en/20090713138/social-enterprises/social-enterprises.html>

Hybrid (Hb): social enterprise with double bottom lines funded by venture philanthropy
Rwanda Tea Investments <http://www.thewoodfoundation.org.uk/currentprogrammes/lmbarutso.php>

Hybrid (Hc): social business funded by impact investments
GroFin MENA (Middle East & N. Africa) <http://www.grofin.com/#!/development-impact/grf1k>

Hybrid (Hd): for-profit social enterprise in non-traditional (BOP) markets

d.Light <http://www.dlight.com/about-us/> and
Envirofit <http://www.envirofit.org/>

Conclusions and Future Research

It is clear from the data that there is an emerging critical mass of philanthropy dollars supporting social enterprises and social sector advancement cross nationally. Even more encouraging is that philanthropic dollars are supporting social change programs at million dollar and up levels. Combining various tools, like impact investing, venture philanthropy, low-interest loans to the charitable sector, the continuum-type platform provides opportunity for social entities to start up modestly with an enterprise mindset, and then evolve over time and scale up for gargantuan social problems in society. Hence, social enterprises provides great flexibility and proclivity for a step-up sequence for social enterprises to thrive, evolve, and grow from strength to strength.

It is expected that the span of hybrid-type social enterprises will continue to evolve, expand and “mutate” as social innovations on the ground become more creative. The latter has great potential, especially in regions where “patient capital” is willing to partner

and take risks in the experimentation of new ways to solve the most pressing of social challenges. In this regard, digital technologies, big data and information age communications have great potential to assist and perhaps even lead social change processes. As social programs on the ground learn to collaborate and scale up, social enterprise models and funding structures will also have to evolve to cope with new dimensions and realities.

Therefore, it bears looking into more deeply in terms of future research, how nascent funding models of social enterprises, especially those in the hybrid segment of the continuum, evolve and refine to bolster social good and provide for public benefit. Regression models could be utilized to better understand which constituencies of funders are more likely to support social enterprises and at what levels of giving; and additionally, what countries or regional institutional characteristics allow social enterprises to thrive and develop to their full potential.

The social enterprise funding model affords great flexibility and captures the interest of both business and nonprofit sectors. Future research may focus studies at the confluence of mission organizations that seek “enterprise” tools to maximize social

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Transition to Profit Purpose in Social Enterprises

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Abstract

Social enterprises that mobilize resources to address social needs often start with a not-for-profit orientation, but may soon transition into for-profit purpose enterprises while retaining their social cause. This often-tumultuous transition has several diverse antecedents and has major impacts on the transitioning enterprise and its diverse stakeholders. The social entrepreneur faces a moral dilemma in making the transition as major stakeholders often see it as giving up on the social cause for profits. However, making this transition to for-profit purpose may be the only way the social enterprise can survive, grow effectively and address a larger social need. We use an in-depth ethnographic interview with one identified social entrepreneur who engineered such a transition into for-profit purpose to survive and grow his social enterprise, to develop a set of propositions and a conceptual model that links the antecedents (individual, influence group and contextual) and mediators (support and entrepreneurial orientation) of the transition, to the consequent transition to profit purpose. We supplement our model through shorter interviews with two other unidentified social entrepreneurs who engineered similar transitions. Our conceptual theorization has implications for social entrepreneurs and stakeholders who may favor a not-for-profit orientation in the social enterprises they build or support, to consider such a transition for the greater good of the cause that they serve. It also has implications for social enterprise incubators and policy makers who support the entrepreneurial creation and growth of social enterprises to understand their transition into for-profit purpose without any bias towards not-for-profit orientation.

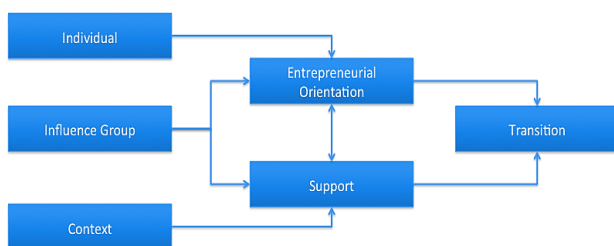
Introduction

Social enterprises are socially aware organizations that explore and exploit opportunities for value creation with a focus towards stimulating social change and meeting social needs. Extant literature recognizes social entrepreneurship as a phenomenon (Dees, 1998) and proposes functional and behavioral theories for such venture creation. Social entrepreneur typologies with labels like social bricoleur, social constructionist, and social engineer (Zahra et al., 2009) are proposed. The process of social enterprise creation has also been studied (Dorado, 2006) and research has focused on the twin objectives of social value creation with economic wealth creation (Mair & Marti, 2006). Studies cover social entrepreneurs in not-for-profit organizations (Prabhu, 1999; Hibbert et al., 2001; Thompson 2002; Shaw et al., 2002; Sullivan

et al., 2003) as well as in for-profit organizations (Thompson et al., 2000; Smallbone et al., 2001), and other individuals working in for profit and not-for-profit units (Henton et al., 1997). However, we see a literature gap on the process of transition of not-for-profit social enterprises into for-profit motive social enterprises. We observe many social enterprises in India that started with a social motive and an implicit not-for-profit structure but soon transitioned into for-profit enterprises either voluntarily or involuntarily. Many did so without giving up on their core social motive. Making this transition is often quoted as the only way the social enterprise can survive, grow effectively and address a larger social need. If so what triggers this change? How do stakeholders perceive this change? Is transition inevitable for growth? Does such transition help?

We use an in-depth ethnographic interview with one identified social entrepreneur from India who had engineered such a transition. We identified three antecedents to the transition - individual, influence groups and contextual. We link these antecedents to the transition through two mediating variables – entrepreneurial orientation and support. This leads us to a conceptual model of the transition process. Figure 1 below shows the link of the antecedents (individual, influence group and contextual) to the transition via two mediators (entrepreneurial orientation and support). We develop propositions for each relationship to lay out the clear triggers for the transition. We discuss implications for social entrepreneurs, policy makers and stakeholders.

Figure 1. Conceptual Model of Social Enterprise Transition from Not-For-Profit to For-Profit.



Entrepreneurial Orientation

Our interview data showed that the change towards for-profit motive in social enterprises is driven primarily by the entrepreneur and is guided by their entrepreneurial orientation. Conceptually, entrepreneurial orientation has five dimensions (Quince and Whitaker, 2003; Yang, 2004, Moruku, 2013) namely – autonomy, competitive aggressiveness, innovativeness, pro-activeness and risk taking. We identify that individual orientation and influence group behavior is mediated by these five elements of entrepreneurial orientation in varying degrees.

Proposition 1: Change in entrepreneurial orientation of the social entrepreneur will have a positive impact on the social enterprise transition.

Whereas the social entrepreneur's personality traits might not change much at various life stages, certain traits of their entrepreneurial orientation might vary over different periods. While a changing life stage might have no direct impact on autonomy seeking, competitive aggressiveness, innovativeness, and

pro-activeness in the individual, it is expected to have a major impact on the risk taking abilities of the individual.

Proposition 2: Life stage of the social entrepreneur has a direct and negative effect on the entrepreneurial orientation of the social entrepreneur.

During its life cycle the social enterprise is impacted not only by its immediate promoter but his support group as well. Our interview data indicates that family, peers and mentors are the three different support groups that have a distinct impact on the enterprise either directly or indirectly through the social entrepreneur.

The social entrepreneur's family is the closest set of individuals who witness the ups and downs of the enterprise and the entrepreneur. They might not be aligned to the vision of the enterprise as seen by the social entrepreneur but they are situated in such proximity to the enterprise that they can't avoid influencing it and at the same time getting influenced by it.

Proposition 3: Social entrepreneur's family will have a direct and negative effect on the entrepreneurial orientation of the social entrepreneur.

Contrary to the family, the social entrepreneur's peer group is able to relate better with the mission of the social entrepreneur. However, the peer group is unlikely to be cohesive in their support with some peers providing direct support, some peers assuring indirect support and some peers becoming detractors. This lack of cohesion in the peer group impacts the enterprise over time by forcing the social entrepreneur to often question the modes used in the social enterprise and sometimes the mission of the social enterprise. They can directly impact the entrepreneurial orientation of the social entrepreneur both positively or negatively at different times.

Proposition 4a: Peer group will have a direct and positive effect on the entrepreneurial orientation of the social entrepreneur.

Proposition 4b: Peer group will have a direct and negative effect on the entrepreneurial orientation of the social entrepreneur.

Apart from family and peers, mentors are also major influencers of the social entrepreneurs and can impact the entrepreneurial orientation of the social entrepreneur through their extensive domain understanding. While some mentors may show rigidity in exploring options in their mentoring based on their own positive experience on the options they suggest, others may be flexible and bank on their rich experience to enable the social entrepreneur to evolve the best approach for their context.

Proposition 5a: Mentor group will have a direct and positive effect on the entrepreneurial orientation of the social entrepreneur.

Proposition 5b: Mentor group will have a direct and negative effect on the entrepreneurial orientation of the social entrepreneur.

Support

Social enterprises are formed to fill a social need gap that cannot easily be filled through government or industry. However, not-for-profit social enterprises face risks of loss of financial and infrastructure support and may suffer from serious legitimacy issues that can trigger their transition to a for-profit mode. The legitimacy and risk issues can arise in external linkages with the community being impacted or with significant donors of financial assets or infrastructure assets. It may also arise through internal linkages like withdrawal of support by the family of the entrepreneur, their peers and their key employees. A social enterprise evolves by mutual learning and both the stakeholders and the social enterprise realign their dependencies over time. This process may result in asymmetric learning over time creating dissonance for stakeholders and this will manifest itself a transition for the social enterprise towards a for-profit mode. Withdrawal of support also has a more immediate impact on the transition.

Proposition 6a: Lack or withdrawal of support has a positive effect on social enterprise transition to for-profit modes.

Proposition 6b: Lack or withdrawal of support has an immediate effect on social enterprise transition to for-profit modes.

Our interviews identified that the influence groups (family, peers and mentors) of the social entrepreneur provide different levels of support over the initiation and growth of the social enterprise and such evolving support has dynamically shaped the enterprise size, its areas of work and its norms of interaction with stakeholders.

Often the aspiring social entrepreneur has to quit a lucrative salaried job to start the social enterprise and their immediate social circle often sees this move as suspicious. The family also finds it very difficult to understand and to explain to others the reasons for this choice. However, once the social entrepreneur firmly opposes the family and takes the plunge to start their social enterprise, we observe that the family support returns and also grows over time. Once they find themselves unable to change the social entrepreneur's start-up decision, it is logical for them to support it in their own self-interest and in the family interest, to give it better chance of success.

Proposition 7a: Family will have a direct and negative effect on support in the inception phase and a direct and positive effect on support in the maturity phase of the social enterprise.

As the social enterprise grows and faces typical pressures we observed that the peer group became more distant and less supportive. Some of this can be due to the loosening of bonding among the peers with time. Many peers had developed new personal and professional priorities making them contribute less to the social enterprise where they had no direct role to play. This distancing has a negative impact.

Proposition 7b: Peer group will have a direct and positive effect on support in the inception phase and a direct and negative effect on support in the maturity phase of the social enterprise.

The mentor group, being typically senior to the social entrepreneur, possibly from a different socio-economic background and in many cases being academics, remains unaffected by the factors stated earlier that impact the family and peer groups. Moreover mentors may have no financial stake in the social enterprise and this helps them in taking a balanced view of the options available. They will therefore continue to be positive in their support to the social enterprise in all the phases from inception to growth.

Proposition 7c: Mentors will have a direct and positive effect on support in both the inception and maturity phases of the social enterprise.

Context refers to the regulatory environment, the donor agencies and the local community that receives the benefits of the social enterprise. Each of these external contextual elements plays a pivotal role in shaping the transition of the social enterprise to for-profit modes. The social purpose activity of a social enterprise is often to fill a gap caused by the lack of that social purpose activity from the government. However the government may on its own or through pressures initiate activities that fill the gap that it left. If it does so, the government in effect becomes a competitor to the social enterprise and forces it to retreat or modify the scope of its social purpose activity to leverage or complement the government role. New government legislations may also impact the form of the social enterprise and move them towards for profit modes. In 2010, the Government of India legislated that all enterprises (including social ones) that crossed a threshold turnover had to pay normal taxes. This legislation initiated a spate of registrations of private limited companies as associate firms for the not-for-profit enterprise.

Proposition 8a: Regulatory context changes will have a direct and positive effect on the social enterprise transition to for-profit modes.

Funding agencies provide the much-needed capital support to the social enterprises to aid them in initiating the social purpose activity that bridges the gap left by the government. However, if the government takes initiatives later for the community served by their funded social enterprise, the funding agencies may not see any need to continue funding. Also funding agencies may change their funding priorities over time and require the social enterprises they fund to align themselves to such changed priorities. Often this may not be acceptable to the social entrepreneur leading them to detach their social enterprise from the funding agency. One way to be independent from funding agencies is to transition to a for-profit mode over time.

Proposition 8b: Funding agency changes will have a direct and positive effect on the social enterprise transition to for-profit modes.

The community served by the social enterprise is perhaps the largest influencer of the social enterprise transition to for-profit modes. There may be a mismatch between the perceived need as understood by the social entrepreneur and the actual need of the community and this may get communicated over time. Also there may be questions of the acceptance of the enterprise and its mission and vision within the community being served. These issues play a crucial role in initiating the transition of the social enterprise to a for-profit mode over time.

Proposition 8c: Served community influences and changes will have a direct and positive effect on the social enterprise transition to for-profit modes.

Entrepreneurial Orientation and Support

Our interview data indicates that entrepreneurial orientation and support combine to influence the transition of a social enterprise to for-profit modes. The interviews indicate that the entrepreneurial orientation of the social entrepreneur in creating a social purpose enterprise draws support from peer groups and mentors on moral grounds. However, the social entrepreneur's family is not as supportive to their entrepreneurial aspirations as such an effort is often seen as being a "martyr" when better career and business options are available. The entrepreneur interviewed said, "my father says that martyrs are appreciated only when they are born in someone else's family." As the social enterprise transitions to a for-profit mode, the social entrepreneur receives more support from their family as they eventually reconcile to be supportive of the social entrepreneur irrespective of an observed change in their orientation.

Proposition 9a: Family support at maturity phase will have a direct and positive effect on the social enterprise transition to for-profit modes.

Proposition 9b: Family support and mentor support will counterbalance the loss of peer group support at maturity phase for the social enterprise transition to for-profit modes.

Transition! Is it Good, Bad or Ugly?

The transition of a social enterprise to a for-profit mode is often considered suspicious as it is usually

seen as a way for the social entrepreneur to cash out on their sweat equity in creating a social enterprise that works. Though there are multiple pressures on them to initiate the transition, it is difficult for social entrepreneurs to clearly articulate and argue why this transition is essential, as counter arguments based on moral grounds are easier to make. Some social entrepreneurs create a seemingly independent for-profit firm to resolve the issue but the legitimacy questions often remain unresolved.

Our research shows how change in entrepreneurial orientation and support enables the transition to for-

profit purpose in social enterprises. It has implications for social entrepreneurs and stakeholders who favor the not-for-profit orientation, to consider such transitions for the greater good of the cause they serve.

Our research also has implications for social enterprise incubators and policy makers who support the entrepreneurial creation and growth of social enterprises to understand, support and mentor their transition into for-profit purpose without any bias towards not-for-profit orientation.

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Understanding the Impact of Social Enterprise on the Role of the Third Sector

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Abstract

This study explores social enterprise's role both as a concept and as an institutional option that has transformed the third sector following its emergence in the 1990s. It discusses the significance and nature of social enterprise both as a new concept and as an emerging social phenomenon, and more specifically, how it impacts the role of the third sector in both functional and social aspects. The paper argues that social enterprise not only strengthens the functional role of the third sector via cross-sectoral partnerships, but also enhances and expands the social role of the third sector by transforming itself to a co-producer of social service based on the "welfare mix" model. A detailed case study of a social enterprise in China is included to support these claims.

Introduction

The term "third sector" is commonly used to describe the set of non-profit organisations (NPOs) that traditionally represent civil society, including non-government organisations (NGOs), cooperatives, and communal groups¹. Social enterprises in general refer to profit-making organisations with explicit social missions, which use their assets and wealth to create community benefits (Madill, Brouard & Hebb, 2010). While the third sector has been used in academic literature for a long period of time, the concept of social enterprise has a much shorter history. Its emergence occurred concurrently with the rise of neoliberalism, new public management (NPM) and new public service (NPS), through which the role of government is being transformed from "rowing" to "steering" (Osborne, 1993), and then to the more recent idea of "serving rather than steering" (R. B. Denhardt & Denhardt, 2001). Given that little theoretical connection between social enterprise and the third sector has been drawn so far, by proposing channels of how social enterprises may impact the third sector, this study contributes a better understanding of how the impact of social enterprise has changed the third sector's role.

Defining Social Enterprise

A common cause of confusion is that, as an emerging phenomenon, social enterprise is still undergoing conceptualisation. Current definitions can be divided into two major schools of thoughts based on which perspective is emphasized. The "earned income" school of thought stresses the "enterprise" aspect and hence the market orientation of such organization (Borzaga & Defourny, 2004). This definition was extended in the 1990s to include for-profit companies with "social-purpose venture" (Defourny & Nyssens, 2010). On the other hand, the EMergence des Entreprises Sociales en Europe (EMES) research framework adopts a more systemic approach in conceptualising social enterprises and highlights their internal logics and nature, including continuous activities producing or selling goods with or without services, a high degree of organisational autonomy, a significant level of economic risk, and a minimum amount of paid work (Defourny & Nyssens, 2010).

A difference between social enterprises and NPOs is profit distribution. NPOs are supposed to be based on a "non-profit" pursuit, while social enterprises are allowed to pursue profits but must reinvest a significant

¹This study defines NPOs as organisations that fulfil the five basic characteristics of formal, private, non-profit-distributing, self-governing and voluntary (Salamon & Anheier, 1992). This definition includes all organisations within the non-profit sector.

portion back to the organisations or the social programs they offer. Social enterprises also utilize financial resources from the market as an additional stream of income and base their operational models mostly on market mechanisms, while also benefiting from donation, subsidies and social capital. However, unlike private enterprises whose primary purpose is maximising economic return, social enterprises look to fulfill their social missions for the wellbeing of a wider community.

Two features of Social Enterprise

Although the definitions of social enterprise vary across academic traditions, scholars consent to two of their defining features: organisational hybridity and social innovation. Hybridity is formally defined as “the pursuit of dual mission of economic sustainability and social purpose” (Doherty, 2014). The fundamental principle of hybridity is to combine multiple institutional logics under one organisational roof, under the rationale that such novel combination should enable organisations to reduce their internal tension and conflicts, so they could better deal with complex situations (Pestoff, 2014a). Social enterprises are typical hybrid organisations as they were created with the designated purpose to adapt to a changing economy such as shifting public administration regimes. The hybrid structure gives social enterprises a new corporate identity and entitles them to new sources of funding and human capital (Xiaohong & Ming, 2011). Scholars argue that such hybrid forms are also nurseries for innovative practices (Reay & Hinings, 2009).

A second character of social enterprise is their innovative nature. As social enterprises have emerged across Europe and North America, the analogical concept of “social entrepreneurs” is used to describe people who utilize resources in pioneering manners to fulfill social needs (Defourny & Nyssens, 2010; Edwards & Pinckney-Edwards, 2008; Perrini & Vurro, 2006). Austin & Stevenson (2006) defines this innovative quality as “social entrepreneurship”, which is, “innovative, social value creating activity that occur within or across the nonprofit, business, and public sectors”. Social enterprise is innately innovative in the sense that it breaks up boundary lines among organisational clusters and demonstrates strong entrepreneurial orientation (Mair & Noboa, 2003).

How social enterprises impact the third sector

The emergence of social enterprises as hybrid organisations affects the characters and the role of the third sector. The role of the third sector can be divided into the functional and the social aspect.

As the traditional NPOs continue to face financial and social constraints that impede their missions, there is increasing social demand for cross-sectorial collaboration that could provide more effective and sustainable social services. Such demand is reflected in the increasing tendency for sectors to involve in various institutional arrangements, ranging from social partnerships (Nelson & Zadek, 2000; Waddock, 1991; Warner & Sullivan, 2004), inter-sectorial partnerships (Waddell & Brown, 1997) to social alliances (Liu & Ko, 2011) — all point to the collaboration between actors from two or more sectors to counter problems within the public policy agenda (Warner & Sullivan, 2004).

As mentioned earlier, the hybrid nature of social enterprise implies innovative collaborations between the three major societal sectors — the market, government, and civil society — in coping social issues (Austin, 2003; Young, 1999). With the adoption of formalized market practices such as commercial trading, strategic planning, independent financial auditing, quantitative evaluation, and performance measurement, social enterprises are, in general, more financially sustainable and cost-efficient than conventional third sector organisations (Ebrahim, Battilana, & Mair, 2014). This has increased the financial independence of the third sector and has economically strengthened it to meet new challenges.

In addition to the functional aspect, social enterprise’s impact also comes with a social facet. The third sector has always been seen as a more effective social service provider than the state, especially in terms of micro-management of local programs and resources, and as a better means of governance (Stoker, 1998; Uvin, Jain, & Brown, 2000). The emergence of social enterprises potentially leads to alternative service arrangements that are traditionally beyond the scope of the voluntary sector — not only as a redistributor but also as a co-producer for products and services (Pestoff, 2012). This means transferring service contracts to the third sector and expanding its current role in the economy.

This points to the transformation of the traditional welfare system from a hierarchical, top-down steering mechanism to a new “welfare mix” (McColl Kennedy, 2012; Pestoff, 2008; Vamstad, 2007), where social responsibility is shared among public authorities, private enterprises, and third-sector organisations on the basis of “strict criteria of both efficiency and fairness” (Borzaga & Defourny, 2004). The “welfare mix concept” (Evers & Wintersberger, 1990) stresses the social role of the third sector in developing the concept of “welfare pluralism” (Evers, 1995). According to this concept, a hybridised third sector also serves as a site where formal and informal rules interact. This leads to “synergetic mixes of resources and rationales” (Evers, 1995) that provide the basis for the new structure of welfare.

In a nutshell, from a functional perspective, social enterprise mobilizes “soft support” (Bode and Brandsen, 2014) from the society, and utilizes indigenous knowledge and innovative skills for effective social service provision. From a social perspective, it supports the formation of new welfare system based on co-productive ideologies (Pestoff, 2014b).

Case Study of a Social Enterprise in China

The case of a social enterprise (henceforth SE) based in Beijing, China, in the field of microfinance and poverty reduction, helps illustrate how social enterprise may impact the role of the Third Sector both in terms of its functional and social aspects.

Projects on microfinance were started in Beijing, in 1996, by a state-supported local NGO based on the ideology and practices of Yunus’ microcredit model of providing microcredit loans to the poor as seed funding to kickstart their own small business practices (Bateman, 2014). A few villages from several low-income provinces were selected to take part in the project. The NGO soon set up a microcredit department to take charge of these projects, which was later developed into a social enterprise with its own organisational identity.

The SE takes the legal identity of a project management firm. This strategy counts on the management efficiency and financial sustainability that an enterprise scheme could potentially offer. The commercial status

permits the SE to attract investments with the promise of a certain return on capital. Instead of relying on fundraising or interest-free loans that were limited, the firm hired financial professionals to manage the funds and to negotiate with both national and private banks for lump-sum loans. Financial products that catered to the needs of low-income households were designed and promoted in the counties and villages, with an interest rate that could cover the cost of capital and operation of the organisation, making the programme more financially self-sustainable. A board of directors was elected to oversee the activities of the organization. A rigorous management network with vertical supervision and horizontal mutual support has been established across the country, ensuring the delivery of efficient and professional services to the clients. This is achieved through an innovative collaboration between institutions from all three sectors. The SE is in charge of providing knowledge, project management skills, and setting agendas. The local government provides resources to set up service centers that perform loan-issuing practices. The local government also provides legal supervision and coverage for the SE and legitimates its financial practices as a non-financial institute. This “hybrid” form of institution has features from the non-profit, private and the public sector, which enables it to tap into resources of all three to ensure its effective management and operation.

A direct achievement of the SE is the inclusive participation of the low-income rural households on a consistent basis and substantial scale. The rural households were accustomed to being turned away by banks and financial institutes from personal loans because they were seen as high-risk clients. The SE manages to recruit this low-income social group into the capitalist financial system, and provides them essential initial capital needed for development. To ensure that the mission of poverty alleviation can be fulfilled, the SE constantly reflects on its goals in agenda setting and employee trainings. Evaluation of user satisfaction and assessment of its employees are done three to four times a year to prevent mission drift. By achieving its mission, the SE plays the role of co-producer for the social service it offers, and tackles poverty through synergic collaborations among the state, the financial market and the third sector.

Conclusion

This study examines the emergence of social enterprise and its impact on the roles of the third sector in social service delivery. The impact of social enterprise on the third sector is related to its nature. By combining features from both the market sector and the non-profit sector, social enterprises allow for greater organisational elasticity and adaptability — important qualities in an era of economic and public administration reform. As hybrid organisations, social

enterprises expand the role of the third sector in both functional and social perspectives. By forming alliances with one of both of the other two sectors, the third sector not only plays its traditional redistributive roles but also the role of a co-producer of public goods and services. This leads the formation of new social relations and the potential construction of a social economy with sectorially “mixed” actors contributing in social welfare provision. Further research in this field will be required for a more thorough assessment of the social impact in detail.

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