

# SOCIAL ENTREPRENEURSHIP: METHODS OF AND CHALLENGES IN, CATALYSING POSITIVE SOCIAL CHANGE

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## **Learning outcomes**

At the end of this chapter, readers will be able to:

- Define social entrepreneurship
- Critically evaluate the social and economic dimensions of social enterprises
- Describe and discuss the challenges presented by the hybrid nature of social enterprises
- Recognize social entrepreneurial activities across diverse contexts
- Describe and discuss the social and economic impact of social enterprises

## **INTRODUCTION**

Social entrepreneurship is increasingly gaining the attention of policy makers, media outlets and academics due to its significant role in economies and societies. For example, international organizations, such as the European Commission (EC), and national governments across the globe, such as those of the UK and of Malaysia, have all recognized the importance of social entrepreneurship and have created support mechanisms to encourage this category of entrepreneurial activity. At the same time, organizations such as Ashoka, the Schwab Foundation and the Skoll Foundation all aim to celebrate and support social entrepreneurship.

Social entrepreneurship is not a new phenomenon. For example, Robert Owen's work during the late 18th and early 19th centuries during the Industrial Revolution in the UK is often recognized as a form of social entrepreneurship. He pioneered co-operative communities and integrated business and social goals through (at the time) new labour practices and improvements in housing and education (Banks, 1972). However, this phenomenon is growing and is increasingly being recognized as a contributor both to society and the economy.

Social entrepreneurship is a driver for positive social change by its very nature because individuals are empowered to achieve objectives related to such change. Additionally, it offers a pathway toward social inclusion because it attracts individuals who are often under-represented in traditional forms of entrepreneurship, such as women, minorities and those individuals who are differently abled or over 65 years old (Estrin et al., 2016; Social Enterprise UK, 2013, 2015). Thus, social entrepreneurship offers employment opportunities for individuals who sometimes face barriers to traditional labour markets, while also creating new jobs. For example, in the UK, roughly 1.44 million individuals are employed in social enterprises (Department for Digital, Culture, Media and Sport (DCMS) and Department for Business, Energy and Industrial Strategy (DBEIS), 2017). Finally, social enterprises are innovators that develop new technologies, products, services, processes, models and industries that open up new avenues for commercial businesses and non-profit organizations.

Despite its growing importance and visibility, social entrepreneurship is still a contested concept and a phenomenon with challenges. In this chapter, we introduce and define the interrelated concepts of social entrepreneurship, social entrepreneur and social enterprise. We examine the core dimensions of social entrepreneurship through the lens of the 5 Ss: *social issue*, *solution*, *social impact*, *sustainability* and *scale*. Throughout, we present the challenges social enterprises face in a contextualized manner and highlight cases of social entrepreneurship in diverse contexts in the global North and South.

## **THE PRACTICE OF ENTREPRENEURSHIP**

Despite its growing popularity, the term social entrepreneurship 'means different things to different people' (Dees, 1998, p. 1). The ambiguity of the term has meant that the boundaries that differentiate

social entrepreneurship from other concepts such as philanthropy, charity, sustainability or corporate social responsibility, are still blurred (Saebi et al., 2019). Similarly, social entrepreneurship is not just an alternative to commercial entrepreneurship (Mair and Martí, 2006), its conceptualization is more complex than simply replacing the profit motive with a social motive. While an agreed definition of social entrepreneurship has not yet been formulated, there are some common elements in the extant literature that ‘help grasp the heterogeneity’ of the term social entrepreneurship (Saebi et al., 2019, p. 72).

*Social entrepreneurship* typically refers to a *process* that involves ‘the innovative use and combination of resources to pursue opportunities to catalyse social change and/or address social needs’ (Mair and Martí, 2006, p. 37). It is the engagement in entrepreneurial activities, in combination with social value creation, that makes social entrepreneurship unique (Zahra et al., 2009). At the core of social entrepreneurship is the pursuit of social value creation as a primary or equally important goal to economic value creation. Importantly, social entrepreneurship is not limited to the creation of a new organization, but it can also occur within established organizations across the public, private and not-for-profit sectors (Mair and Martí, 2006).

Those *individuals* initiating and leading this process are typically referred to as *social entrepreneurs*. Dees (1998, p. 4) defines social entrepreneurs as:

change agents in the social sector, by adopting a mission to create and sustain social value (not just private value), recognizing and relentlessly pursuing new opportunities to serve that mission, engaging in a process of continuous innovation, adaptation, and learning, acting boldly without being limited by resources currently at hand, and exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created.

Social entrepreneurs share many personality traits with commercial entrepreneurs, such as self-efficacy, risk-taking, internal locus of control and proactivity. They also benefit from similar leadership skills. Yet, they are also characterized by distinct *social traits*, such as empathy and moral obligation (Stephan and Drencheva, 2017). As a result, social entrepreneurs can develop distinct

identities and Zahra et al. (2009) have identified three types of social entrepreneur that are different in what they do and how they do what they do:

- *The social bricoleur addresses* mostly a local social need that is small in scale and sometimes temporary in nature.
- *The social constructionist addresses* ongoing social needs that businesses and governments are not effectively addressing by designing alternative structural solutions. The social needs can vary in scale and scope from small to large and local to international.
- *The social engineer addresses* significant social needs at a very large scale and national to international scope by replacing existing ill-suited systems with new, more effective and long-lasting systems.

While this typology highlights the importance by which the broader context might influence individuals to engage in social entrepreneurship, our understanding of the contextualized nature of social entrepreneur characteristics, and their respective enterprises, across the global North and South, is still limited.

Lastly, *social enterprise* refers to the tangible *outcome* of the social entrepreneurship process (Mair and Martí, 2006). According to Battilana and Lee (2014), a social enterprise is a ‘hybrid’ organization that has both – social and economic value creation – at its core, rather than having one at its core and the other at its periphery. While this hybridity can lead to new opportunities, innovation and change (Padgett and Powell, 2012), the process of hybrid organizing can also lead to external and internal tensions (Gillett et al., 2019). These tensions are a key characteristic of social enterprise (Battilana and Dorado, 2010; Costanzo et al., 2014; Smith et al., 2013).

While for some social enterprises the activities targeted toward achieving their social mission are different from those targeted towards generating revenue, for others they are the same. Ebrahim et al. (2014) refer to the two as *differentiated* and *integrated* social enterprises. Similarly, social

enterprises can be distinguished on the basis of whether value is generated *for beneficiaries* or *with beneficiaries*. The difference lies in who pays for the product or service and whether the person who pays is also the direct beneficiary or not. Based on the nature of their economic and social mission, Saebi et al. (2019) distinguish between four types of social enterprise. Table 4.1 illustrates the characteristics of each type with an example.

The typology shows that social enterprises come in different shapes and forms, including different business models, as well as different legal forms. Given the hybrid nature of social enterprises, they typically fit into different legal forms, ranging from for-profit to not-for-profit and from incorporated to unincorporated forms. Which form is the most suitable for a social enterprise depends on a range of factors, including their source of financing, tax, governance and accountability, but also the specific country and economic context the social enterprise is operating in. Indeed, different national legal frameworks approach the issue differently. For example, Malaysia leaves it to social entrepreneurs to choose and possibly adapt already existing legal forms for their enterprise, while the UK has created legal forms specifically for social enterprise (Triponel and Agapitova, 2016).

**Table 4.1** Types of social enterprises

	<b>Two-sided value model</b>	<b>Market-oriented work model</b>	<b>One-sided value model</b>	<b>Social-oriented work model</b>
Description	Economic and social mission are achieved through two different activities. Revenue from economic activity is used to create social value for beneficiaries.	Economic value is generated with beneficiaries, i.e. through providing employment opportunities. The revenue generated from the economic activity supports the social mission.	Economic and social mission are achieved through the same activity. Beneficiaries are paying customers.	Economic and social mission are achieved through the same activity. Beneficiaries can gain employment while also being paying customers.
Economic mission	Differentiated	Differentiated	Integrated	Integrated
Social mission	For beneficiaries	With beneficiaries	For beneficiaries	With beneficiaries

Example	TOMS is a US-based for-profit producer and retailer of shoes that gives a pair of shoes to a child in need for every pair sold. Its social mission is to help improve the lives of people in need on a global scale.	Dialogue in the Dark is a social franchising company, started in Germany in 1988, which now has a presence in more than 41 countries. It provides employment opportunities for the blind. In the form of exhibitions, visitors are guided by blind guides through total darkness to raise awareness for diversity and inclusion on a global scale.	Grameen Bank is a microfinance institution founded by Muhammad Yunus in 1976 in Bangladesh. It provides financial services and small loans to individuals and small businesses in impoverished regions who are otherwise excluded from the conventional banking system.	ENVIE, a French work integration social enterprise, provides in-work training for long-term unemployed individuals. ENVIE trains them to repair used white goods which are then sold to those who might not otherwise be able to afford these household items.
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*Source:* adapted from Saebi et al. (2019)

## About the case studies

The following four case studies aim to exemplify the diversity of social enterprises and illustrate the experiences and decisions of social entrepreneurs as individuals. The first of the case studies (case study 4.1) concerns East Street Arts and illustrates how a social enterprise can provide a specific solution to a social issue in a way that benefits a wide group of stakeholders.

### Case Study 4.1: East street Arts – making space for artists

East Street Arts is a contemporary arts organization that makes space for artists, literally and metaphorically. It supports artists in the belief that they have the talent, energy, ideas and determination to change our world. It operates on an international scale, creating opportunities to make our cities better places in which to live and work.

Recognizing the challenges artists face in accessing resources to develop and sustain their practice and their livelihoods, East Street Arts was established in 1993 by artists to support artists as

active members of society. East Street Arts' mission is to sustain the alternative and challenge the norm through creating the space, time and resources for artists to be innovative, pioneering and successful. Over the course of 25 years, East Street Arts has supported over 20,000 artists to develop their careers, reinvented 500 temporary venues as art galleries and studios, created 79 permanent studio spaces, provided low-cost rehearsal space in empty office buildings for theatre companies and developed a unique pop-up Arts Hostel. At the heart of its philosophy is developing unique, provocative and experimental environments for artists, residents, businesses and tourists. In so doing, East Street Arts empowers people through art to take control, to challenge and change their lives, to make the places in which we live and work vibrant, unique and accessible. East Street Arts offers studios, rehearsal spaces, mentoring, training, opportunities and resources to artists to develop their work, organizations, activities, infrastructure, and their position in their locality.

East Street Arts also offers three innovative types of provision that make a difference for artists. First, the organization operates a temporary spaces programme, which, at any one time, secures 100 empty or unused buildings across the UK and makes them accessible on a temporary basis for artists to use as studios, learning or event spaces. The temporary spaces programme supports new kinds of artistic practice that totally operate outside of traditional gallery and theatre venues, enabling artists to link directly with audiences and co-produce with them.

Second, East Street Arts delivers Artist House 45 – a programme of long-term residencies that provides space and support for artists to live and work; to engage in artist-led practices located within the everyday and outside of conventional and elite art spaces. This programme is a part of an overall strategy to develop a range of living/working spaces for artists within communities and thus respond to the need for better and more stable housing conditions for artists.

Third, in 2016, East Street Arts opened a temporary pop-up Art Hostel in Leeds. The first social enterprise of its kind in the UK, the hostel provided affordable accommodation which was designed, created and run by artists, for curious travellers with direct access into the city's creative and independent scene. The organization is now working on developing a permanent Art Hostel as a welcoming place to make and show artists' work.

However, the solutions that East Street Arts delivers go beyond creating and providing spaces, services and support. The organization addresses the issues that artists also face with its ways of working. At the core of East Street Arts' approach in developing services and activities that fulfil its mission, is to listen to artists and address their needs in meaningful ways, often by challenging taken-for-granted assumptions and practices. As part of this approach, the organization develops strong partnerships and engages in active learning, experimentation and sharing of knowledge to find new ways to support artists and to enable a supportive ecosystem for artists.

### **Discussion questions**

1. What type of social enterprise, as described in Table 4.1, does East Street Arts represent?
2. How does the social and economic mission manifest itself in East Street Arts?
3. What social issues does East Street Arts address and how does the organization use the three core mechanisms of motivation, capability and opportunity to address these social issues?

The second of our case studies (4.2) concerns Music Fusion and illustrates the potential impact of a social enterprise.

## **Case Study 4.2: Music Fusion – Preventing youth crime through music**

Music Fusion provides music-making activities for young people who are experiencing challenging life circumstances, including those who are in care, in the judicial system, not in school, home- less or suffering from mental health problems, such as anxiety, depression and self-harm. These young people regularly engage in criminal behaviour, including taking and dealing illegal drugs, carrying a weapon, vandalism, theft, violence and trespassing. Since its beginnings in 2008, the charity, that is based in Havant, south-east England, has provided diversionary activities to over 35,000 young people who are vulnerable and from the most deprived areas in the region.



Music Fusion commissioned an impact study to identify its social performance and the specific outcomes it achieves for youth in the region, but also for the region itself. According to the impact study, within three years, Music Fusion has prevented 4,027 crimes in the region, including violence, criminal damage, burglary, robbery and vehicle crime. This represents a reduction in crime of 41% and translates into a saving of £27,171,198 for the taxpayer. As a result, for every £1 spent by Music Fusion saves the taxpayer £47.57.

### **How does Music Fusion achieve social impact?**

Music Fusion engages young people in a range of music activities, including trying out and learning an instrument, getting support, writing their own material, rehearsing and recording at their own studio, recording a promo video and performing gigs. One of their projects, 'Words not Weapons', brought together feuding youth groups who had previously engaged in a series of assaults with weapons by diverting their energy to work together to jointly produce an award-winning music album. The impact study measurements clearly showed that engaging with Music Fusion helped young people build their confidence, self-esteem and communication skills by 'giving them something to do and somewhere to go' and 'believing in them, when many others didn't'. As a result, the vast majority of young people felt that Music Fusion stopped their criminal behaviour and prevented them from going to prison. Jinx Prowse, CEO of Music Fusion, says: 'By showing our young people another way of living, mentoring, and nurturing them, they gain in confidence, learn to help each other and feel good about themselves.'

### **Discussion questions**

1. Referring to the Theory of Change (see later in this chapter), develop a graph that links Music Fusion's resources, activities, outputs and outcomes.
2. Explain how and why the social impact was achieved.
3. What other indicators could Music Fusion use to demonstrate social change?
4. How might Music Fusion use its impact study measurements to support the organization's growth?

The third of our case studies (4.3) concerns Sasibai Kimis, founder of Earth Heir, and illustrates the journey of a social entrepreneur from a personal perspective, a journey told in her own words.

### **Case Study 4.3: Social entrepreneurship in action – as told by sasibai Kimis of Earthheir**

While travelling in Cambodia, I met many weavers, textile makers and poor families who relied on their traditional handicrafts to make ends meet. I started buying their scarves and sold them to friends in Malaysia. But I realized this activity and the income I could secure with this simple gesture wasn't sustainable. From working with a non-governmental organization (NGO) in Ghana, that relied on donor funding, I also knew that to have sustainable impact, developing income streams was essential.

This is how Earth Heir was born. I started Earth Heir in 2013 to protect the intangible heritage of communities in ways that help these communities to fight poverty. We aim to raise the value of craftsmanship in Malaysia, to do it ethically and sustainably, so that it makes economic and cultural sense for artisanal handicrafts to be produced. We achieve this by working with underprivileged communities in six states in Malaysia to produce accessories, homeware and clothing by combining traditional methods of handicrafts, often using sustainable raw materials, such as mengkuang leaves, with modern designs and access to global markets.

Today, Earth Heir is one of six social enterprises participating in a global initiative by the United Nations High Commissioner for Refugees (UNHCR) where artisanal products, such as our beautiful jewellery, are made by refugees to help them earn an income. In Malaysia, we have about 150,000 refugees registered with the UNHCR, but the real number may be close to 200,000. They cannot work, have no rights and their children cannot go to school. This initiative not only allows refugees to earn an income, but we also hope it helps Malaysians to understand that refugees are not here to sponge off us. They are willing and want to work hard and become meaningful contributors to our society. Our identity and self-esteem are often linked to our work and being able to earn a living allows people to live with dignity. This is essential for refugees who have been uprooted and

displaced. This initiative enables them to earn a living, while also supporting them to keep a connection with their home and culture.

While over the years we've had numerous reasons to celebrate our work, there's nothing glamorous about running a social enterprise. It's tough and burdening work with numerous challenges. People see the awards, the public speaking, but they don't see the struggle and hardship behind it. In many ways, running a social enterprise in Malaysia, my home country, has proven to be harder than anything I have endeavoured to do in my life thus far. I spent the first few years of building Earth Heir trying to find the artisans, developing relationships with them, identifying what the root problems were, developing our brand and coping with legal requirements in a country that does not recognize social enterprise as a different legal form. Other difficulties included the challenges of working with refugees, doing things well and sustainably for everyone, which limits scalability, trying to champion changes in consumer values and attitudes, which takes time, and the list goes on and on. It's been tough.

To work so hard and not see that translating into visible results can be incredibly discouraging. What kept me going was the positive feedback from artisans or clients who have been changed by what we do. Seeing the impact of our work has been incredibly rewarding after the sacrifices. Today, Earth Heir supports over 100 artisans and their families across six states in Malaysia. We support multiple communities directly, while also changing attitudes toward more sustainable and ethical consumer behaviour, which is essential in today's climate emergency.

But Earth Heir does not have an impact only on artisans and their communities. It also has an impact on me. Building Earth Heir has been a journey of discovering my own heritage as a Malaysian. It's been a journey of discovering who I am and how to remain authentic to myself and my heritage.

## **Discussion questions**

1. What personal challenges did Sasibai Kimis experience when starting and growing her social enterprise?
2. What suggestions do you have for coping with the personal challenges of starting and growing a social enterprise?

3. Sasibai Kimis is a returnee entrepreneur who had a successful academic and professional career in the USA and the UK before returning to Malaysia. What challenges and benefits might her international experience have brought about when she started Earth Heir?
4. Identify three different social enterprises that support refugees and discuss the differences between them in relation to the solution, scale and sustainability of the organizations.

The final case study in this chapter (4.4) shares the approach of Biji-biji toward scaling the organization and its impact.

### **Case Study 4.4: Biji-biji – Sustainable living for all**

Biji-biji was founded by a group of friends in 2013, bonded together by the desire to live in an eco- village. In the Malay language, the name translates to seeds/seedlings. It is a perfect representation of the social enterprise's purpose to sow the seeds of sustainability by changing perceptions toward sustainable living and making sustainable living more accessible to individuals from diverse backgrounds. Biji-biji develops products, services and initiatives that enable individuals, organizations and industries to re-think and re-imagine their consumption. For example, the organization hosts sustainability education workshops, develops fashionable consumer products (e.g. upcycled bags made from discarded safety belts and marketing banners) and develops alternative energy projects and sustainable structures. Biji-biji also supports corporations to adopt sustainable practices aligned with the Sustainable Development Goals, agreed as part of the UN's 2030 Agenda on Sustainability (United Nations, 2015).

Each founding member and everyone who has joined since 2013 has a passion for sustainability. However, Biji-biji was also started from a place of dissatisfaction, from working long hours late into the night in capitalist structures that benefit those with privilege without rewarding the hard work of employees. This is why Biji-biji has established transparent work practices to create an inclusive and fair work environment for everyone: from interns to senior leaders. For example, to address income inequality, Biji-biji has a 1:5 salary ratio between the lowest and highest earners in the organization and strives for gender equality in pay and promotion. Recognizing the need for different skills and competencies as the organization grows and develops new initiatives, the salary ratio may be reviewed

and adjusted to ensure that appropriate talent is recruited. However, any changes to the salary ratio and principles are openly shared with all Biji-biji members and the public.

The team started with seven core partners (four of whom are the co-founders) and grew to a team of 20 within two years and up to 35 within four years of operation. Currently, the organization has a core team of 23 people and works with a number of project-based freelancers and trainees. Biji-biji was started with a tiny investment from the founding members and earns most of its income from corporate and government projects. As Biji-biji grew, the team learnt to move toward services that provide consistent income and away from the initial guerrilla-style projects from the early days. Yet, untimely payments from clients that restrict available resources remain a challenge.

Despite challenges with untimely payments, Biji-biji has never relied heavily on grants to scale (see more on scaling later on in this chapter). Biji-biji won several grants and competitions in the early days. These awards helped with growth by giving the team the opportunity to build a strong brand and to invest in new initiatives. Indeed, for Biji-biji scale means several different things. On the one hand, for the team, scale refers to growing an organization to develop and deliver new products and initiatives that reach more individuals and organizations. On the other hand, the team also considers how to scale its impact in three main ways. First, it promotes social entrepreneurship as a model for sustainable development and started a new social enterprise called Me.reka. Second, Biji-biji embeds social enterprises and sustainability practices in its supply chains, thus amplifying its impact and the impact of suppliers and collaborators. Third, it adopts an open-source approach and shares designs for others to use and improve. Indeed, Biji-biji strives to act as an authentic role model for other organizations in Malaysia and annually reports on its actions, targets and indicators toward the UN's Sustainable Development Goals.

## **Discussion questions**

1. Which scaling strategies and routes does Biji-biji use? What are the benefits of each route?
2. Using a 1:5 salary ratio is beneficial for equality but might make it more difficult for social enterprises to recruit the specialist talent they need. Beyond reviewing and adjusting this

ratio in special circumstances, what other mechanisms might social enterprises use to recruit and retain talent, while remaining transparent and inclusive?

3. Identify a commercial organization and discuss how it reports its actions, targets and indicators toward the UN's Sustainable Development Goals.
4. Further examples of social entrepreneurship are discussed in the second part of this chapter. These provide further practical experiences of social entrepreneurs and their enterprises.

## **THEORIZING SOCIAL ENTREPRENEURSHIP: THE 5 SS**

Social enterprises engage in processes that address *social issues* through *solutions* that aim to create *social impact* with different levels of financial and organizational *sustainability* at different levels of *scale*. Thus, we consider social issue, solution, social impact, sustainability and scale to be the five core dimensions of social entrepreneurship. We use these core elements as an organizing framework to describe and examine the practices and activities in social entrepreneurship.

### **Social issue**

Social entrepreneurship is a process that addresses the social issues that exist due to institutional and/or market failures (Mair and Martí, 2009). Social enterprises are active in addressing diverse social issues that have a negative impact on individuals, communities or the environment. For example, they work on broad economic, civic engagement, law and rights, environmental, education, health, food, housing, technology, culture and family social issues (Mair et al., 2012). These issues might exist due to resource constraints and systemic inequalities or might be an outcome of natural and man-made disasters and adversity, such as the Haiti earthquake (Williams and Shepherd, 2016).

Within these very broad social issues, social enterprises might narrow down the issue or recognize the multidimensionality of social issues. Some social enterprises aim to address clearly defined social issues and catalyse positive impact at a local level or for a clearly defined social group, while others aim to address *wicked problems* and change established systems, social norms and

infrastructures. OOMPH in the UK is an example of an organization addressing the specific health issue of low quality of life of older people in care homes. Hospital Beyond Boundaries is a Malaysian social enterprise that aims to address a community's health problems, including a lack of immunization, sanitation and nutrition, which are nested, multidimensional and complex as wicked problems. Indeed, wicked problems often encompass links between multiple social issues, such as health and inequality, which continuously reinforce each other, are reproduced through interactions, behaviours, norms and structures (Mair et al., 2016) and thus can be taken for granted and invisible in communities. Wicked problems pose challenges to identifying a starting point for developing a solution because they have multiple causes and interact with other social issues (Lukes, 2004; George et al., 2016). Wicked problems also introduce motivational challenges because they are unsolvable; instead, they require to be continuously re-solved and engaged with through iterating solutions and the coordinated and sustained efforts of multiple stakeholders (Lukes, 2004).

Individuals can identify social issues to address via social entrepreneurship through observation and personal experience. On the one hand, individuals may observe the suffering of others, which motivates them to take action and engage in social entrepreneurship (Yitshaki and Kropp, 2016). On the other hand, social entrepreneurs are also motivated by personal experiences of pain and trauma. Individuals can recognize social issues and develop new offerings because of their personal experiences of pain and trauma in deprived areas, or when institutions do not adequately focus on the social issues. Thus, they can recognize these issues and develop solutions, not only to benefit others, but also to benefit themselves as members of such communities. For example, in the UK, social enterprises are more likely to be located in the most deprived areas of the country, compared to commercial SMEs (DCMS and DBEIS, 2017; Social Enterprise UK, 2017). As individuals, social entrepreneurs might experience traumatic events, face specific medical challenges, or have no access to professional care for their own older parents (Wong and Tang, 2006; Yitshaki and Kropp, 2016). Such experiences of personal need help individuals to recognize social issues and understand the effective solutions, while also pushing individuals to pursue social entrepreneurship to support themselves and their well-being.

## Solution

To address the identified social issue, social enterprises develop and deliver specific solutions. These solutions aim to benefit individuals and communities, such as children, farmers, women, youth, families, teachers, individuals with differently abled bodies, people living in poverty or homeless, students, as well as organizations, such as civic engagement organizations, governments and businesses, or the public more broadly (Mair et al., 2012). The solutions developed by social enterprises can be organized into two broad categories: *provisions* and *ways of working*. While we present these categories of solutions independently for clarity, it is important to acknowledge that they are interrelated and indeed social enterprises may need new ways of working to create new services that tackle a specific social issue. Ultimately, these solutions aim to address the social issue by leveraging three core mechanisms: *motivation*, *capability* and *opportunity*. These mechanisms enhance individuals' desire and drive to change behaviours (i.e. motivation) and skills and efficacy to perform positive behaviours (i.e. capability), while changing their context by removing constraints (i.e. opportunity) (Stephan et al., 2016).

Social enterprises develop solutions that provide services or products. These provisions serve as interventions that aim to address the social issue directly by working with those affected by it. Common services or programmes developed by social enterprises to address social issues include networking, educating and training, counselling, lending, treating medically, supplying, employing, organizing and lodging (Mair et al., 2012). Work Integration Social Enterprises (WISEs) are one prominent and common example of offering services to address a social issue. WISEs support individuals with barriers to labour markets, such as those who are long-term unemployed or differently abled, by providing in-work training in specific fields and employability services, such as curriculum vitae (CV) writing and interview practice to enable (re-)entry into the labour market. Elvis & Kresse recycle damaged and decommissioned hoses from fire brigades in the UK or 'waste' materials from the luxury industry, such as leather, to make accessories and homeware items.



Social enterprises develop solutions that embrace new ways of working (Gabriel, 2014). Such new ways of working include new values, principles, processes and guidelines that transform previous practices and remove barriers (Mair et al., 2016). Ways of working can also involve new organizational models and relationships that enable the social enterprise to work in a specific way to address a social issue. Thus, these organizations may not necessarily develop new products and services but use new ways of working to make them more accessible and useful. For example, Aravind is a social enterprise that aims to eradicate 'needless' blindness in India, initially focusing on eliminating cataract blindness because cataracts were the leading cause of blindness in the country. Due to difficulties in accessing medical care for those in rural areas and a lack of sufficient surgical talent in the country, Aravind focused on developing a low-cost and efficient operational system to reach the greatest number of people without compromising on the quality of care. Aravind's ways of working, which enabled the eradication of needless blindness, include: screening of patients in rural communities, a steady flow of patients, a surgical flow with minimal waiting times between surgeries, well-trained non-surgical staff, detailed logistics planning to avoid waiting for supplies or equipment and daily micro-planning to match surgical load to staffing and supplies.

## **Social impact**

By addressing the social issue with an appropriate solution, social enterprises aim to catalyse positive social impact. Different terms are used to describe the positive benefits of the work of social enterprises, such as social value, social change, social performance and social return(s on investment) (Rawhouser et al., 2019). We use *positive social impact* to refer to beneficial outcomes resulting from the intentional processes of transforming patterns of thought, behaviour, social relationships, institutions and social structures that are enjoyed by the intended targets of the process and/or by the broader community of individuals, organizations and/or environments (drawing on Stephan et al., 2016). Positive social impact is not merely the link between a specific product or service and a desired outcome or the overall effect a social enterprise has on the communities it serves. Rather, positive social impact is the endpoint of a causal and logically coherent chain, whereby acquired tangible and intangible resources are transformed into activities and create outputs and outcomes that impact the

intended target group (Department for International Development (DfID), 2012; Ebrahim and Rangan, 2014).

## **Example: Measuring social impact**

Social enterprises need to engage in social impact measurement, also labelled as impact measurement, impact reporting and social impact accounting. Social impact measurement broadly refers to processes of demonstrating results in relation to goals to address a specific social issue (Ebrahim and Rangan, 2014). Social impact measurement may represent evaluation of a specific programme or service to determine its results or social performance measurement for the entire organization to summarize its results across multiple programmes. To measure social impact, social enterprises need to design appropriate research methods to collect and analyse data, implement these methods and report the results in meaningful ways to internal (e.g. employees or volunteers) and external stakeholders (e.g. funders or beneficiaries). Such reporting can be done through various media, such as project and annual reports, leaflets, videos, infographics and blog posts that share information about social impact in ways that are accessible to different stakeholders.

## **Discussion questions**

1. Why is it important for social enterprises to measure their social impact?
2. What are the potential tensions between measuring and demonstrating social impact?
3. How can social enterprises effectively demonstrate their social impact to diverse audiences?

Social enterprises need to measure their social impact for several internal and external reasons (André et al., 2018; Lall, 2019; Molecke and Pinkse, 2017). Internally, social impact measurement is essential for learning and improving solutions because it can highlight what works, what does not work and what can be improved. Embedding such learning into the future work of the social enterprise can result in more effective solutions, i.e. better ways to address the social issue, and avoid mission drift (Ebrahim et al., 2014). Evaluation and learning from social impact measurement are also important for maintaining the motivation of those in the social enterprise, given the challenges embedded in their

work and the personal sacrifices involved (see case study 4.3). Externally, social impact measurement is a way for social enterprises to remain accountable to their funders, supporters and beneficiaries, and to access resources. Indeed, social impact measurement is often a requirement for funding and financing for social enterprises. Additionally, engaging in social impact measurement can help social enterprises to establish a credible and professional image in their communities and fields.

One common tool amongst social enterprises to plan for and measure their impact is Theory of Change<sup>1</sup> (DfID, 2012; Ebrahim and Rangan, 2014). As a process, Theory of Change applies critical thinking to the design, implementation and evaluation of initiatives and programmes intended to support change in their contexts. Thus, ideally it is used to design and implement programmes, not only to retrospectively evaluate them. As a visual product, Theory of Change is an outcome-based, causal model with clear assumptions that visualizes the explanatory pathway toward change in specific social, political and environmental conditions. The graphic Theory of Change model visually links resources, activities, outputs and outcomes to explain how and why the desired social impact is expected to come about (see Figure 4.1). This means that Theory of Change requires justification at each step by articulating the exact hypothesis about why something will result in something else, for example why a specific activity will lead to a specific output (DfID, 2012).

From this perspective, the work of social enterprises can result in immediate outputs (e.g. a new platform that shares information about the climate emergency<sup>2</sup>) and short-term outcomes (e.g. increased awareness of the climate emergency amongst those who engage with the platform) for which the organization can be accountable and in the broader long-term impact that the social enterprise aspires to (e.g. slowing down the escalation of climate emergency risks, such as extreme weather events). However, the broader long-term impact is also based on certain assumptions of stability and is interrelated with the work of other organizations. It is also important to acknowledge that, while social enterprises exist to catalyse positive social impact, their work might result in negative changes for service users due to unintended consequences or poor design. It can also result in negative changes for broader or different communities as a by-product of transforming patterns of thought, behaviour,

social relationships, institutions and social structures that, in benefiting some communities, disadvantage others.

**Figure 4.1** Basic theory of change structure

*Note:* The ceiling of accountability should accurately reflect where in the logical chain the control of the social enterprise over activities, outputs, outcomes and long-term impact stops. Such control may stop after activities, outputs or outcomes, or after some activities, outputs and outcomes.

## **Example: Developing a Theory of Change model**

While measuring and demonstrating their positive social impact is important for social enterprises to improve their work, access resources and avoid mission drift, they also face numerous challenges in measuring their impact. First, in contrast to financial performance, there are generally no agreed methodologies or units for social impact measurement because of the diversity of social issues being addressed by social enterprises and the different levels of impact they strive to catalyse in diverse contexts. This is a particularly salient challenge for social enterprises that aim to address wicked problems that interact with other social issues whereby, methodologically, it is challenging to capture social impact with a single metric that is meaningful for stakeholders. Social enterprises also face methodological challenges to measure their social impact when they focus on preventative solutions, such as preventing loneliness or adverse health conditions amongst people who are older. In such cases, the social impact is a lack of negative individual or community change which is difficult to measure.

Second, external factors outside of the social enterprise's control may enhance, neutralize or counteract the intended effect of a solution. While activities and outputs are usually controlled by the social enterprise and can thus be measured in quantitative terms, outcomes and impact are more difficult to isolate and take credit for because social enterprises operate in an ecosystem, including other social enterprises, businesses, governments and social movements. Thus, positive changes in the lives of individuals or communities might occur during the work of a social enterprise, but not necessarily because of it. This is why a good Theory of Change model should also include a ceiling of accountability that identifies the specific contribution of the social enterprise toward the desired long-term impact, recognizing the contributions of other actors.

Finally, social impact measurement requires resources, such as time and financial resources, and skills to effectively and rigorously capture outcomes and communicate them in meaningful ways to stakeholders, without losing the richness and nuance of the experience of beneficiaries. Yet, many social enterprises do not have the internal talent for social impact measurement or the financial resources to hire external evaluators and communication specialists.

## **Discussion questions**

1. What practical challenges might social enterprises face in measuring their social impact?
2. What practical challenges might social enterprises face when developing a Theory of Change model specifically?
3. How might social enterprises use a Theory of Change model in a social impact measurement study?

## **Sustainability**

As discussed at the start of this chapter, the literature broadly distinguishes between four types of social enterprise (see Table 4.1). Each type might differ in terms of its underlying business model and, therefore, its ability to ensure financial and organizational sustainability as well as its ability to scale (which we discuss separately in the next section). As such, the business model helps understand the functioning of a social enterprise, i.e. how it creates, delivers and captures value.

Value is, of course, subjective; and the different social and economic missions in social enterprises reflect different kinds of value for different stakeholders. In their study of the process of business model development of a social enterprise, Wilson and Post (2013) show that the social mission was paramount in its development, but that the rationales for deciding that a market-based approach was appropriate to fulfilling that social mission were varied. However, reconciling these debates may not be straightforward. The authors argue that, for a social enterprise, there is no quick fix in getting the alignment right; the business model is malleable during the development process and

time and patience are needed. Careful and intentional consideration of multiple stakeholders and their interests is also necessary from the very outset of business model development to ensure that different values are firmly and fully embedded in the fabric of the enterprise itself.

Achieving financial sustainability by securing sufficient financial resources to sustain its operation and social mission is essential for a social enterprise. When it comes to accessing financial resources, social enterprises have some distinct advantages, but also some challenges. One of the key advantages is that social enterprises tend to be embedded in a diverse stakeholder network which allows them to access financial resources from a wider range of sources (Dacin et al., 2010), including commercial revenue, grant funding, donations, loans and investment. While they have access to diverse financing options, as social enterprises balance their financial performance against their social mission, rather than maximize their financial performance, they are less attractive to traditional investors or bank managers for loans. Their hybrid nature and the inherent complexity of their underlying business models make social enterprises often not well understood by traditional funders (Battilana and Dorado, 2010).

## **New financing mechanisms**

This is why new financing mechanisms are emerging. Social investment has become an alternative funding opportunity for social enterprises. This type of investment specifically accounts for the typically lower financial returns of social enterprises and the longer time horizon that is required to generate social value (Doherty et al., 2014). Crowdfunding has also emerged as an alternative funding mechanism for social enterprises, particularly early-stage ones. Using data from Kickstarter, Calic and Mosakowski (2016) showed that an enterprise with a social mission was more likely to be successful in crowdfunding campaigns, compared to an enterprise that had a commercial focus only. Compared to more traditional funding mechanisms, the socio-cultural values of the funders, i.e. the crowd, align more closely to those of the social entrepreneurs in crowdfunding, making it easier for social entrepreneurs to mobilize financial resources through this mechanism.

Indigo & Iris is a New Zealand-based beauty company with a social mission. To launch their first product, a vegan and cruelty-free mascara, that not only benefits the wearer, but also helps restore sight for people in the Pacific Islands, Indigo & Iris raised NZ\$127,945 (against a goal of NZ\$75,000) through a Kickstarter campaign (see Chapter 6). Fifty percent of profits from the sale of the mascara is donated to The Fred Hollows Foundation, which provides health care to people with visual impairments in the Pacific Islands. Most people experiencing blindness in the Pacific Islands can be treated through simple, sight-restoring surgery. Restoring sight has a large impact on individual lives as it enables them to regain their independence. It is unlikely that Indigo & Iris would have been able to raise this amount of money from a traditional source of funding.

## **Social enterprises and mission drift**

Besides achieving financial sustainability, achieving organizational sustainability is another key challenge for social enterprises. The two are closely related, however, it is often the drive for financial sustainability that endangers organizational sustainability in terms of the ability of a social enterprise to maintain its hybrid nature. What this means is that social enterprises are ‘at risk of losing sight of their social missions in their efforts to generate revenue, a risk referred to as mission drift’ (Ebrahim et al., 2014, p. 82). As the social enterprise is dependent on revenue to sustain its operations, there is an inevitable risk of prioritizing the economic over the social mission. It is not uncommon for organizations to lose sight of their purpose and values, but for social enterprises mission drift is more severe as it ‘threatens their very *raison d’être*’ (Ebrahim et al., 2014, p. 82).

One way of avoiding mission drift is through social imprinting – the early focus of the founding team to recruit social mission-oriented staff or develop social mission-oriented systems, processes and shared identities. Research by Battilana et al. (2015) has found that social imprinting has a positive effect on the impact of social enterprises. Conversely, by building an emphasis on achieving its social mission into the organization’s DNA early on, social imprinting can lead to lower economic productivity as social activities are prioritized over commercial ones. In turn, this reduces the

resources that are available to pursue the social mission. This illustrates the paradoxical tensions that are inherent in social enterprises.

## Scale

While in traditional notions of entrepreneurship ‘going to scale’ refers to growing the organization and its market to increase profits by leveraging economies of scale, in the context of social entrepreneurship ‘going to scale’ also refers to matching the level of need by increasing the number of individuals who benefit from the solution. Indeed, some social entrepreneurs consider the proactive closure of their organization as the ultimate success of their scaling strategy because this indicates that there is no longer a need for the organization. From this perspective, growing the social impact of the organization is different from growing the organization itself. Social enterprises can scale various parts of their solutions, such as provisions and ways of working, to reach more beneficiaries without scaling the social enterprise itself.

Social enterprises use two main scaling strategies: *scaling up* and *scaling out* (Gabriel, 2014). In the context of social enterprises, *scaling up* refers to growing the organization to deliver and thus make progress toward matching the level of need (Gabriel, 2014). Similar to commercial organizations, this approach implies setting up new branches in new locations, expanding or exporting to new markets and growing production and delivery capacity (e.g. Davies and Doherty, 2018; Ometto et al., 2019). To achieve such expansion, social enterprises need to build staff capabilities, grow their infrastructure and systems and raise financial capital. While this strategy allows social enterprises to maintain control and potentially to retain any financial surplus, it requires significant levels of resources that might be challenging to mobilize because of their hybrid nature. The second main strategy that social enterprises use is *scaling out*. Scaling out refers to growing and leveraging networks to defuse ideas, replicate methods and deliver offerings to match the level of need. Scaling up can be achieved via three different routes: *influence and advice*, *building a network to deliver* and *forming strategic partnerships* (Gabriel, 2014).



Social enterprises, such as Aravind which has used this strategy, can scale out their central idea and principles with *influence and advice* initiatives, such as campaigning and advocacy, public speaking, publishing and lobbying and consulting and training to enable replication by others. Thus, the organization does not necessarily grow with this strategy, but its central ideas and principles are adopted by others to scale the impact of the organization. This strategy allows the ideas and principles of social enterprises to become mainstream and to leverage the collective creativity of those adopting these ideas and principles to enhance and improve them. However, the strategy also constrains revenue-generation opportunities and limits control over how ideas and principles are adopted by other organizations (Gabriel, 2014).

The second scaling out strategy is *building a network to deliver* (Gabriel, 2014). Such networks can be informal, such as communities of practice, or developed through formal mechanisms, such as social franchising, licensing, delivery contracts and quality marks (e.g. Tracey and Jarvis, 2007). These formal and informal networks are underpinned by sharing knowledge, resources, tools and guidelines as well as delivering training, support and quality assurance that enable consistency across the network.

ENVIE is a French Work Integration Social Enterprise that sells consumer-used products as a means of providing in-work training for individuals with long-term unemployment. The organization used a social franchise model to establish national reach in France through 29 units that are part of the network and comply with standard operating, governance and financial systems with tight monitoring on a regular basis. Building a network to deliver offers diverse revenue-generation opportunities (e.g. application and maintenance fees, additional support and training) and tighter control, compared to the influence and advice strategy. However, it poses risks to brand and quality control and its success relies on a very careful selection of partners and on maintenance of quality across the whole network (Gabriel, 2014).

The final scaling-out strategy that social enterprises use is *forming strategic partnerships* (Gabriel, 2014). Social enterprises' strategic partnerships can take various forms, such as strategic alliances for capacity building and infrastructure access, joint ventures with mainstream partners and mergers (e.g. Barinaga, 2018; Gillett et al., 2019). These strategic partnerships are underpinned by

sharing knowledge, resources and infrastructure, and creating a common mission, values and identity, enabling the partners to leverage their unique strengths and assets while functioning as one.

Grameen Bank has developed strategic partnerships with diverse organizations to achieve its mission of putting poverty in museums (see Chapter 6 on the role of microfinance). While the organization started by providing microloans, its solutions expanded over the years to provide nursing education, access to mobile technology, and better nutrition through strategic partnerships with a university, two telecommunication operators and a dairy provider. Without these partnerships, neither organization would have been able to engage in these specific activities because the partners bring specific knowledge and resources to address poverty in different ways. While forming strategic partnerships offers tighter control over activities and revenues, compared to all other scaling-out strategies, it depends on careful selection of partners and the development of shared identity and values to maintain an effective partnership with a social mission.

There is no one ideal scaling route or strategy because social enterprises differ in their solutions, social issues and contexts. Thus, a one-size-fits-all approach is not appropriate and, indeed, social enterprises may use multiple scaling routes and strategies. For example, they can use different routes and strategies at different times, depending on their stage of development and goals, or they can combine multiple routes and strategies at the same time to balance the benefits and risks associated with each one. Indeed, the scalability of a social enterprise, i.e. its capacity to scale up or out, may be constrained by unique and local social issues whereby the social enterprise meets the level of need, by unique contexts in which the solution is developed, and thus not replicable and transferable to other contexts, and by the availability of human resources required for delivering the solution on a larger scale. Thus, when social enterprises develop scaling strategies, they consider their goals in relation to social impact, financial sustainability, control and pace of scale along with their resources and context.

## **SUMMARY AND REVIEW**

This chapter has focused on a specific type of entrepreneurship – social entrepreneurship – that is increasingly gaining attention as an important mechanism to achieve positive social change and social

inclusion. As social entrepreneurship is on the rise globally, it is important to have conceptual clarity and this chapter defines the interrelated concepts of social entrepreneurship, social entrepreneur and social enterprise, while, at the same time, acknowledging the heterogeneity of the term social entrepreneurship across different contexts. The case studies of East Street Art, Music Fusion, Sasibai Kimis of Earth Heir, and Biji-biji illustrate the different types of social enterprise and their hybrid nature that results from their dual mission to address social issues and remain financially sustainable. The examples of Indigo & Iris, ENVIE, Aravind and Grameen Bank illustrate different strategies that successful social enterprises, in different contexts, have used to achieve scale and to meet the challenges faced by social enterprises.

There is not yet a single theory of social entrepreneurship that fully explains this phenomenon as a category of entrepreneurship activity. Instead, this chapter presents an organizing framework that consists of five core dimensions to describe and examine the practices and activities in social entrepreneurship: social issue, solution, social change, sustainability and scale. These five core dimensions can enable individuals to understand social enterprises, develop their own social enterprises and examine the challenges of social entrepreneurship for individuals and organizations from different perspectives.

## **RECOMMENDED READING**

- General resources to support social entrepreneurship activities:
  - <https://diytoolkit.org>
  - [www.ashoka.org/en-gb](http://www.ashoka.org/en-gb)
  - <http://skoll.org>
  - [www.schwabfound.org](http://www.schwabfound.org)
  - [www.socialenterprise.org.uk](http://www.socialenterprise.org.uk)
  - [www.unltd.org.uk](http://www.unltd.org.uk)
  - [www.gov.uk/government/news/dfid-research-review-of-the-use-of-theory-of-change-in-international-development](http://www.gov.uk/government/news/dfid-research-review-of-the-use-of-theory-of-change-in-international-development)

- Resources for Music Fusion case:
  - [www.musicfusion.org.uk](http://www.musicfusion.org.uk)
  - [www.youtube.com/user/musicfusionuk](http://www.youtube.com/user/musicfusionuk)
- Resources for Indigo & Iris:
  - <https://indigoandiris.co>
  - [www.kickstarter.com/projects/indigoandiris/indigo-and-iris-levitate-mascara](http://www.kickstarter.com/projects/indigoandiris/indigo-and-iris-levitate-mascara)
- Resources for East Street Arts case:
  - <https://eaststreetarts.org.uk>
  - <https://arthostel.org.uk>
  - <http://thekeyfund.co.uk/finance/our-customers/east-street-arts>
- Resources for Earth Heir case:
  - <https://earthheir.com>
  - <https://my.asiatatler.com/society/sasibai-kimis-of-earth-heir-the-bigger-cause-behind-her-ethnic-fashion-business>
- Resources for Biji-biji case:
  - [www.biji-biji.com](http://www.biji-biji.com)
  - [www.youtube.com/playlist?list=PLR1CmToQWfnWfOAKJBtl8IHL5tvQN87jC](http://www.youtube.com/playlist?list=PLR1CmToQWfnWfOAKJBtl8IHL5tvQN87jC)

## **SUGGESTED ASSIGNMENTS**

Critically evaluate the similarities and differences between social enterprises and non-profit organizations, public services, social movements and commercial businesses. Consider their goals, activities, methods and challenges.

Outline the challenges that emerge in social entrepreneurship across the five dimensions of social issue, solution, social impact, sustainability and scale.

Propose specific ways in which social entrepreneurs as individuals and social enterprises as organizations can address these challenges.

Interview a social entrepreneur and identify how they overcome the challenges of sustainability and scaling.

Select one of the Sustainable Development Goals, as published by the UN (2015), and investigate how social enterprises in your country are contributing toward its achievement.

## NOTES

1. While Theory of Change and a logic model are two different tools, our approach to Theory of Change includes elements of a logic model to provide more guidance and structure to the tool and make it easier to use for learners.
2. We use 'climate emergency' instead of 'climate change' to more accurately describe the environmental crisis facing the world today in line with climate scientists and the United Nations.

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